COMMUNITY HEALTH SYSTEMS INC
Form 10-Q
October 29, 2010

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2010
Commission file number 001-15925
COMMUNITY HEALTH SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**13-3893191**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*
4000 Meridian Boulevard **Franklin, Tennessee**	**37067**
(Address of principal executive offices)	*(Zip Code)*

(Registrant s telephone number)
615-465-7000

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes þ No o

As of October 20, 2010, there were outstanding 92,547,041 shares of the Registrant s Common Stock, $0.01 par value.

Community Health Systems, Inc.
Form 10-Q
For the Three and Nine Months Ended September 30, 2010

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PART I FINANCIAL INFORMATION

Item 1. ***Financial Statements***

COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)
(Unaudited)

	September 30, 2010	December 31, 2009
ASSETS		
Current assets		
Cash and cash equivalents	$ 567,749	$ 344,541
Patient accounts receivable, net of allowance for doubtful accounts of $1,554,149 and $1,417,188 at September 30, 2010 and December 31, 2009, respectively	1,651,406	1,617,903
Supplies	313,770	302,609
Prepaid income taxes	100,868	45,414
Deferred income taxes	78,621	80,714
Prepaid expenses and taxes	99,650	89,475
Other current assets	171,906	194,339
Total current assets	2,983,970	2,674,995
Property and equipment	8,135,499	7,787,256
Less accumulated depreciation and amortization	(1,991,929)	(1,655,010)
Property and equipment, net	6,143,570	6,132,246
Goodwill	4,174,040	4,157,927
Other assets, net	1,117,913	1,056,304
Total assets	$ 14,419,493	$ 14,021,472
LIABILITIES AND EQUITY		
Current liabilities		
Current maturities of long-term debt	$ 60,654	$ 66,470
Accounts payable	516,152	428,565
Deferred income taxes	28,522	28,397
Accrued interest	82,056	145,201
Accrued liabilities	892,620	789,163
Total current liabilities	1,580,004	1,457,796
Long-term debt	8,816,223	8,844,638
Deferred income taxes	474,748	475,812

Other long-term liabilities	1,038,229	858,952
Total liabilities	11,909,204	11,637,198
Redeemable noncontrolling interests in equity of consolidated subsidiaries	384,056	368,857
EQUITY		
Community Health Systems, Inc. stockholders equity		
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; 93,715,641 shares issued and 92,740,092 shares outstanding at September 30, 2010, and 94,013,537 shares issued and 93,037,988 shares outstanding at December 31, 2009	937	940
Additional paid-in capital	1,126,498	1,158,359
Treasury stock, at cost, 975,549 shares at September 30, 2010 and December 31, 2009	(6,678)	(6,678)
Accumulated other comprehensive loss	(288,660)	(221,385)
Retained earnings	1,229,872	1,019,399
Total Community Health Systems, Inc. stockholders equity	2,061,969	1,950,635
Noncontrolling interests in equity of consolidated subsidiaries	64,264	64,782
Total equity	2,126,233	2,015,417
Total liabilities and equity	$ 14,419,493	$ 14,021,472

See accompanying notes to the condensed consolidated financial statements.

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COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except share and per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Net operating revenues	$ 3,252,055	$ 3,086,757	$ 9,583,801	$ 9,016,467
Operating costs and expenses:				
Salaries and benefits	1,303,389	1,239,147	3,853,982	3,614,267
Provision for bad debts	403,077	378,357	1,162,601	1,078,587
Supplies	443,113	428,120	1,312,167	1,253,713
Other operating expenses	606,073	567,624	1,778,153	1,680,414
Rent	64,465	62,683	192,116	184,211
Depreciation and amortization	151,119	143,558	452,179	421,566
Total operating costs and expenses	2,971,236	2,819,489	8,751,198	8,232,758
Income from operations	280,819	267,268	832,603	783,709
Interest expense, net	164,011	161,823	486,308	487,209
Loss (gain) from early extinguishment of debt		21		(2,385)
Equity in earnings of unconsolidated affiliates	(9,535)	(7,001)	(33,100)	(31,701)
Income from continuing operations before income taxes	126,343	112,425	379,395	330,586
Provision for income taxes	41,489	37,064	123,203	109,907
Income from continuing operations	84,854	75,361	256,192	220,679
Discontinued operations, net of taxes:				
Income from operations of hospitals sold and hospitals held for sale				1,977
Loss on sale of hospitals, net				(405)
Income from discontinued operations				1,572
Net income	84,854	75,361	256,192	222,251
Less: Net income attributable to noncontrolling interests	14,453	15,649	45,719	44,189
Net income attributable to Community Health Systems, Inc.	$ 70,401	$ 59,712	$ 210,473	$ 178,062

Basic earnings per share attributable to Community Health Systems, Inc. common stockholders:				
Continuing operations	$ 0.77	$ 0.66	$ 2.29	$ 1.96
Discontinued operations				0.01
Net income	$ 0.77	$ 0.66	$ 2.29	$ 1.97
Diluted earnings per share attributable to Community Health Systems, Inc. common stockholders:				
Continuing operations	$ 0.76	$ 0.65	$ 2.26	$ 1.94
Discontinued operations				0.01
Net income	$ 0.76	$ 0.65	$ 2.26	$ 1.95
Weighted-average number of shares outstanding:				
Basic	91,484,466	90,923,052	92,035,722	90,423,600
Diluted	92,462,702	92,019,282	93,219,909	91,119,859

See accompanying notes to the condensed consolidated financial statements.

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COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2010	**2009**
Cash flows from operating activities		
Net income	$ 256,192	$ 222,251
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	452,179	421,898
Stock-based compensation expense	29,899	35,121
Loss on sale of hospitals and partnership interest, net		405
(Excess tax benefit) income tax payable increase relating to stock-based compensation	(10,109)	3,544
Gain on early extinguishment of debt		(2,385)
Other non-cash expenses, net	8,237	13,410
Changes in operating assets and liabilities, net of effects of acquisitions and divestitures:		
Patient accounts receivable	(25,579)	(10,235)
Supplies, prepaid expenses and other current assets	4,755	18,278
Accounts payable, accrued liabilities and income taxes	172,687	194,955
Other	10,116	3,518
Net cash provided by operating activities	898,377	900,760
Cash flows from investing activities		
Acquisitions of facilities and other related equipment	(67,541)	(211,941)
Purchases of property and equipment	(381,853)	(398,138)
Proceeds from disposition of hospitals and other ancillary operations		89,514
Proceeds from sale of property and equipment	2,845	2,521
Increase in other non-operating assets	(98,502)	(111,476)
Net cash used in investing activities	(545,051)	(629,520)
Cash flows from financing activities		
Proceeds from exercise of stock options	53,839	9,952
Excess tax benefit (income tax payable increase) relating to stock-based compensation	10,109	(3,544)
Deferred financing costs		(82)
Stock buy-back	(107,932)	
Proceeds from noncontrolling investors in joint ventures	5,155	26,314
Redemption of noncontrolling investments in joint ventures	(2,467)	(2,387)
Distributions to noncontrolling investors in joint ventures	(41,870)	(43,744)
Borrowings under credit agreement		200,000
Repayments of long-term indebtedness	(46,952)	(245,589)

Net cash used in financing activities	(130,118)	(59,080)
Net change in cash and cash equivalents	223,208	212,160
Cash and cash equivalents at beginning of period	344,541	220,655
Cash and cash equivalents at end of period	$ 567,749	$ 432,815
Supplemental disclosure of cash flow information:		
Interest payments	$ 549,453	$ 556,881
Income taxes paid, net	$ 128,925	$ 1,096

See accompanying notes to the condensed consolidated financial statements.

COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION

The unaudited condensed consolidated financial statements of Community Health Systems, Inc. and its subsidiaries (the Company) as of September 30, 2010 and December 31, 2009 and for the three-month and nine-month periods ended September 30, 2010 and September 30, 2009, have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). In the opinion of management, such information contains all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for such periods. All intercompany transactions and balances have been eliminated. The results of operations for the three and nine months ended September 30, 2010, are not necessarily indicative of the results to be expected for the full fiscal year ending December 31, 2010. Certain information and disclosures normally included in the notes to consolidated financial statements have been condensed or omitted as permitted by the rules and regulations of the Securities and Exchange Commission (SEC). The Company believes the disclosures are adequate to make the information presented not misleading. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2009, contained in the Company s Annual Report on Form 10-K.

Noncontrolling interests in less-than-wholly-owned consolidated subsidiaries of the parent are presented as a component of total equity on the condensed consolidated balance sheets to distinguish between the interests of the parent company and the interests of the noncontrolling owners. 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 condensed consolidated balance sheets.

Throughout these notes to the condensed 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 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. References to the Company may include one or more of its subsidiaries.

2. ACCOUNTING FOR STOCK-BASED COMPENSATION

Stock-based compensation awards are granted under the Community Health Systems, Inc. Amended and Restated 2000 Stock Option and Award Plan (the 2000 Plan) and the Community Health Systems, Inc. 2009 Stock Option and Award Plan (the 2009 Plan).

The 2000 Plan allows for the grant of incentive stock options intended to qualify under Section 422 of the Internal Revenue Code (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. To date, 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 2010 have a 10-year contractual term. The exercise price of all options granted under the 2000 Plan is equal to the fair value of the Company s common stock on the option grant date. As of September 30, 2010, 433,838 shares of unissued common stock were reserved for future grants under the 2000 Plan.

The 2009 Plan, which was adopted by the Board of Directors of the Parent as of March 24, 2009 and approved by stockholders on May 19, 2009, 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. The duration of any option granted under the 2009 Plan will be determined by the Company s compensation committee. Generally, however, no option may be exercised more than 10 years from the date of grant, provided that the compensation committee may provide that a stock option may, upon the death of the grantee, be exercised for up to one year following the date of death even if such period extends beyond 10 years. As of September 30, 2010, no grants had been made under the 2009 Plan, with 3,500,000 shares of unissued common stock remaining reserved for future grants.

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

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 thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Effect on income from continuing operations before income taxes	$ (9,481)	$ (10,316)	$ (29,899)	$ (35,121)
Effect on net income	$ (5,964)	$ (6,267)	$ (18,806)	$ (21,336)

At September 30, 2010, $55.5 million of unrecognized stock-based compensation expense was expected to be recognized over a weighted-average period of 24 months. Of that amount, $12.3 million related to outstanding unvested stock options expected to be recognized over a weighted-average period of 24 months and $43.2 million related to outstanding unvested restricted stock, restricted stock units and phantom shares expected to be recognized over a weighted-average period of 24 months. There were no modifications to awards during the three and nine months ended September 30, 2010.

The fair value of stock options was estimated using the Black Scholes option pricing model with the following assumptions and weighted-average fair values during the three and nine months ended September 30, 2010 and 2009:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Expected volatility	38.0%	45.4%	33.7%	40.5%
Expected dividends				
Expected term	3.0 years	4.0 years	3.1 years	4.0 years
Risk-free interest rate	0.77%	1.83%	1.44%	1.64%

In determining 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 discernable employee populations. From this analysis, the Company identified two employee populations, one consisting primarily of certain senior executives and the other consisting of all other recipients.

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 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.

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

Options outstanding and exercisable under the 2000 Plan as of September 30, 2010, and changes during each of the three-month periods following December 31, 2009 were as follows (in thousands, except share and per share data):

	Shares	Weighted - Average Exercise Price	Weighted - Average Remaining Contractual Term	Aggregate Intrinsic Value as of September 30, 2010
Outstanding at December 31, 2009	8,954,081	$ 30.19		
Granted	1,255,500	33.90		
Exercised	(891,366)	26.93		
Forfeited and cancelled	(69,012)	28.09		
Outstanding at March 31, 2010	9,249,203	31.02		
Granted	57,000	39.66		
Exercised	(1,183,524)	25.02		
Forfeited and cancelled	(118,851)	29.14		
Outstanding at June 30, 2010	8,003,828	31.99		
Granted	57,000	30.76		
Exercised	(10,812)	20.71		
Forfeited and cancelled	(66,508)	29.80		
Outstanding at September 30, 2010	7,983,508	$ 32.02	5.9 years	$ 21,938
Exercisable at September 30, 2010	5,533,875	$ 33.27	4.6 years	$ 12,898

The weighted-average grant date fair value of stock options granted during the three months ended September 30, 2010 and 2009 was $8.52 and $10.93, respectively, and $8.20 and $6.39 during the nine months ended September 30, 2010 and 2009, respectively. 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 ($30.97) 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 September 30, 2010. This amount changes based on the market value of the Company s common stock. The aggregate intrinsic value of options exercised during the three months ended September 30, 2010 and 2009 was $0.1 million and $3.4 million, respectively. The aggregate intrinsic value of options exercised during the nine months ended September 30, 2010 and 2009 was $28.3 million and $6.9 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 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 Company s senior executives contain a performance objective that must be met in addition to any 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. Notwithstanding the above-mentioned performance objectives and vesting requirements, the restrictions 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.

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

Restricted stock outstanding under the 2000 Plan as of September 30, 2010, and changes during each of the three-month periods following December 31, 2009 were as follows:

	Shares	Weighted - Average Grant Date Fair Value
Unvested at December 31, 2009	1,897,541	$24.09
Granted	1,047,000	33.90
Vested	(826,174)	26.97
Forfeited	(2,000)	29.22
Unvested at March 31, 2010	2,116,367	27.81
Granted	7,000	39.66
Vested	(11,500)	32.75
Forfeited		
Unvested at June 30, 2010	2,111,867	27.83
Granted	19,000	30.76
Vested	(6,001)	31.28
Forfeited	(2,834)	26.21
Unvested at September 30, 2010	2,122,032	27.85

On February 25, 2009, under the 2000 Plan, each of the Company s outside directors received a grant of shares of phantom stock equal in value to $130,000 divided by the closing price of the Company s common stock on that date ($18.18), or 7,151 shares per director (a total of 42,906 shares of phantom stock). Pursuant to a March 24, 2009 amendment to the 2000 Plan, future grants of this type will be denominated as restricted stock unit awards. On May 19, 2009, the newly elected outside director received a grant of 7,151 restricted stock units under the 2000 Plan, having a value at the time of $180,706 based upon the closing price of the Company s common stock on that date of $25.27. On February 24, 2010, six of the Company s seven outside directors each received a grant of 4,130 restricted stock units under the 2000 Plan, having a value at the time of $140,000 based upon the closing price of the Company s common stock on that date of $33.90. One outside director, who did not stand for reelection in 2010, did not receive a grant on February 24, 2010. Vesting of these shares of phantom stock and restricted stock units occurs in one-third increments on each of the first three anniversaries of the award date. During the three months ended September 30, 2010, no shares vested. During the nine months ended September 30, 2010, 21,449 shares vested at a weighted-average grant date fair value of $18.97. None of these grants were canceled during the three and nine months ended September 30, 2010. As of September 30, 2010, there were 53,388 shares of phantom stock and restricted stock units unvested at a weighted-average grant date fair value of $26.11.

Under the Directors Fees Deferral Plan, the Company s outside directors may elect to receive share equivalent units in lieu of cash for their directors fees. These share equivalent units are held in the plan until the director electing to receive the share equivalent units retires or otherwise terminates his/her directorship with the Company. Share equivalent units are converted to shares of common stock of the Company at the time of distribution based on the closing market price of the Company s common stock on that date. The following table represents the amount of directors fees which were deferred during each of the respective periods, and the number of share equivalent units into which such directors fees would have converted had each of the directors who had deferred such fees retired or terminated his/her directorship with the Company as of the end of the respective periods (in thousands, except units):

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Directors fees earned and deferred into plan	$ 45	$ 20	$ 135	$ 60
Share equivalent units	1,453	626	4,003	2,722

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

At September 30, 2010, a total of 17,597 share equivalent units were deferred in the plan with an aggregate fair value of $0.5 million, based on the closing market price of the Company s common stock at September 30, 2010 of $30.97.

3. COST OF REVENUE

The majority 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 include the Company s corporate office costs, which were $36.8 million and $39.4 million for the three months ended September 30, 2010 and 2009, respectively, and $117.0 million and $120.2 million for the nine months ended September 30, 2010 and 2009, respectively. Included in these amounts is stock-based compensation expense of $9.5 million and $10.3 million for the three months ended September 30, 2010 and 2009, respectively, and $29.9 million and $35.1 million for the nine months ended September 30, 2010 and 2009, respectively.

4. USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements. Actual results could differ from these estimates under different assumptions or conditions.

5. ACQUISITIONS AND DIVESTITURES

Acquisitions

Effective July 7, 2010, one or more subsidiaries of the Company completed the acquisition of Marion Regional Healthcare System in Marion, South Carolina. This healthcare system includes Marion Regional Hospital (124 licensed beds), an acute care hospital, along with a related skilled nursing facility and other ancillary services. The total consideration for fixed assets and working capital was approximately $28.3 million, of which $24.4 million was paid in cash and approximately $3.9 million was assumed in liabilities. This acquisition transaction was accounted for as a purchase business combination.

On December 31, 2009, one or more subsidiaries of the Company completed an affiliation transaction providing $54.2 million of financing to Rockwood Clinic, P.S., a multi-specialty clinic with 32 locations across the inland northwest region of eastern Washington and western Idaho. This transaction was accounted for as a purchase business combination.

Effective June 1, 2009, one or more subsidiaries of the Company acquired from Akron General Medical Center the remaining 20% noncontrolling interest in Massillon Community Health System, LLC not then owned by a subsidiary of the Company. This entity indirectly owns and operates Affinity Medical Center of Massillon, Ohio. The purchase price for this noncontrolling interest was $1.1 million in cash. Affinity Medical Center is now wholly-owned by these subsidiaries of the Company.

Effective April 30, 2009, one or more subsidiaries of the Company acquired Wyoming Valley Health Care System in Wilkes-Barre, Pennsylvania. This healthcare system includes Wilkes-Barre General Hospital (392 licensed beds), an acute care hospital located in Wilkes-Barre, Pennsylvania, and First Hospital Wyoming Valley, a behavioral health facility located in Kingston, Pennsylvania, as well as other outpatient and ancillary services. The total consideration for fixed assets and working capital of Wyoming Valley Health Care System was approximately $179.1 million, of which $153.7 million was paid in cash, net of $14.2 million of cash in acquired bank accounts, and approximately $25.4 million was assumed in liabilities. This acquisition transaction was accounted for as a purchase business combination.

Effective April 1, 2009, one or more subsidiaries of the Company acquired from Share Foundation the remaining 50% equity interest in MCSA L.L.C., an entity in which one or more subsidiaries of the Company previously had a 50% unconsolidated noncontrolling interest. One or more subsidiaries of the Company provided MCSA L.L.C. certain management services. This acquisition resulted in these subsidiaries of the Company owning a 100% equity interest in that entity. MCSA L.L.C. owns and operates Medical Center of South Arkansas (166 licensed beds) in El Dorado, Arkansas. The purchase price was $26.0 million in cash. As of the acquisition date, one or more subsidiaries of the Company had a liability to MCSA L.L.C. of $14.1 million, as a result of a cash management agreement previously entered into with the hospital. Upon completion of the acquisition, this liability was eliminated in consolidation.

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

Effective February 1, 2009, one or more subsidiaries of the Company completed the acquisition of Siloam Springs Memorial Hospital (73 licensed beds), located in Siloam Springs, Arkansas, from the City of Siloam Springs. The total consideration for this hospital consisted of approximately $0.1 million paid in cash for working capital and approximately $1.0 million of assumed liabilities. In connection with this acquisition, a subsidiary of the Company entered into a lease agreement for the existing hospital and agreed to build a replacement facility at this location, with construction required to commence by February 2011 and be completed by February 2013. As security for this obligation, a subsidiary of the Company deposited $1.6 million into an escrow account at closing and agreed to deposit an additional $1.6 million by February 1, 2010, which the Company s subsidiary deposited in January 2010. If the construction of the replacement facility is not completed within the agreed time frame, the escrow balance will be remitted to the City of Siloam Springs. If the construction of the replacement facility is completed within the agreed time frame, the escrow balance will be returned to the Company s subsidiary.

Approximately $2.5 million and $0.6 million of acquisition costs related to prospective and closed acquisitions were expensed during the three months ended September 30, 2010 and 2009, respectively, and approximately $4.3 million and $3.6 million were expensed during the nine months ended September 30, 2010 and 2009, respectively.

Discontinued Operations

Effective March 31, 2009, the Company, through its subsidiaries Triad-Denton Hospital LLC and Triad-Denton Hospital LP, completed the settlement of pending litigation which resulted in the sale of its ownership interest in a partnership, which owned and operated Presbyterian Hospital of Denton (255 licensed beds) in Denton, Texas, to Texas Health Resources for $103.0 million in cash. Also included as part of the settlement, these subsidiaries of the Company transferred certain hospital related assets. The Company has classified the results of operations for this hospital as discontinued operations in the accompanying condensed consolidated statements of income for the nine months ended September 30, 2009.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net operating revenues	$	$	$	$ 42,113
Income from operations of hospitals sold or held for sale before income taxes				3,024
Loss on sale of hospitals, net				(644)
Income from discontinued operations, before taxes				2,380
Provision for income taxes				808
Income from discontinued operations, net of taxes	$	$	$	$ 1,572

Interest expense and loss on early extinguishment of debt were allocated to discontinued operations based on sale proceeds available for debt repayment.

6. INCOME TAXES

The total amount of unrecognized benefit that would affect the effective tax rate, if recognized, was approximately $8.5 million as of September 30, 2010. It is the Company s policy to recognize interest and penalties related to unrecognized benefits in its condensed consolidated statements of income as income tax expense. During the nine months ended September 30, 2010, the Company decreased liabilities by $0.5 million and interest and penalties by approximately $0.3 million. A total of approximately $1.7 million of interest and penalties is included in the amount of the liability for uncertain tax positions at September 30, 2010.

The Company believes that it is reasonably possible that approximately $1.4 million of its current unrecognized tax benefit may be recognized within the next 12 months as a result of a lapse of the statute of limitations and settlements with taxing authorities.

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The Company, or one of its subsidiaries, files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. The Company has extended the federal statute of limitations 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 and December 31, 2003. The Company is currently under examination by the Internal Revenue Service (IRS) regarding the federal tax return of Triad for the tax periods ended December 31, 2004, December 31, 2005, December 31, 2006 and July 25, 2007. The Company believes the results of this examination will not be material to its consolidated results of operations or consolidated financial position. With few exceptions, the Company is no longer subject to state income tax examinations for years prior to 2006 and federal income tax examinations with respect to Community Health Systems, Inc. federal returns for years prior to 2007. The Company s federal income tax returns for the 2007 and 2008 tax years are currently under examination by the IRS. The Company believes the results of this examination will not be material to its consolidated results of operations or consolidated financial position.

Prior to January 1, 2009, income attributable to noncontrolling interests was deducted from earnings before arriving at income from continuing operations. With the adoption of certain updates to U.S. GAAP related to consolidations effective January 1, 2009, the income attributable to noncontrolling interests has been reclassified below net income and therefore is no longer deducted in arriving at income from continuing operations. However, the provision for income taxes does not change because those less than wholly-owned consolidated subsidiaries attribute their taxable income to their respective investors. Accordingly, the Company will not pay tax on the income attributable to the noncontrolling interests. As a result of separately reporting income that is taxed to others, the Company s effective tax rate on continuing operations before income taxes, as reported on the face of the financial statements, is 32.8% and 33.0% for the three months ended September 30, 2010 and 2009, respectively, and 32.5% and 33.2% for the nine months ended September 30, 2010 and 2009, respectively. However, the actual effective tax rate that is attributable to the Company s share of income from continuing operations before income taxes (income from continuing operations before income taxes, as presented on the face of the condensed consolidated statement of income, less income from continuing operations attributable to noncontrolling interests of $14.5 million and $15.6 million for the three months ended September 30, 2010 and 2009, respectively, and $45.7 million and $43.8 million for the nine months ended September 30, 2010 and 2009, respectively) is 37.1% and 38.3% for the three months ended September 30, 2010 and 2009, respectively, and 36.9% and 38.3% for the nine months ended September 30, 2010 and 2009, respectively.

Cash paid for income taxes, net of refunds received, resulted in net cash paid of $49.2 million and $1.8 million for the three months ended September 30, 2010 and 2009, respectively. Cash paid for income taxes, net of refunds received, resulted in net cash paid of $128.9 million and $1.1 million for the nine months ended September 30, 2010 and 2009, respectively.

7. GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying amount of goodwill for the nine months ended September 30, 2010, are as follows (in thousands):

Balance as of December 31, 2009	$ 4,157,927
Goodwill acquired as part of acquisitions during 2010	13,268
Consideration adjustments and purchase price allocation adjustments for prior year s acquisitions	2,845
Balance as of September 30, 2010	$ 4,174,040

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 meet the criteria to be classified as reporting units. At September 30, 2010, the hospital operations reporting unit, the home care agency operations reporting unit, and the hospital management services reporting unit had approximately $4.1 billion, $34.3 million and $33.3 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 has selected September 30 as its annual testing date. The Company performed its last annual goodwill evaluation as of September 30, 2009, which evaluation took place during the fourth quarter of 2009. No impairment was indicated by this evaluation.

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COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES
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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.

The gross carrying amount of the Company s other intangible assets subject to amortization was $77.0 million at September 30, 2010 and $76.2 million at December 31, 2009, and the net carrying amount was $38.6 million at September 30, 2010 and $47.0 million at December 31, 2009. The carrying amount of the Company s other intangible assets not subject to amortization was $44.1 million and $44.4 million at September 30, 2010 and December 31, 2009, respectively. Other intangible assets are included in other assets, net on the Company s condensed 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 amortization period for the intangible assets subject to amortization is approximately eight years. There are no expected residual values related to these intangible assets. Amortization expense on these intangible assets was $3.1 million and $3.0 million during the three months ended September 30, 2010 and 2009, respectively, and $9.4 million and $9.7 million during the nine months ended September 30, 2010 and 2009, respectively. Amortization expense on intangible assets is estimated to be $3.0 million for the remainder of 2010, $7.1 million in 2011, $5.7 million in 2012, $4.4 million in 2013, $2.8 million in 2014 and $15.6 million in 2015 and thereafter.

8. 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 thousands, except share data):

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Numerator:				
Income from continuing operations, net of taxes	$ 84,854	$ 75,361	$ 256,192	$ 220,679
Less: Income from continuing operations attributable to noncontrolling interests, net of taxes	14,453	15,649	45,719	43,834
Income from continuing operations attributable to Community Health Systems, Inc. common stockholders basic and diluted	$ 70,401	$ 59,712	$ 210,473	$ 176,845
Income from discontinued operations, net of taxes	$	$	$	$ 1,572
Less: Income from discontinued operations attributable to noncontrolling interests, net of taxes				355
Income from discontinued operations attributable to Community Health Systems, Inc. common stockholders basic and diluted	$	$	$	$ 1,217
Denominator:				
Weighted-average number of shares outstanding basic	91,484,466	90,923,052	92,035,722	90,423,600
Effect of dilutive securities:				
Restricted stock awards	570,002	464,808	472,296	413,503
Employee stock options	393,041	616,829	695,934	274,813
Other equity based awards	15,193	14,593	15,957	7,943
Weighted-average number of shares outstanding diluted	92,462,702	92,019,282	93,219,909	91,119,859
Dilutive securities outstanding not included in the computation of earnings per share because their effect is antidilutive:				
Employee stock options	6,029,836	5,703,459	4,964,658	7,472,007

9. 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 classes of capital stock has a par value of $0.01 per share. Shares of preferred stock, none of which were outstanding as of September 30, 2010, 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 September 15, 2010, the Company commenced a new 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 program will conclude 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 has been expended. During both the three and nine months ended September 30, 2010, the Company repurchased and retired 256,272 shares at a weighted-average price of $30.76 per share, which is the cumulative number of shares that have been repurchased under this program through September 30, 2010.

On December 9, 2009, the Company commenced the predecessor open market repurchase program for up to 3,000,000 shares of the Company s common stock, not to exceed $100 million in repurchases. This program has concluded since purchases approximately totaled the permitted maximum dollar amount. During the three months ended September 30, 2010, the Company repurchased and retired 2,608,528 shares at a weighted-average price of $33.62 per share under this program. During the nine months ended September 30, 2010, the Company repurchased and retired 2,964,528 shares at a weighted-average price of $33.69 per share, which is the cumulative number of shares that have been repurchased under this program.

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COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES
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The following schedule presents the reconciliation of the carrying amount of total equity, equity attributable to the Company, and equity attributable to the noncontrolling interests for the nine-month period ended September 30, 2010 (in thousands):

	Redeemable Noncontrolling Interests	Community Health Systems, Inc. Stockholders: Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Noncontrolling Interests	Total Stockholders Equity
Balance, December 31, 2009	$ 368,857	$ 940	$ 1,158,359	$ (6,678)	$ (221,385)	$ 1,019,399	$ 64,782	$ 2,015,417
Comprehensive income (loss):								
Net income	34,168					210,473	11,551	222,024
Net change in fair value of interest rate swaps					(76,336)			(76,336)
Net change in fair value of available-for-sale securities					3,027			3,027
Amortization and recognition of unrecognized pension cost components					6,034			6,034
Total comprehensive income (loss)	34,168				(67,275)	210,473	11,551	154,749
Net distributions to noncontrolling interests	(25,634)						(11,031)	(11,031)
Purchase of subsidiary shares from noncontrolling interests	(949)		(1,507)					(1,507)
Other reclassifications of noncontrolling interests	1,038						(1,038)	(1,038)
Adjustment to redemption value of redeemable	6,576		(6,576)					(6,576)

noncontrolling interests								
Repurchases of common stock		(32)	(107,932)					(107,964)
Issuance of common stock in connection with the exercise of stock options		21	53,839					53,860
Cancellation of restricted stock for tax withholdings on vested shares		(3)	(9,693)					(9,696)
Tax benefit from exercise of options			10,109					10,109
Share-based compensation		11	29,899					29,910
Balance, September 30, 2010	$ 384,056	$ 937	$ 1,126,498	$ (6,678)	$ (288,660)	$ 1,229,872	$ 64,264	$ 2,126,233

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:

	Nine Months Ended September 30, 2010
Net income attributable to Community Health Systems, Inc.	$ 210,473
Transfers to the noncontrolling interests:	
Decrease in Community Health Systems, Inc. paid-in capital for purchase of subsidiary partnership interests	(1,507)
Net transfers to noncontrolling interests	(1,507)
Change to Community Health Systems, Inc. stockholders equity from net income attributable to Community Health Systems, Inc. and transfers to noncontrolling interests	$ 208,966

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

10. COMPREHENSIVE INCOME

The following table presents the components of comprehensive income, net of related taxes (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net income	$ 84,854	$ 75,361	$ 256,192	$ 222,251
Net change in fair value of interest rate swaps	(31,285)	(23,163)	(76,336)	50,886
Net change in fair value of available-for-sale securities	2,396	732	3,027	283
Amortization and recognition of unrecognized pension cost components	801	754	6,034	2,164
Comprehensive income	56,766	53,684	188,917	275,584
Less: Comprehensive income attributable to noncontrolling interests	14,453	15,649	45,719	44,189
Comprehensive income attributable to Community Health Systems, Inc.	$ 42,313	$ 38,035	$ 143,198	$ 231,395

The net change in fair value of the interest rate swaps, the net change in fair value of available-for-sale securities and the amortization and recognition of unrecognized pension cost components are included in accumulated other comprehensive loss on the accompanying condensed consolidated balance sheets.

11. EQUITY INVESTMENTS

As of September 30, 2010, 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 Inc. owns the majority interest. Effective April 1, 2009, one or more subsidiaries of the Company acquired from Share Foundation the remaining 50% equity interest in MCSA L.L.C., an entity in which one or more subsidiaries of the Company previously had a 50% unconsolidated noncontrolling interest. One or more subsidiaries of the Company provided MCSA L.L.C. certain management services. This acquisition resulted in these subsidiaries of the Company owning 100% equity interest in that entity. MCSA L.L.C. owns and operates Medical Center of South Arkansas in El Dorado, Arkansas. The results of operations for MCSA L.L.C. were included in the consolidated financial statements effective April 1, 2009.

Summarized combined financial information for the three and nine months ended September 30, 2010 and 2009, for these unconsolidated entities in which the Company owns an equity interest is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenues	$347,591	$340,219	$1,063,656	$1,064,602
Operating costs and expenses	314,965	316,079	960,943	949,881
Net income	32,581	24,120	102,626	114,700

The summarized financial information for the three and nine months ended September 30, 2010 and 2009 was derived from the unaudited financial information provided to the Company by those unconsolidated entities.

The Company s investment in all of its unconsolidated affiliates was $410.2 million and $399.4 million at September 30, 2010 and December 31, 2009, respectively, and is included in other assets, net in the accompanying condensed 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 $9.5 million and $7.0 million for the three months ended September 30, 2010 and 2009, respectively, and $33.1 million and $31.7 million for the nine months ended September 30, 2010 and 2009, respectively.

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12. LONG-TERM DEBT

Credit Facility and Notes

In connection with the consummation of the acquisition of Triad on July 25, 2007, the Company s wholly-owned subsidiary CHS/Community Health Systems, Inc. (CHS) obtained approximately $7.2 billion of senior secured financing under a new credit facility (the Credit Facility) with a syndicate of financial institutions led by Credit Suisse, as administrative agent and collateral agent and issued approximately $3.0 billion aggregate principal amount of 8.875% senior notes due 2015 (the Notes). The Company used the net proceeds of $3.0 billion from the Notes offering and the net proceeds of approximately $6.1 billion of term loans under the Credit Facility to acquire the outstanding shares of Triad, to refinance certain of Triad s indebtedness and the Company s indebtedness, to complete certain related transactions, to pay certain costs and expenses of the transactions and for general corporate uses. Specifically, the Company repaid its outstanding debt under the previously outstanding credit facility, the 6.50% senior subordinated notes due 2012 and certain of Triad s existing indebtedness. During the third quarter of 2007, the Company recorded a pre-tax write-off of approximately $13.9 million in deferred loan costs relative to the early extinguishment of the debt under the previously outstanding credit facility and incurred tender and solicitation fees of approximately $13.4 million on the early repayment of the Company s $300 million aggregate principal amount of 6.50% senior subordinated notes due 2012 through a cash tender offer and consent solicitation.

The Credit Facility consists of an approximately $6.1 billion funded term loan facility with a maturity of seven years, a $400 million delayed draw term loan facility with a maturity of seven years and a $750 million revolving credit facility with a maturity of six years. As of December 31, 2007, the $400 million delayed draw term loan facility had been reduced to $300 million at the request of CHS. During the fourth quarter of 2008, $100 million of the delayed draw term loan was drawn by CHS, reducing the delayed draw term loan availability to $200 million at December 31, 2008. In January 2009, CHS drew down the remaining $200 million of the delayed draw term loan. The revolving credit facility also includes a subfacility for letters of credit and a swingline subfacility.

The Credit Facility requires quarterly amortization payments of each term loan facility equal to 0.25% of the outstanding amount of the term loans, if any, with the outstanding principal balance payable on July 25, 2014.

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, commencing in 2008, 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 obligor under the Credit Facility is CHS. All of the obligations under the Credit Facility are unconditionally guaranteed by the Company and certain 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.

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 s option, either (a) an Alternate Base Rate (as defined) determined by 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 one-half of 1.0%, or (b) a reserve adjusted London Interbank Offered Rate for dollars (Eurodollar Rate) (as defined). The applicable percentage for term loans is 1.25% for Alternate Base Rate loans and 2.25% for Eurodollar rate loans. The applicable percentage for revolving loans is 1.25% for Alternate Base Rate revolving loans and 2.25% for Eurodollar revolving loans, in each case subject to reduction based on the Company s leverage ratio.

Loans under the swingline subfacility bear interest at the rate applicable to Alternate Base Rate loans under the revolving credit facility.

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COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES
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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 credit 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 was initially obligated to pay commitment fees of 0.50% per annum (subject to reduction based upon the Company s leverage ratio) on the unused portion of the revolving credit facility. For purposes of this calculation, swingline loans are not treated as usage of the revolving credit facility. With respect to the delayed draw term loan facility, CHS was also obligated to pay commitment fees of 0.50% per annum for the first nine months after the closing of the Credit Facility, 0.75% per annum for the next three months after such nine-month period and thereafter, 1.0% per annum. In each case, the commitment fee was paid on the unused amount of the delayed draw term loan facility. After the draw down of the remaining $200 million of the delayed draw term loan in January 2009, CHS no longer pays any commitment fees for the delayed draw term loan facility. CHS paid arrangement fees on the closing of the Credit Facility and pays an annual administrative agent fee.

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 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 s failure to pay principal, interest, fees or other amounts under the credit agreement when due (taking into account any applicable grace 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.

The Notes were issued by CHS in connection with the Triad acquisition in the principal amount of approximately $3.0 billion. The Notes will mature on July 15, 2015. The Notes bear interest at the rate of 8.875% per annum, payable semiannually in arrears on January 15 and July 15, commencing January 15, 2008. Interest on the 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 Notes prior to July 15, 2011.

On and after July 15, 2011, CHS is entitled, at its option, to redeem all or a portion of the Notes upon not less than 30 nor more than 60 days notice, at the 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 12-month period commencing on July 15 of the years set forth below:

Period	Redemption Price
2011	104.438%
2012	102.219%
2013 and thereafter	100.000%

CHS is entitled, at its option, to redeem the Notes, in whole or in part, at any time prior to July 15, 2011, upon not less than 30 or more than 60 days notice, at a redemption price equal to 100% of the principal amount of Notes redeemed plus the Applicable Premium (as defined), and accrued and unpaid interest, if any, as of the applicable redemption date.

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Pursuant to a registration rights agreement entered into at the time of the issuance of the Notes, as a result of an exchange offer made by CHS, substantially all of the Notes issued in July 2007 were exchanged in November 2007 for new notes (the Exchange Notes) having terms substantially identical in all material respects to the Notes (except that the Exchange Notes were issued under a registration statement pursuant to the Securities Act of 1933, as amended). References to the Notes shall also be deemed to include the Exchange Notes unless the context provides otherwise.

During the year ended December 31, 2009, the Company repurchased on the open market and cancelled $126.5 million of principal amount of the Notes. This resulted in a net gain from early extinguishment of debt of $2.7 million with an after-tax impact of $1.7 million.

On April 2, 2009, the Company paid down $110.4 million of its term loans under the Credit Facility. Of this amount, $85.0 million was paid down as required under the terms of the Credit Facility with the net proceeds received from the sale of the ownership interest in the partnership that owned and operated Presbyterian Hospital of Denton. This resulted in a loss from early extinguishment of debt of $1.1 million with an after-tax impact of $0.7 million recorded in discontinued operations for the year ended December 31, 2009. The remaining $25.4 million was paid on the term loans as required under the terms of the Credit Facility with the net proceeds received from the sale of various other assets. This resulted in a loss from early extinguishment of debt of $0.3 million with an after-tax impact of $0.2 million recorded in continuing operations for the year ended December 31, 2009.

As of September 30, 2010, the availability for additional borrowings under the Credit Facility was $750 million pursuant to the revolving credit facility, of which $81.9 million was set aside for outstanding letters of credit. CHS also has the ability to add up to $300 million of borrowing capacity from receivable transactions (including securitizations) under the Credit Facility, which has not yet been accessed. CHS also has the ability to amend the Credit Facility to provide for one or more tranches of term loans in an aggregate principal amount of $600 million, which CHS has not yet accessed. As of September 30, 2010, the weighted-average interest rate under the Credit Facility, excluding swaps, was 2.9%.

The Company paid interest of $229.3 million and $221.8 million on borrowings during the three months ended September 30, 2010 and 2009, respectively, and $549.5 million and $557.0 million during the nine months ended September 30, 2010 and 2009, respectively.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments has been estimated by the Company using available market information as of September 30, 2010 and December 31, 2009, and valuation methodologies considered appropriate. The estimates presented are not necessarily indicative of amounts the Company could realize in a current market exchange (in thousands):

	September 30, 2010		December 31, 2009	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets:				
Cash and cash equivalents	$ 567,749	$ 567,749	$ 344,541	$ 344,541
Available-for-sale securities	29,855	29,855	28,025	28,025
Trading securities	28,782	28,782	22,777	22,777
Liabilities:				
Credit facilities	6,011,243	5,710,681	6,043,847	5,681,216
Tax-exempt bonds			8,000	8,000
Senior notes	2,784,331	2,954,871	2,784,331	2,881,783
Other debt	38,751	38,751	38,015	38,015

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.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

Credit facilities. Estimated fair value is based on information from the Company s bankers regarding relevant pricing for trading activity among the Company s lending institutions.

Tax-exempt bonds. The carrying amount approximated fair value as a result of a weekly interest rate reset feature of these formerly publicly-traded instruments.

Senior notes. Estimated fair value is based on the average bid and ask price as quoted by the bank who served as underwriter in the sale of these notes.

Other debt. The carrying amount of 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 three and nine months ended September 30, 2010 and 2009, 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 September 30, 2010, since all of the swap agreements entered into by the Company were in net liability positions so 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.

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

Interest rate swaps consisted of the following at September 30, 2010:

Swap #	Notional Amount (in 000 s)	Fixed Interest Rate	Termination Date	Fair Value (in 000 s)	
1	$100,000	4.9360%	October 4, 2010	$ (39)	
2	100,000	4.7090%	January 24, 2011	(1,395)	
3	300,000	5.1140%	August 8, 2011	(11,336)	
4	100,000	4.7185%	August 19, 2011	(3,547)	
5	100,000	4.7040%	August 19, 2011	(3,547)	
6	100,000	4.6250%	August 19, 2011	(3,465)	
7	200,000	4.9300%	August 30, 2011	(7,685)	
8	200,000	3.0920%	September 18, 2011	(4,543)	
9	100,000	3.0230%	October 23, 2011	(2,397)	
10	200,000	4.4815%	October 26, 2011	(7,925)	
11	200,000	4.0840%	December 3, 2011	(7,815)	
12	100,000	3.8470%	January 4, 2012	(3,899)	
13	100,000	3.8510%	January 4, 2012	(3,913)	
14	100,000	3.8560%	January 4, 2012	(3,920)	
15	200,000	3.7260%	January 8, 2012	(7,600)	
16	200,000	3.5065%	January 16, 2012	(7,156)	
17	250,000	5.0185%	May 30, 2012	(17,896)	
18	150,000	5.0250%	May 30, 2012	(10,771)	
19	200,000	4.6845%	September 11, 2012	(15,694)	
20	100,000	3.3520%	October 23, 2012	(5,562)	
21	125,000	4.3745%	November 23, 2012	(5,930)	
22	75,000	4.3800%	November 23, 2012	(9,542)	
23	150,000	5.0200%	November 30, 2012	(14,009)	
24	200,000	2.2420%	February 28, 2013	(7,309)	
25	100,000	5.0230%	May 30, 2013	(11,060)	
26	300,000	5.2420%	August 6, 2013	(36,926)	
27	100,000	5.0380%	August 30, 2013	(11,952)	
28	50,000	3.5860%	October 23, 2013	(3,960)	
29	50,000	3.5240%	October 23, 2013	(4,048)	
30	100,000	5.0500%	November 30, 2013	(12,775)	
31	200,000	2.0700%	December 19, 2013	(7,211)	
32	100,000	5.2310%	July 25, 2014	(15,224)	
33	100,000	5.2310%	July 25, 2014	(15,224)	
34	200,000	5.1600%	July 25, 2014	(29,924)	
35	75,000	5.0405%	July 25, 2014	(10,881)	
36	125,000	5.0215%	July 25, 2014	(18,048)	
37	100,000	2.6210%	July 25, 2014	(5,602)	
38	100,000	3.1100%	July 25, 2014	(7,011)	(1)
39	100,000	3.2580%	July 25, 2014	(7,378)	(2)
40	200,000	2.6930%	October 26, 2014	(7,751)	(3)
41	300,000	3.4470%	August 8, 2016	(21,349)	(4)
42	200,000	3.4285%	August 19, 2016	(13,920)	(5)

43	100,000	3.4010%	August 19, 2016	(6,832) (6)
44	200,000	3.5000%	August 30, 2016	(14,447) (7)
45	100,000	3.0050%	November 30, 2016	(6,889)

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

(1) This interest rate swap becomes effective October 4, 2010, concurrent with the termination of swap #1.

(2) This interest rate swap becomes effective January 24, 2011, concurrent with the termination of swap #2.

(3) This interest rate swap becomes effective October 26, 2011, concurrent with the termination of swap #10.

(4) This interest rate swap becomes effective August 8, 2011, concurrent with the termination of swap #3.

(5) This interest rate swap becomes effective August 19, 2011, concurrent with

the termination of swap #4 and #6.

(6) This interest rate swap becomes effective August 19, 2011, concurrent with the termination of swap #5.

(7) This interest rate swap becomes effective August 30, 2011, concurrent with the termination of swap #7.

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 condensed consolidated balance sheet. 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 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 September 30, 2010 interest rates, approximately $209.3 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 other comprehensive income will be reclassified into earnings.

The following tabular disclosure provides the amount of pre-tax loss recognized in the condensed consolidated balance sheets as a component of other comprehensive income during the three and nine months ended September 30, 2010 and 2009 (in thousands):

	Amount of Pre-Tax Loss Recognized in OCI on Derivative (Effective Portion)			
	Three Months Ended September 30,		**Nine Months Ended September 30,**	
Derivatives in Cash Flow Hedging Relationships	**2010**	**2009**	**2010**	**2009**
Interest rate swaps	$ (102,522)	$ (85,506)	$ (281,086)	$ (42,207)

The following tabular disclosure provides the location of the effective portion of the pre-tax loss reclassified from accumulated other comprehensive loss (OCL) into interest expense on the condensed consolidated statements of income during the three and nine months ended September 30, 2010 and 2009 (in thousands):

Location of Loss Reclassified from Accumulated OCL into Income (Effective Portion)	Amount of Pre-Tax Loss Reclassified from Accumulated OCL into Income (Effective Portion)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Interest expense, net	$ 53,639	$ 49,314	$ 161,811	$ 121,716

The fair value of derivative instruments in the condensed consolidated balance sheets as of September 30, 2010 and December 31, 2009 was as follows (in thousands):

	Asset Derivatives				Liability Derivatives			
	September 30, 2010		December 31, 2009		September 30, 2010		December 31, 2009	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments	Other assets, net	$	Other assets, net	$	Other long-term liabilities	$435,307	Other long-term liabilities	$316,033

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COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

14. 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.

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 September 30, 2010 and December 31, 2009 (in thousands):

	As of September 30, 2010	Level 1	Level 2	Level 3
Available-for-sale securities	$ 29,855	$ 29,855	$	$
Trading securities	28,782	28,782		
Total assets	$ 58,637	$ 58,637	$	$
Fair value of interest rate swap agreements	$ 435,307	$	$ 435,307	$
Total liabilities	$ 435,307	$	$ 435,307	$

	As of December 31, 2009	Level 1	Level 2	Level 3
Available-for-sale securities	$ 28,025	$ 28,025	$	$
Trading securities	22,777	22,777		

Total assets	$	50,802	$	50,802	$		$	
Fair value of interest rate swap agreements	$	316,033	$		$	316,033	$	
Total liabilities	$	316,033	$		$	316,033	$	

COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Available-for-sale securities and trading securities classified as Level 1 are measured using quoted market prices.

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 is 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 September 30, 2010 resulted in a decrease in the fair value of the related liability of $18.3 million and an after-tax adjustment of $11.7 million to other comprehensive income. The CVA on the Company s interest rate swap agreements at December 31, 2009 resulted in a decrease in the fair value of the related liability of $5.9 million and an after-tax adjustment of $3.8 million to other comprehensive income.

The majority of the inputs used to value its 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.

15. RECENT ACCOUNTING PRONOUNCEMENTS

In August 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-24, which provides clarification to companies in the healthcare industry on the accounting for professional liability insurance. This ASU states that receivables related to insurance recoveries should not be netted against the related claim liability and such claim liabilities should be determined without considering insurance recoveries. This ASU is effective for fiscal years beginning after December 15, 2010 and will be adopted by the Company in the first quarter of 2011. The Company is currently assessing the potential impact that the adoption of this ASU will have on its consolidated results of operations and consolidated financial position.

In August 2010, the FASB issued ASU 2010-23, which requires a company in the healthcare industry to use its direct and indirect costs of providing charity care as the measurement basis for charity care disclosures. This ASU also requires additional disclosures of the method used to identify such costs. This ASU is effective for fiscal years beginning after December 15, 2010 and will be adopted by the Company in the first quarter of 2011. This ASU will have no impact on the Company s consolidated results of operations and consolidated financial position.

16. SEGMENT INFORMATION

The Company operates in three 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), home care agency operations (which provide in-home outpatient care), and hospital management services (which provides executive management and consulting services to non-affiliated acute care hospitals). Only the hospital operations segment meets the criteria as a separate reportable segment. The financial information for the home care agencies and management services segments do not meet the quantitative thresholds for a separate identifiable reportable segment and are combined into the corporate and all other reportable segment.

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

The distribution between reportable segments of the Company s revenues and income from continuing operations before income taxes is summarized in the following tables (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenues:				
Hospital operations	$ 3,178,950	$ 3,018,042	$ 9,380,025	$ 8,816,074
Corporate and all other	73,105	68,715	203,776	200,393
	$ 3,252,055	$ 3,086,757	$ 9,583,801	$ 9,016,467
Income from continuing operations before income taxes:				
Hospital operations	$ 159,893	$ 147,700	$ 488,910	$ 438,735
Corporate and all other	(33,550)	(35,275)	(109,515)	(108,149)
	$ 126,343	$ 112,425	$ 379,395	$ 330,586

17. CONTINGENCIES

The Company is a party to various legal proceedings incidental to its business. In the opinion of management, any ultimate liability with respect to these actions will not have a material adverse effect on the Company s consolidated financial position, cash flows or results of operations.

In a letter dated October 4, 2007, the Civil Division of the Department of Justice notified the Company that, as a result of an investigation into 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, it believes the Company and three of its New Mexico hospitals have caused the State of New Mexico to submit improper claims for federal funds in violation of the Federal False Claims Act. In a letter dated January 22, 2008, the Civil Division notified the Company that based on its investigation, it has calculated that these three hospitals received ineligible federal participation payments from August 2000 to June 2006 of approximately $27.5 million. The Civil Division also advised the Company that were it to proceed to trial, it would seek treble damages plus an appropriate penalty for each of the violations of the False Claims Act. This investigation has culminated in the federal government s intervention in a qui tam lawsuit styled U.S. ex rel. Baker vs. Community Health Systems, Inc. The federal government filed its complaint in intervention on June 30, 2009. The relator filed a second amended complaint on July 1, 2009. Both of these complaints expand the time period during which alleged improper payments were made. The Company filed motions to dismiss all of the federal government s and the relator s claims on August 28, 2009. On March 19, 2010, the court granted in part and denied in part the Company s motion to dismiss as to the relator s complaint. On July 7, 2010, the court denied the Company s motion to dismiss the federal government s complaint in intervention. The Company has filed its answer and pretrial discovery will begin. The Company is vigorously defending this action.

On June 12, 2008, two of the Company s hospitals received letters from the U.S. Attorney s Office for the Western District of New York requesting documents in an investigation it was conducting into billing practices with respect to kyphoplasty procedures performed during the period January 1, 2002, through June 9, 2008. On September 16, 2008, one of the Company s hospitals in South Carolina also received an inquiry. Kyphoplasty is a surgical spine procedure that returns a compromised vertebrae (either from trauma or osteoporotic disease process) to its previous height, reducing or eliminating severe pain. The Company has been informed that similar investigations have been initiated at unaffiliated facilities in Alabama, South Carolina, Indiana and other states. The Company believes that this investigation is related to a qui tam settlement between the same U.S. Attorney s office and the manufacturer and distributor of the Kyphon product, which is used in performing the kyphoplasty procedure. The Company is cooperating with the investigation by collecting and producing material responsive to the requests. The Company is continuing to evaluate and discuss this matter with the federal government.

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

18. SUBSEQUENT EVENTS

Effective October 1, 2010, one or more subsidiaries of the Company completed the acquisition of Forum Health, a healthcare system of two acute care hospitals and other healthcare providers, based in Youngstown, Ohio. This healthcare system includes Northside Medical Center (398 licensed beds) located in Youngstown, Ohio and Trumbull Memorial Hospital (346 licensed beds) located in Warren, Ohio. This healthcare system also includes Hillside Rehabilitation Hospital (69 licensed beds) located in Warren, Ohio, as well as several outpatient clinics and other ancillary facilities. The total cash consideration paid at closing for this acquisition, including for working capital, was $121.2 million.

Effective October 1, 2010, one or more subsidiaries of the Company completed the acquisition of Bluefield Regional Medical Center (265 licensed beds) located in Bluefield, West Virginia. The total cash consideration paid at closing for this hospital, including for working capital, was approximately $33.6 million.

Between October 1, 2010 and October 5, 2010, the Company repurchased and retired 195,000 shares of the Company s common stock at a weighted-average price of $30.88 per share under the September 15, 2010 open market repurchase program. Through October 29, 2010, the cumulative number of shares repurchased under this program is 451,272 shares.

19. SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION

In connection with the consummation of the Triad acquisition, CHS obtained approximately $7.2 billion of senior secured financing under the Credit Facility and issued the Notes in the aggregate principal amount of approximately $3.0 billion. The Notes are senior unsecured obligations of CHS and 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. 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 consolidated financial statements of the Company, except as noted below:

Intercompany receivables and payables are presented gross in the supplemental 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. The Company s subsidiaries generally do not purchase services from each other; thus, the intercompany transactions do not represent revenue generating transactions. All intercompany transactions eliminate in consolidation.

From time to time, the Company sells and/or repurchases noncontrolling interests in consolidated subsidiaries, which may change subsidiaries between guarantors and non-guarantors. Amounts for prior periods are restated to reflect the status of guarantors or non-guarantors as of September 30, 2010.

COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)
Condensed Consolidating Balance Sheet
September 30, 2010

	Parent Guarantor	Issuer	Other Guarantors	Non-Guarantors	Eliminations	Consolidated
			(In thousands)			
			ASSETS			
Current assets:						
Cash and cash equivalents	$	$	$ 471,774	$ 95,975	$	$ 567,749
Patient accounts receivable, net of allowance for doubtful accounts			913,585	737,821		1,651,406
Supplies			186,207	127,563		313,770
Deferred income taxes	78,621					78,621
Prepaid expenses and taxes	100,868	155	97,857	1,638		200,518
Other current assets		71	104,031	67,804		171,906
Total current assets	179,489	226	1,773,454	1,030,801		2,983,970
Intercompany receivable	1,024,757	9,016,383	2,192,435	2,860,533	(15,094,108)	
Property and equipment, net			3,686,030	2,457,540		6,143,570
Goodwill			2,362,595	1,811,445		4,174,040
Other assets, net of accumulated amortization		124,787	409,383	583,743		1,117,913
Net investment in subsidiaries	1,380,531	6,387,510	3,672,193		(11,440,234)	
Total assets	$ 2,584,777	$ 15,528,906	$ 14,096,090	$ 8,744,062	$ (26,534,342)	$ 14,419,493

LIABILITIES AND EQUITY

Current liabilities: