Metro Knoxville HMA, LLC
Form 424B5
March 09, 2017
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**Filed Pursuant to Rule 424(b)(5)**
**Registration No. 333-203918**

**CALCULATION OF REGISTRATION FEE**

| Title of Each Class of Securities to be Registered | Amount to be Registered | Maximum Aggregate Offering Price | Amount of Registration Fee(1) |
|---|---|---|---|
| 6.250% Senior Secured Notes due 2023 | $2,200,000,000 | $2,200,000,000 | $254,980 |
| Guarantees of 6.250% Senior Secured Notes due 2023 | | | (2) |

(1) Calculated in accordance with Rule 457(r) under the Securities Act of 1933, as amended.
(2) Pursuant to Rule 457(n), no separate fee is payable with respect to the guarantees.

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**Filed Pursuant to Rule 424(b)(5)**
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$2,200,000,000

**CHS/Community Health Systems, Inc.**

6.250% Senior Secured Notes due 2023

We are offering $2,200,000,000 aggregate principal amount of 6.250% Senior Secured Notes due 2023 (the notes ).

We will pay interest on the notes semi-annually on each March 31 and September 30, commencing on September 30, 2017. The notes will mature on March 31, 2023.

We may redeem some or all of the notes at any time prior to March 31, 2020 at a 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 this prospectus supplement. We may redeem some or all of the notes at any time on or after March 31, 2020 at the redemption prices set forth in this prospectus supplement, plus accrued and unpaid interest, if any. In addition, we may redeem up to 40% of the aggregate principal amount of the notes at any time prior to March 31, 2020 using the net proceeds from certain equity offerings at the redemption price set forth in this prospectus supplement, plus accrued and unpaid interest, if any. There is no sinking fund for the notes.

The notes will be our senior secured obligations and will rank equal in right of payment to all of our existing and future senior indebtedness that is not subordinated in right of payment to the notes, will be senior in right of payment to any indebtedness that is subordinated in right of payment to the notes and will be effectively senior to all of our existing and future unsecured indebtedness to the extent of the value of the assets securing the notes. The notes will be guaranteed on a senior secured basis by our parent and certain of our domestic subsidiaries. These guarantees will rank equal in right of payment to all of the existing and future indebtedness of each guarantor that is not subordinated in right of payment to its guarantee of the notes, will be senior in right of payment to any indebtedness of each guarantor that is subordinated in right of payment to its guarantee of the notes and will be effectively senior to all of the existing and future unsecured indebtedness of each guarantor to the extent of the value of the assets securing its guarantee of the notes. The notes and the guarantees of the notes will be secured by liens on certain assets that also secure our existing senior secured credit facilities (the Credit Facility ), our 5.125% Senior Secured Notes due 2021 (the 2021 Secured Notes ) and, for so long as they are outstanding, our 5.125% Senior Secured Notes due 2018 (the 2018 Secured Notes ), subject to certain exceptions. The notes and related guarantees will be structurally junior in right of payment to liabilities of our subsidiaries that will not guarantee the notes.

We do not intend to apply for listing of the notes on any securities exchange.

**Investing in the notes involves risks. See Risk Factors beginning on page S-25 of this prospectus supplement.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

| | Per Note | Total |
|---|---|---|
| Public offering price(1) | 100.000% | $2,200,000,000 |
| Underwriting discount | 1.550% | $ 34,100,000 |
| Proceeds to us (before expenses)(1) | 98.450% | $2,165,900,000 |

(1) Plus accrued interest, if any, from March 16, 2017.
Delivery of the notes in book-entry form will be made on or about March 16, 2017.

**Joint Book-Running Managers**

**Credit Suisse**

**BofA Merrill Lynch**

**Citigroup**

**Credit Agricole CIB**

**Goldman, Sachs & Co.**

**J. P. Morgan**

**RBC Capital Markets**

**SunTrust Robinson Humphrey**

**UBS Investment Bank**

**Wells Fargo Securities**

**Co-Managers**

**BBVA**

**Deutsche Bank Securities**

**Fifth Third Securities**

**Morgan Stanley**

**Regions Securities LLC**

**Scotiabank**

The date of this prospectus supplement is March 7, 2017.

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## Prospectus Supplement



## Prospectus

**You should rely only on the information contained or incorporated by reference in this prospectus supplement or accompanying prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We have not authorized anyone to provide you with information that is different. If you receive any such other information, it should not be relied upon as having been authorized by us or the underwriters. This prospectus supplement and accompanying prospectus may only be used where it is legal to sell these securities. The information in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein may only be accurate as of the date of the document containing such information. You should not assume that the information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate as of any date other than the date of the document containing such information.**

It is expected that delivery of the notes will be made against payment therefor on or about the date specified on the cover of this prospectus supplement, which is the seventh business day following the date of pricing of the notes (such settlement cycle being referred to as T+7 ). You should note that trading of the notes on the date of this prospectus supplement or the next three succeeding business days may be affected by the T+7 settlement. See Underwriting.

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## ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which adds, updates and changes information contained or incorporated by reference in the accompanying prospectus. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering of notes. If the information set forth in this prospectus supplement or any document incorporated by reference herein varies in any way from the information set forth or incorporated by reference in the accompanying prospectus, you should rely on the information contained in this prospectus supplement or any document incorporated by reference herein. If the information set forth in this prospectus supplement varies in any way from the information set forth in a document incorporated by reference herein, you should rely on the information in the more recent document.

We are not, and the underwriters are not, making an offer of these notes in any jurisdiction where the offer or sale is not permitted. Before you invest in the notes, you should read the registration statement described in the accompanying prospectus (including the exhibits thereto) of which this prospectus supplement and the accompanying prospectus form a part, as well as this prospectus supplement, the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The documents incorporated by reference herein are described in this prospectus supplement under Incorporation of Certain Information by Reference. You should not assume that the information contained in, or the documents incorporated by reference in, this prospectus supplement or the accompanying prospectus are accurate as of any date other than their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

## INDUSTRY AND MARKET DATA

This prospectus supplement includes industry and trade association data, forecasts and information that we have prepared based, in part, upon data, forecasts and information obtained from independent trade associations, industry and government publications and surveys and other independent sources available to us. Some data also are based on our good faith estimates, which are derived from management s knowledge of the industry and from independent sources. These third-party publications and surveys generally state that the information included therein has been obtained from sources believed to be reliable. We have not independently verified any of the data from third-party sources. Similarly, we believe our internal research is reliable, even though such research has not been verified by any independent sources. While we are not aware of any misstatements regarding any such data, forecasts and information presented herein, you should carefully consider the inherent risks and uncertainties associated with the industry and market data contained in this prospectus supplement.

## FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and any documents we incorporate by reference may contain forward-looking statements within the meaning of the federal securities laws, which involve risks, assumptions and uncertainties. Statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as expects, anticipates, intends, plans, believes, estimates, thinks, an expressions are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors relating to us or the healthcare industry generally that may cause our actual results and performance to be materially different from any future results or performance expressed or implied by these forward-looking statements. These factors include, but are not limited to, the following:

general economic and business conditions, both nationally and in the regions in which we operate;

the impact of the 2016 federal elections, which may lead to the repeal of the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (collectively, the Affordable Care Act ) or significant changes to the Affordable Care Act, its

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implementation or its interpretation, as well as changes in other federal, state or local laws or regulations affecting our business;

the extent to which states support increases, decreases or changes in Medicaid programs, implement health insurance exchanges or alter the provision of healthcare to state residents through regulation or otherwise;

the future and long-term viability of health insurance exchanges, which may be affected by whether a sufficient number of payors participate as well as the impact of the 2016 federal elections on the Affordable Care Act;

risks associated with our substantial indebtedness, leverage and debt service obligations, including our ability to refinance such indebtedness on acceptable terms or to incur additional indebtedness;

demographic changes;

changes in, or the failure to comply with, governmental regulations;

potential adverse impact of known and unknown government investigations, audits, and federal and state false claims act litigation and other legal proceedings;

our ability, where appropriate, to enter into and maintain provider arrangements with payors and the terms of these arrangements, which may be further affected by the increasing consolidation of health insurers and managed care companies;

changes in, or the failure to comply with, contract terms with payors and changes in reimbursement rates paid by federal or state healthcare programs or commercial payors;

any potential additional impairments in the carrying value of goodwill, other intangible assets, or other long-lived assets, or changes in the useful lives of other intangible assets;

changes in inpatient or outpatient Medicare and Medicaid payment levels;

the effects related to the continued implementation of the sequestration spending reductions and the potential for future deficit reduction legislation;

increases in the amount and risk of collectability of patient accounts receivable, including decreases in collectability which may result from, among other things, self-pay growth in states that have not expanded

Medicaid and difficulties in recovering payments for which patients are responsible, including co-pays and deductibles;

the efforts of insurers, healthcare providers and others to contain healthcare costs, including the trend toward value-based purchasing;

our ongoing ability to demonstrate meaningful use of certified electronic health record ( EHR ) technology and recognize income for the related Medicare or Medicaid incentive payments, to the extent such payments have not expired;

increases in wages as a result of inflation or competition for highly technical positions and rising supply and drug costs due to market pressure from pharmaceutical companies and new product releases;

liabilities and other claims asserted against us, including self-insured malpractice claims;

competition;

our ability to attract and retain, at reasonable employment costs, qualified personnel, key management, physicians, nurses and other healthcare workers;

trends toward treatment of patients in less acute or specialty healthcare settings, including ambulatory surgery centers or specialty hospitals;

changes in medical or other technology;

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changes in U.S. GAAP;

the availability and terms of capital to fund any additional acquisitions or replacement facilities or other capital expenditures;

our ability to successfully make acquisitions or complete divestitures, including the divestiture of hospitals and non-hospital businesses pursuant to our portfolio rationalization and deleveraging strategy, our ability to complete any such acquisitions or divestitures on desired terms or at all (including to realize the anticipated amount of proceeds from contemplated divestitures), the timing of the completion of any such acquisitions or divestitures, and our ability to realize the intended benefits from any such acquisitions or divestitures;

our ability to successfully integrate any acquired hospitals, including those of HMA, or to recognize expected synergies from acquisitions;

the impact of seasonal severe weather conditions;

our ability to obtain adequate levels of general and professional liability insurance;

timeliness of reimbursement payments received under government programs;

effects related to outbreaks of infectious diseases;

the impact of the external, criminal cyber-attack suffered by us in the second quarter of 2014, including potential reputational damage, the outcome of our investigation and any potential governmental inquiries, the outcome of litigation filed against us in connection with this cyber-attack, the extent of remediation costs and additional operating or other expenses that we may continue to incur, and the impact of potential future cyber-attacks or security breaches;

any failure to comply with the terms of our Corporate Integrity Agreement ( CIA ) with the Office of Inspector General of the Department of Health and Human Services ( OIG );

the concentration of our revenue in a small number of states;

our ability to realize anticipated cost savings and other benefits from our current strategic and operational cost savings initiatives;

any effects of our previously announced adoption of a Stockholder Protection Rights Agreement;

any effects related to our previously announced exploration of strategic alternatives; and

other risk factors disclosed under Risk Factors and elsewhere in or incorporated by reference in this prospectus supplement.

Although we believe that these forward-looking statements are based upon reasonable assumptions, these assumptions are inherently subject to significant regulatory, economic and competitive uncertainties and contingencies, which are difficult or impossible to predict accurately and may be beyond our control. Accordingly, we cannot give any assurance that our expectations will in fact occur and caution that actual results may differ materially from those in the forward-looking statements. Given these uncertainties, prospective investors are cautioned not to place undue reliance on these forward-looking statements. These forward-looking statements speak only as of the date they are made. We undertake no obligation to revise or update any forward-looking statements, or to make any other forward-looking statements, whether as a result of new information, future events or otherwise.

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## SUMMARY

*The following summary contains basic information about us and this offering, but does not contain all the information that may be important to you. For a more complete understanding of this offering, we encourage you to carefully read this entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein, including the information set forth under Risk Factors and our financial statements and related notes. Unless otherwise indicated or the context requires otherwise, references in this prospectus supplement to we, our, us and the Company refer to Community Health Systems, Inc. and its consolidated subsidiaries, including CHS/Community Health Systems, Inc., the issuer of the notes offered hereby. References to the Issuer refer to CHS/Community Health Systems, Inc. alone, and references to Holdings refer to Community Health Systems, Inc. alone. We refer to the Issuer s 5.125% Senior Secured Notes due 2018 as the 2018 Secured Notes, to the Issuer s 8.00% Senior Notes due 2019 as the 2019 Notes, to the Issuer s 7.125% Senior Notes due 2020 as the 2020 Notes, to the Issuer s 5.125% Senior Secured Notes due 2021 as the 2021 Secured Notes and to the Issuer s 6.875% Senior Notes due 2022 as the 2022 Notes. The 2018 Secured Notes, 2019 Notes, 2020 Notes, 2021 Secured Notes and 2022 Notes are collectively referred to in this prospectus supplement as the Existing Notes.*

*In this prospectus supplement, any amounts shown on an as adjusted basis have been adjusted to reflect, as applicable: (i) the issuance of the notes in this offering and (ii) the use of the net proceeds from this offering to repurchase all the outstanding 2018 Secured Notes in the Tender Offer discussed below (assuming that all outstanding 2018 Secured Notes are validly tendered and not validly withdrawn prior to the Early Tender Deadline (as defined below) and accepted for purchase in the Tender Offer), to repay $1.445 billion aggregate principal amount of terms loans outstanding under our Term F Facility, to pay related fees and expenses and the remainder, if any, for general corporate purposes. See Use of Proceeds.*

### Our Company

We are one of the largest publicly-traded hospital companies in the United States and a leading operator of general acute care hospitals and outpatient facilities in communities across the country. As of December 31, 2016, we owned or leased 155 hospitals included in continuing operations, with an aggregate of 26,222 licensed beds, comprised of 152 general acute care hospitals and three stand-alone rehabilitation or psychiatric hospitals. These hospitals are geographically diversified across 21 states, with the majority of our hospitals located in regional networks or in close geographic proximity to one or more of our other hospitals. We also owned or leased three hospitals included in discontinued operations at December 31, 2016. We generate revenues by providing a broad range of general and specialized hospital healthcare services and outpatient services to patients in the communities in which we are located. In a number of our markets, we have partnered with local physicians or not-for-profit providers, or both, in the ownership of our facilities. We are paid for our healthcare services by governmental agencies, private insurers and directly by the patients we serve. For the year ended December 31, 2016, our net operating revenue was approximately $18.438 billion, our net income attributable to Community Health Systems, Inc. common stockholders was a loss of approximately $1.721 billion and our Adjusted EBITDA was approximately $2.225 billion. In addition, for the year ended December 31, 2016, our Further Adjusted EBITDA (which is Adjusted EBITDA further adjusted to (i) remove the impact of the divestitures we completed in 2016, beginning with the spin-off of 38 hospitals to Quorum Health Corporation in April 2016, as if those dispositions were completed on January 1, 2016, (ii) include the estimated impact of the hospital acquisitions we completed in 2016 as if we had completed these acquisitions at the beginning of 2016, and (iii) add back stock-based compensation expense) was approximately $2.169 billion. For additional information on our presentation of Adjusted EBITDA and Further Adjusted EBITDA, see Non-GAAP Financial Measures and Summary Historical Financial and Other Data.

We have grown in the past by acquiring hospitals and by improving the operations of our facilities. We have historically targeted hospitals in growing, non-urban and selected urban healthcare markets for acquisition

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because of their favorable demographic and economic trends and competitive conditions. Since 2007, we have substantially increased the size of our business and the number of hospitals we operate through the acquisitions of Triad Hospitals, Inc. and Health Management Associates, Inc., or HMA. Our growth strategy has also included developing or acquiring select physician practices, physician-owned ancillary service providers and other outpatient capabilities in markets where we already had a hospital presence. More recently, our efforts have focused on creating regional networks in select urban markets. We believe opportunities exist for skilled, disciplined operators to create networks between urban and non-urban hospitals while improving physician alignment in both markets and making these hospitals more attractive to managed care. Through these regional networks, we have the opportunity to enhance our market position and build market density by providing more integrated service offerings, establishing additional patient access points for our acute care hospitals, recruiting more physicians and expanding our hospitals local referral network.

We have been implementing a portfolio rationalization and deleveraging strategy by divesting hospitals and non-hospital businesses that are attractive to strategic and other buyers. Generally, these businesses are not in one of our strategically beneficial service areas, are less complementary to our business strategy and/or have lower operating margins. More recently, in connection with our announced divestiture initiative, strategic and other buyers have made offers to buy certain of our assets. Through consideration of these offers, we have divested or may divest hospitals and non-hospital businesses when we find such offers to be attractive and in line with our operating strategy. By reducing the size and geographic footprint of our business, we believe this strategy will allow us to focus on our most attractive markets and regional networks, improve cash flow, reduce leverage, and better position us for the future.

## Our Competitive Strengths

We believe the following strengths will allow us to improve our operations:

***Geographic diversity and operating scale.*** As of December 31, 2016, we owned or leased 155 hospitals included in continuing operations, with an aggregate of 26,222 licensed beds, geographically diversified across 21 states. Our geographic diversity helps to mitigate risks associated with fluctuating state regulations related to Medicaid reimbursement and state-specific economic conditions. Our top four states, Florida, Texas, Pennsylvania, and Indiana, contributed approximately 45% of our operating revenues, net of contractual allowances and discounts (but before the provision for bad debts), in 2016. Furthermore, we believe the size of our operations enables us to realize the benefits of economies of scale, purchasing power, increased operating efficiencies and increased return on information technology and other capital investments. In this regard, there are 13 states where we have operations that generated in excess of $500 million of operating revenues, net of contractual allowances and discounts (but before the provision for bad debts) for the year ended December 31, 2016.

***Strong regional network presence.*** We believe we are one of the leading providers of acute care and outpatient services in many of the markets we serve. Currently, 73 of our hospitals operate in 11 unique regional networks, which are comprised of one or more larger hospitals with smaller hospitals located in nearby communities. Within each regional network, we leverage the network s brand and local scale to expand our continuum of care, enhance access to our facilities, provide a more integrated service offering and reduce costs through increased operating efficiencies. Additionally, 34 of our hospitals operate in close geographic proximity to one or more of our other hospitals in 13 geographic areas. For these hospitals, we seek to develop or expand similar specialty services and outpatient services at our regional networks to yield high patient and physician satisfaction, improve revenue and gain operational efficiencies. As of December 31, 2016, we estimate that approximately 70% of our facilities are located in regional networks or are in close proximity to another CHS hospital.

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We believe our market positioning strategy will create growth opportunities, allow us to develop long-term relationships with patients, physicians, employers and third-party payors and enable us to achieve an attractive return on investments in the expansion of our facilities and outpatient services and in physician recruitment.

***Positioned for growth in outpatient services.*** We believe outpatient services widen the catchment area for our hospitals and regional networks and are consistent with care delivery trends, including greater convenience for our patients, increased efficiency for our physicians and lower cost of care for our patients and payors. Outpatient services generated approximately 57% of our net revenues for the year ended December 31, 2016. We intend to continue to invest in outpatient services to meet the needs of our communities, provide greater access to medical care and enhance the overall experience of our patients. In 2016, 63% of amounts incurred on our completed major capital projects related to outpatient services, compared to 37% in 2015. In particular, we have made capital investments at several strategic hospital locations to establish free-standing emergency departments, and expect to continue to make these investments in the future. In general, outpatient services require less capital investment than our acute care hospitals and provide an opportunity for attractive operating margins and a higher return on investment.

***Emphasis on patient safety and quality of care.*** We maintain an emphasis on patient safety, the provision of quality care and improving clinical outcomes. We understand that high levels of quality are only achieved with a company-wide focus that embraces patient, physician and employee satisfaction and continual, systematic clinical improvements. We believe that a focus on continuous improvement yields the best results for patients, reduces risk and improves revenue through achievement of quality measures. We have developed and implemented programs to support and monitor patient safety and quality of care that include:

- standardized data and benchmarks to monitor hospital performance and quality improvement efforts;
- recommended policies and procedures based on nationally recognized medical and scientific evidence as well as training on evidence-based tools for improving patient, physician and employee satisfaction;
- leveraging of technology and sharing of evidence-based clinical best practices;
- training programs for hospital management and clinical staff regarding regulatory and reporting requirements; and
- implementation of specific leadership methods and error-prevention tools to create safer care environments for patients and staff.

As a result of these efforts, we have made significant progress in patient safety and clinical quality. In the facilities we have operated since before our acquisition of HMA (the legacy facilities ), we have achieved a 79.9% reduction in Serious Safety Events through the third quarter of 2016 from our baseline in 2013. In our more recently acquired HMA facilities, there has been a 29.6% reduction in Serious Safety Events through the third quarter of 2016 from their baseline in 2015. In addition, for our legacy facilities, we have significantly reduced Hospital-Acquired Infections, or HAIs, over the past several years, with a reduction in every HAI measure for each year that the measures have been publicly reported. Moreover, for the legacy facilities, our total HAI reduction rate was 28.9% from 2011 to 2016. Our quality efforts, along with payor incentive arrangements, generated approximately $15 million in 2016 earned

incentives.

***Strong history of improving operations and making strategic investments resulting in well capitalized facilities.*** We have extensive experience in improving the operations of our facilities. We have developed and implemented standardized and centralized services across key business areas, recruited new physicians and hospital leaders, and executed cost saving initiatives. Additionally, we have improved operations at many of our acquired facilities through strategies that have included expanding service offerings to include more complex care, optimizing our emergency room approach, increasing outpatient services and making capital investments in selected projects that generate an attractive return on investment. Our facilities have been well capitalized

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through strategic investments and represent a significant and tangible asset base. Many facilities have undergone or completed significant renovation or expansion projects within the last several years. In addition, we own 127 of the 158 total facilities we operated as of December 31, 2016 (14 of which were subject to definitive sale agreements entered into as of February 28, 2017, that had not yet closed), which provides a valuable real estate base.

***Experienced management team with a proven track record.*** We have a strong and committed management team that has substantial industry knowledge and a proven track record of operations success in the hospital industry. Our chief executive officer and chief financial officer each have over 30 years of experience in the healthcare industry and have worked together since 1973. We recently strengthened our senior management team by promoting a new president and chief operating officer, with over 20 years of experience in the hospital industry. Our five division presidents have each worked at CHS for many years and average 21 years of experience in hospital and division executive roles. Additionally, we have recently made several key external hires to further strengthen our senior management team, including Tom Aaron, who will be replacing Larry Cash as our chief financial officer following Mr. Cash s retirement at our annual meeting of stockholders in May 2017.

## Our Business Strategy

The key elements of our business strategy are to:

***Optimize our asset portfolio.*** We are in the process of divesting certain hospital facilities and other non-hospital businesses in furtherance of our portfolio rationalization and deleveraging strategy as noted above. More recently, in connection with our announced divestiture initiative, strategic and other buyers have made offers to buy certain of our assets. Through consideration of these offers we have divested or may divest hospitals and non-hospital businesses when we find such offers to be attractive and in line with our operating strategy. By managing the size and geographic footprint of our business, we believe that we can focus future investments on our most attractive markets and regional networks where we have an opportunity to enhance our market position by providing additional patient access points to our inpatient and outpatient services and recruiting more physicians to improve the quality of care. We intend to continue to evaluate offers from potential buyers for additional divestitures to optimize our asset portfolio and believe this strategy will position us to improve cash flow and reduce leverage.

Since April 2016, we have received approximately $1.6 billion in proceeds from the spin-off of Quorum Health Corporation and sale of our joint venture in Las Vegas, Nevada and another $287 million from the sale of investments in non-hospital operations. As of February 28, 2017, we had entered into definitive agreements with respect to the sale of 15 hospitals, and expect to receive approximately $900 million in proceeds from the sale of these facilities in 2017, if all of these sales are completed on the terms expected as of such date. Additionally, as of February 28, 2017, we had executed non-binding letters of intent with respect to the sale of ten hospitals, and expect to receive approximately $600 million in proceeds from the sale of these facilities in 2017, if all of these sales are completed on the terms expected as of such date. In addition to those ten hospitals subject to non-binding letters of intent, as of February 28, 2017, we were in preliminary discussions with respect to the sale of additional hospitals, including in certain cases where we had entered into non-binding letters of intent where discussions were at a more preliminary stage relative to those ten hospitals. Proceeds received from our portfolio rationalization program have been used, and are expected to continue to be used, to repay indebtedness. In addition, at such time, if any, that these additional divestitures are completed, these facilities will no longer be part of our operations and the guarantees of the notes by subsidiary guarantors sold as part of these divestitures will be released.

***Increase revenue at our facilities.*** We are implementing a strategy to expand and rationalize service lines. We believe this focused service line strategy facilitates better capital allocation and drives volume, acuity and rate growth in desirable areas. In addition, we are expanding the medical services we provide through the

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recruitment of additional primary care physicians and specialists. We have further emphasized our recruiting efforts with respect to both employed and affiliated physicians by recruiting approximately 3,896 physicians in 2016, 4,152 in 2015 and 3,765 in 2014. In addition, over 70% of the physicians that commenced practice with us in 2016 were specialists. As of December 31, 2016, we had 20,500 physicians on medical staffs. Recently, we have implemented a number of management tools to assist us in measuring and improving physician performance, improving workflow and increasing physician retention.

In addition, we intend to continue to expand the breadth of services offered at our hospitals through targeted capital expenditures, new service line strategies to add more complex and specialty services, increase the number of patient transfer centers to better coordinate care, and implement digital health solutions to improve patient engagement and satisfaction. Additionally, our capital expenditures have supported expanding the number of patient access points separate from the traditional hospital service location, including free-standing emergency departments, surgery centers, urgent care centers, and other sites that provide quicker access to care in a lower cost setting. Some of our initiatives include:

- Expanding our orthopedic program. We have implemented a program developed by an industry leading orthopedic consultant at 35 hospitals, and have experienced a 5% same-store increase in hip or knee replacement surgery volumes in 2016. We intend to implement this program at 16 additional hospitals in 2017. We believe these standardized programs also benefit other orthopedic services at our hospitals;

- Expanding and renovating existing emergency rooms to improve service and reduce waiting times. We have implemented marketing campaigns in our local communities to increase awareness of our emergency room capabilities;

- Increasing the number of patient transfer centers to better coordinate care among our physicians, hospitals and outpatient centers. Transfer centers enable patients to be transported to the facility that provides the appropriate services they need, provide increased visibility into local hospital operations and help identify future service line opportunities for our hospitals. In 2016, 76 of our hospitals used an outsourced vender to facilitate over 17,000 transfers; and

- Leveraging digital tools to create virtual access points, and improve our patient and physician experiences. These digital solutions use clinical protocols and analytics to drive patient outreach for scheduling appointments, assisting with referral management to keep patients in network when possible and provide post care follow-up, including treatment plans, health education, prescription reminders and prevention screening. We also have introduced a tool that enables patients to compare pricing for select outpatient services among our facilities and those of competitors in our markets.

In addition to these initiatives, we believe our investments in expanding our footprint and patient access points through free-standing emergency departments, ambulatory surgery centers and urgent care centers will generate increased revenues and earnings from businesses with higher growth and operating margins. We believe that appropriate capital investments in our outpatient facilities combined with the development of our service capabilities will increase patient retention while providing an attractive return on investment. As of December 31, 2016, we had 58 surgery centers, 51 urgent care centers, 44 walk-in retail clinics, 9 free standing emergency departments, 149 diagnostic centers and approximately 1,000 physician clinics.

***Increase productivity and operating efficiency.*** We focus on improving operating efficiency to enhance our operating margins. We seek to implement cost containment programs and adhere to operating philosophies that focus on standardizing and centralizing our methods of operation and management, including:

monitoring and enhancing productivity of our human resources;

capitalizing on purchasing efficiencies through the use of company-wide standardized purchasing contracts and terminating or renegotiating unfavorable vendor contracts;

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installing standardized management information systems, resulting in more streamlined clinical operations and more efficient billing and collection procedures; and

improving patient safety and optimizing staffing allocation through our case and resource management program, which assists in improving clinical care and containing costs.

In 2016, we implemented a number of strategic and operational initiatives to increase our focus on productivity and reduce expenses. Some of these initiatives include:

Consolidating local billing and collection functions into six centralized business offices. We completed the transition of 90% of our hospitals to this new system in 2016 and have started to benefit from lower patient denials, underpayment recoveries and reduced operating expenses;

Implementing improved sourcing initiatives and new procurement and accounts payable systems. We have renegotiated contracts with numerous suppliers, including implant manufacturers and those providing technology and support services, to realize increased savings. In addition, we have implemented a new system to standardize procurement processes, improve workflow efficiency and provide analytics and business intelligence to identify potential future savings;

Introducing physician practice performance programs. For our employed physicians, we are leveraging software solutions to measure and improve physician performance. We have also implemented programs to improve physician workflow, increase physician retention, optimize staffing at physician clinics and standardize onboarding processes;

Realizing employee benefit savings on medical benefits, prescription services and high medical claims; and

Reducing overtime and use of temporary staffing to align with patient admissions.

We intend to continue to try to identify new opportunities to reduce costs and improve productivity and physician practice performance.

***Reduce leverage and improve cash flow.*** We intend to continue our strategy of increasing hospital revenues and reducing operating expenses to generate increased profitability and cash flow. We intend to continue utilizing cash flows from our operations to service debt and to fund capital projects that generate a high return on investment. In addition, as noted above, our portfolio rationalization and deleveraging strategy is ongoing, and since April 2016 this strategy has generated approximately $1.9 billion in proceeds that have been used to repay indebtedness. Moreover, as noted above, as of February 28, 2017, we had executed definitive agreements with respect to the sale of 15 hospitals and expect to receive approximately $900 million in proceeds from the sale of such facilities in 2017, and we had executed non-binding letters of intent with respect to the sale of ten additional hospitals and expect to receive approximately $600 million in proceeds from the sale of such facilities in 2017, in each case if all of these sales are completed on the terms expected as of such date. We intend to use the proceeds from these contemplated divestitures to pay down debt. In 2017, we also intend to try to divest additional hospitals, which, if completed, would provide us with additional funds for debt reduction. We believe that our portfolio rationalization strategy will allow us to better

allocate capital into projects that generate a higher return on our investment in our most attractive markets and regional networks. We also intend to continue to manage our upcoming debt maturities and opportunistically optimize our capital structure, which may in either case include extending portions of our existing debt.

**Industry Overview**

According to the Centers for Medicare & Medicaid Services, or CMS, national healthcare expenditures in 2016 are projected to have grown 4.8% to approximately $3.4 trillion. In addition, these CMS projections,

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published 2017, indicate that total U.S. healthcare spending will grow at an average annual rate of 5.9% from 2018 through 2019 and by an average of 5.8% annually from 2020 through 2025. However, these projections do not take into account initiatives, programs or other developments that may result from the 2016 federal elections, including any potential significant modifications to or repeal of the Affordable Care Act. CMS also projected that total U.S. healthcare annual expenditures will exceed $5.5 trillion by 2025, accounting for approximately 19.9% of the total U.S. gross domestic product. CMS expects healthcare spending to be largely influenced by changes in economic growth and population aging, and anticipates faster growth in medical prices.

Hospital services, the market within the healthcare industry in which we primarily operate, is the largest single category of healthcare expenditures. In 2016, hospital care expenditures are estimated by CMS to have grown 4.9%, amounting to over $1 trillion. CMS estimates that the hospital services category will exceed $1.1 trillion in 2017, and projects growth in this category at an average of 5.5% annually from 2016 through 2025.

## Recent Developments

### Portfolio Rationalization Program

As noted above, we have been implementing a portfolio rationalization and deleveraging strategy by divesting hospitals and non-hospital businesses that are attractive to strategic and other buyers. Since April 2016, we have received approximately $1.6 billion in proceeds from the spin-off of Quorum Health Corporation and sale of our joint venture in Las Vegas, Nevada and another $287 million from the sale of investments in non-hospital operations. In addition, as of February 28, 2017, we had executed definitive agreements with respect to the sale of 15 hospitals. Additionally, as of February 28, 2017, we had executed non-binding letters of intent with respect to the sale of ten hospitals and were in preliminary discussions with respect to the sale of additional hospitals, including in certain cases where we had entered into non-binding letters of intent where discussions were at a more preliminary stage relative to those ten hospitals.

In 2015, we completed the sale of eight hospitals for approximately $156 million of proceeds. In addition, a summary of the activity related to our portfolio rationalization program since December 31, 2015 is as follows:

Effective January 1, 2016, we sold Bartow Regional Medical Center (72 licensed beds) in Bartow Florida, and related outpatient services to BayCare Health Systems, Inc. for approximately $60 million in cash.

Effective February 1, 2016, we sold Lehigh Regional Medical Center (88 licensed beds) in Lehigh Acres, Florida, and related outpatient services to Prime Healthcare Services for approximately $11 million in cash.

On April 29, 2016, we completed the spin-off of 38 hospitals and Quorum Health Resources, LLC, or QHR (our subsidiary through which we provided management advisory and consulting services to non-affiliated general acute care hospitals located throughout the United States), into Quorum Health Corporation, or QHC, an independent, publicly traded corporation. In connection with the spin-off, we received approximately $1.2 billion of net proceeds from QHC and we recorded a non-cash dividend of approximately $713 million during the year ended December 31, 2016, representing the net assets of QHC distributed to our stockholders.

On April 29, 2016, we sold our unconsolidated minority equity interests in Valley Health System, LLC, a joint venture with Universal Health Systems, Inc., or UHS, representing four hospitals in Las Vegas, Nevada, in which we owned a 27.5% interest, and in Summerlin Hospital Medical Center, LLC, a joint venture with UHS representing one hospital in Las Vegas, Nevada, in which we owned a 26.1% interest. We received $403 million in cash in return for the sale of these equity interests and recognized a gain of approximately $94 million on the sale of our investment

during the year ended December 31, 2016.

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On September 29, 2016, we signed a definitive agreement with subsidiaries of Curae Health, Inc. to sell the hospitals and associated assets at Merit Health Gilmore Memorial (95 licensed beds) in Amory, Mississippi, Merit Health Batesville (112 licensed beds) in Batesville, Mississippi, and Merit Health Northwest Mississippi (181 licensed beds) in Clarksdale, Mississippi.

On November 17, 2016, we signed a definitive agreement for the sale of two hospitals, a clinic and their associated assets to MultiCare Health System. Facilities included in the transaction include Deaconess Hospital (388 licensed beds) in Spokane, Washington, Valley Hospital (123 licensed beds) in Spokane Valley, Washington and the multi-specialty Rockwood Clinic in Spokane, Washington.

On December 13, 2016, we signed a definitive agreement to sell two hospitals and their associated assets to subsidiaries of Sunnyside Community Hospital and Clinics. Facilities included in the transaction are Yakima Regional Medical and Cardiac Center (214 licensed beds) in Yakima, Washington and Toppenish Community Hospital (63 licensed beds) in Toppenish, Washington.

On December 22, 2016, we completed the sale and leaseback of ten medical office buildings for net proceeds of $159 million to HCP, Inc. The buildings, with a combined total of 756,183 square feet, are located in five states and support a wide array of diagnostic, medical and surgical services in an outpatient setting for the respective hospitals.

On December 31, 2016, we completed the sale of an 80% majority ownership interest in our home care division to a subsidiary of Almost Family, Inc. for $128 million.

On February 16, 2017, we signed a definitive agreement for the sale of eight hospitals and their associated assets to subsidiaries of Steward Health, Inc. The facilities included in this transaction are Easton Hospital (254 licensed beds) in Easton, Pennsylvania, Sharon Regional Health System (258 licensed beds) in Sharon, Pennsylvania, Northside Medical Center (355 licensed beds) in Youngstown, Ohio, Trumbull Memorial Hospital (311 licensed beds) in Warren, Ohio, Hillside Rehabilitation Hospital (69 licensed beds) in Warren, Ohio, Wuesthoff Health System Rockledge (298 licensed beds) in Rockledge, Florida, Wuesthoff Health System Melbourne (119 licensed beds) in Melbourne, Florida and Sebastian River Medical Center (154 licensed beds) in Sebastian, Florida.

The table below provides certain additional information with respect to our operations (a) that were divested in 2016, beginning with the spin-off of 38 hospitals to Quorum Health Corporation in April 2016, (b) in respect of which we had entered into definitive sale agreements but that have not been divested, in each case as of February 28, 2017, and (c) in respect of which we had entered into non-binding letters of intent for sale but that have not been divested, in each case as of February 28, 2017. The revenues, income from continuing operations before taxes, Adjusted EBITDA, capital expenditures, and other investments included in the table below are for the year ended December 31, 2016, and the number of hospitals and licensed beds is as of December 31, 2016. For additional information regarding the Adjusted EBITDA information presented below, see Non-GAAP Financial Measures and Summary Historical Financial and Other Data. Prospective investors are cautioned that with respect to our intended divestitures, there can be no assurance that these divestitures will be completed or, if they are completed, the ultimate timing of the completion of these divestitures or the aggregate amount of proceeds we will receive from the divestitures.

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| | Completed and Intended Divestitures | | |
|---|---|---|---|
| | Completed in 2016(1) | Subject to Definitive Agreements(2) | Subject to Non-binding Letters of Intent(3) |
| | ($ in millions) | | |
| Hospitals | 38 | 15 | 10 |
| Licensed Beds | 3,582 | 2,994 | 1,695 |
| Sale Proceeds (Approx.) | $ 1,900 | $ 900 | $ 600 |
| Net Operating Revenues | $ 925 | $ 1,838 | $ 996 |
| Income from Continuing Operations Before Taxes | $ 124 | $ (46) | $ (38) |
| Adjusted EBITDA | $ 109 | $ 89 | $ 38 |
| Capital Expenditures | $ 25 | $ 67 | $ 48 |
| Other Investments(4) | $ 3 | $ 20 | $ 8 |

(1) The information with respect to divestitures completed in 2016 (a) does not include the sales of Bartow Regional Medical Center, which closed on January 1, 2016 and Lehigh Regional Medical Center, which closed on February 1, 2016; (b) includes the sale and leaseback to HCP, Inc. as a component of the $1,900 million of sale proceeds received but not for the other metrics set forth in the table above because we continue to operate the divested medical office buildings; (c) includes the sale of our joint venture interests in Valley Health System, LLC and Summerlin Hospital Medical Center, LLC as a component of sales proceeds, income from continuing operations before taxes and Adjusted EBITDA but not for the other metrics set forth in the table above because this involved the sale of a minority equity interest, and (d) includes the impact of the spin-off of Quorum Health Corporation and the sale of our home care division (except that the home health care division does not impact the calculation of hospitals and licensed beds). Net operating revenues, income from continuing operations before taxes, Adjusted EBITDA, capital expenditures and other investments are amounts attributable to divested operations in the year ended December 31, 2016 prior to completion of such divestitures.

(2) We intend to complete the divestitures of these 15 operations subject to definitive agreements prior to June 30, 2017. The information with respect to operations subject to definitive agreements excludes the definitive sale agreement for Memorial Hospital of Salem County and Williamson Memorial Hospital since such hospitals were not included in continuing operations as of December 31, 2016.

(3) In addition to the ten hospitals identified in the table above as subject to non-binding letters of intent, as of February 28, 2017, we were in preliminary discussions with respect to the sale of additional hospitals, including in certain cases where we had entered into non-binding letters of intent where discussions were at a more preliminary stage relative to the ten hospitals identified in the table above. As is the case with our other pending divestitures, there can be no assurance that these divestitures will be completed or, if they are completed, the ultimate timing of the completion of these divestitures or the aggregate amount of proceeds we will receive from the divestitures.

(4) Other Investments reflects other cash investments, primarily related to internal-use software and physician recruiting.

**Tender Offer and Redemption**

On March 2, 2017, we commenced a cash tender offer (the Tender Offer ) for any and all of our $700 million aggregate principal amount of 2018 Secured Notes on the terms and subject to the conditions set forth in our offer to purchase dated March 2, 2017 (the Offer to Purchase ).

The Tender Offer is currently scheduled to expire at 11:59 p.m., New York City time, on March 29, 2017, subject to our right to extend the Tender Offer. We are offering, subject to the terms and conditions of the Tender Offer, to pay a total consideration of $1,014.25 (including an early tender payment of $30.00) for each $1,000 principal amount of 2018 Secured Notes validly tendered and not validly withdrawn in the Tender Offer prior to 5:00 p.m., New York City time, on March 15, 2017 (as the same may be extended, the Early Tender Deadline ),

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plus accrued and unpaid interest. The early tender payment will not be paid for any 2018 Secured Notes accepted for purchase that are validly tendered after the Early Tender Deadline and prior to the expiration of the Tender Offer. This prospectus supplement is not an offer to purchase any 2018 Secured Notes. The Tender Offer is only being made pursuant to the Offer to Purchase referred to above.

Following the commencement of the Tender Offer, we also issued to holders of the 2018 Secured Notes a conditional notice of redemption (the Conditional Notice of Redemption ) to redeem all of the 2018 Secured Notes not purchased by us in the Tender Offer on April 3, 2017 (the Conditional Redemption Date ) at a redemption price of 101.281% of the principal amount of the 2018 Secured Notes plus accrued and unpaid interest. Pursuant to the Conditional Notice of Redemption, our obligation to redeem the 2018 Secured Notes not purchased in the Tender Offer is conditioned upon the completion and receipt of sufficient net cash proceeds from a new debt financing or financings to fund the aggregate redemption price.

We intend to use the net proceeds from this offering to purchase the 2018 Secured Notes validly tendered and not validly withdrawn in the Tender Offer, to redeem all of the 2018 Secured Notes not purchased by us in the Tender Offer pursuant to the Conditional Notice of Redemption, to repay $1.445 billion aggregate principal amount of terms loans outstanding under our Term F Facility, to pay related fees and expenses and the remainder, if any, for general corporate purposes. See Use of Proceeds.

**Exploration of Alternatives**

As initially disclosed on September 19, 2016, with the assistance of advisors, we are exploring a variety of options with financial sponsors, as well as other potential alternatives. These discussions are ongoing. There can be no certainty that the exploration will result in any kind of transaction. We do not expect to make further public comment regarding these matters while the exploration process takes place unless and until we otherwise deem further public comment is appropriate or required.

In addition, our Board of Directors adopted a Stockholder Protection Rights Agreement on October 3, 2016. The Stockholder Protection Rights Agreement will not prevent our takeover, but may cause substantial dilution to a person or group that acquires 15% or more of our common stock, which may inhibit or render more difficult a merger, tender offer or other business combination involving us that is not supported by our Board of Directors. The Stockholder Protection Rights Agreement will expire on April 1, 2017.

**Certain Results for the Three Months Ended December 31, 2016**

The following highlights certain of our financial and operating results for the three months ended December 31, 2016:

- net operating revenues totaled $4.469 billion, compared with $4.798 billion for the same period in 2015;
- net loss attributable to Community Health Systems, Inc. common stockholders was $(220) million, or $(1.99) per share (diluted), compared with $(83) million, or $(0.73) per share (diluted) for the same period in 2015;
- Adjusted EBITDA was $564 million, compared to $527 million for the same period in 2015; and

on a same-store basis, both admissions and adjusted admissions decreased 1.4 percent, in each case compared with the same period in 2015.

**Our Corporate Information**

Community Health Systems, Inc. was incorporated in the State of Delaware on June 6, 1996. CHS/ Community Health Systems, Inc. was incorporated in the State of Delaware on March 25, 1985. Our principal executive offices are located at 4000 Meridian Boulevard, Franklin, Tennessee 37067, and our telephone number is (615) 465-7000. Our website is www.chs.net. Information on our website shall not be deemed part of this prospectus supplement or the accompanying prospectus.

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## THE OFFERING

*The summary below describes the principal terms of the notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. You should carefully review the Description of the Notes section of this prospectus supplement, which contains a more detailed description of the terms and conditions of the notes.*

| | |
|---|---|
| **Issuer** | CHS/Community Health Systems, Inc. |
| **Notes Offered** | $2,200,000,000 aggregate principal amount of 6.250% senior secured notes due 2023. |
| **Maturity Date** | The notes will mature on March 31, 2023. |
| **Interest** | The notes will bear interest at a rate of 6.250% per annum. |
| **Interest Payment Dates** | The Issuer will pay interest semi-annually on March 31 and September 30 of each year. The first interest payment date on the notes will be September 30, 2017. |
| **Guarantees** | The notes will be unconditionally guaranteed on a first-priority senior secured basis by Holdings and certain of our current and future domestic subsidiaries (subject to a shared lien of equal priority with certain other obligations, including obligations under our Credit Facility, our 2021 Secured Notes and, for so long as they remain outstanding, our 2018 Secured Notes, and subject to certain prior ranking liens permitted by the indenture that will govern the notes).<br><br>Excluding intercompany payables and receivables, we estimate that our non-guarantor subsidiaries accounted for:<br><br>approximately $7.2 billion, or 39%, of our total net operating revenue, approximately $136 million of our net cash provided by operating activities, or 12%, of our total net cash provided by operating activities, and approximately $(407) million, or 25%, of our total net loss, in each case, for the year ended December 31, 2016; and |

approximately $9.4 billion, or 43%, of our total assets, and approximately $1.8 billion, or 9%, of our total liabilities, in each case, as of December 31, 2016.

**Ranking of the Notes**

The notes will be the Issuer s senior secured obligations. Accordingly, the notes will:

- rank equal in right of payment to all of the Issuer s existing and future senior indebtedness that is not subordinated in right of payment to the notes (including indebtedness under our Credit Facility and our Existing Notes);
- rank senior in right of payment to any of the Issuer s future indebtedness that is subordinated in right of payment to the notes;

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be effectively senior to all of the Issuer s existing and future unsecured indebtedness (including the 2019 Notes, the 2020 Notes and the 2022 Notes) to the extent of the value of the assets securing the notes (after giving effect to the sharing of such value with holders of equal or prior ranking liens);

be effectively subordinated to any of the Issuer s existing and future indebtedness that is secured by assets that do not secure the notes to the extent of the value of such assets (including indebtedness under our Credit Facility which is secured by certain pledges of subsidiary stock that will not be pledged to secure the notes); and

be structurally subordinated to all liabilities of the Issuer s subsidiaries that will not guarantee the notes.

As of December 31, 2016, on an as adjusted basis, we would have had approximately $9.4 billion aggregate principal amount of senior secured indebtedness outstanding, approximately $6.1 billion of senior unsecured indebtedness outstanding and an additional $945 million that we would have been able to borrow under our revolving credit facility. See Capitalization and Description of Certain Indebtedness.

**Ranking of the Guarantees**

The guarantee of the notes by each guarantor will be a senior secured obligation of such guarantor and will:

rank equal in right of payment to all of such guarantor s existing and future senior indebtedness that is not subordinated in right of payment to such guarantee (including guarantees by such guarantor of our Credit Facility and our Existing Notes);

rank senior in right of payment to any of such guarantor s future indebtedness that is subordinated in right of payment to such guarantee;

be effectively senior to all of such guarantor s existing and future unsecured indebtedness (including guarantees by such guarantor of the 2019 Notes, the 2020 Notes and the 2022 Notes) to the extent of the value of the assets securing such guarantees (after giving effect to the sharing of such value with holders of equal or prior ranking liens); and

| | |
|---|---|
| | be effectively subordinated to any of such guarantor s existing and future indebtedness that is secured by assets that do not secure such guarantee to the extent of the value of such assets (including guarantees under our Credit Facility which is secured by certain pledges of subsidiary stock that will not be pledged to secure the guarantee of the notes). |
| **Collateral** | The notes and the guarantees thereof will be secured by a first-priority lien (subject to a shared lien of equal priority with certain other |

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| | |
|---|---|
| | obligations, including obligations under our Credit Facility, our 2021 Secured Notes and, for so long as they remain outstanding, our 2018 Secured Notes, and subject to other prior ranking liens permitted by the indenture that will govern the notes) on substantially the same assets that secure the obligations under our Credit Facility, our 2021 Secured Notes and, for so long as they remain outstanding, our 2018 Secured Notes, subject to certain exceptions. See Description of the Notes Collateral. |
| **Intercreditor Agreement** | We will enter into a joinder to the first lien intercreditor agreement which will govern the relative rights of the secured parties in respect of the Credit Facility, the 2021 Secured Notes, the 2018 Secured Notes and holders of the notes. The intercreditor agreement will provide, among other things, that to the extent there are liens on assets to secure the Credit Facility, the 2021 Secured Notes, the 2018 Secured Notes and the notes, such liens will be of equal priority. See Description of the Notes Pari Passu Intercreditor Arrangements. |
| **Optional Redemption** | At any time prior to March 31, 2020, we may redeem some or all of the notes at a redemption price equal to 100% of the principal amount of the notes plus accrued and unpaid interest, if any, to the applicable redemption date plus the applicable make-whole premium set forth in this prospectus supplement.<br><br>We may redeem some or all of the notes at any time and from time to time on or after March 31, 2020, at the redemption price set forth in this prospectus supplement plus accrued and unpaid interest, if any, to the applicable redemption date. In addition, at any time prior to March 31, 2020, we may redeem up to 40% of the aggregate principal amount of the notes with the proceeds of certain equity offerings at the redemption price set forth in this prospectus supplement plus accrued and unpaid interest, if any, to the applicable redemption date. See Description of the Notes Optional Redemption. |
| **Change of Control** | If a change of control occurs, each holder of notes will have the right to require us to purchase all or a portion of its notes at 101% of the principal amount of the notes on the date of purchase plus accrued and unpaid interest, if any, to the date of repurchase. See Description of the Notes Change of Control. |
| **Certain Covenants** | The indenture that will govern the notes will contain covenants that, among other things, limit our ability and the ability of our restricted subsidiaries to: |

incur or guarantee additional indebtedness;

pay dividends or make other restricted payments;

make certain investments;

incur restrictions on the ability of our restricted subsidiaries to pay dividends or make certain other payments;

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create or incur certain liens;

sell assets and subsidiary stock;

impair the security interests;

transfer all or substantially all of our assets or enter into merger or consolidation transactions; and

enter into transactions with our affiliates.

However, these limitations are subject to a number of important qualifications and exceptions. See Description of the Notes Certain Covenants.

**Use of Proceeds**

We intend to use the net proceeds from this offering to purchase the 2018 Secured Notes validly tendered and not validly withdrawn in the Tender Offer and to redeem pursuant to the Conditional Notice of Redemption all of the 2018 Secured Notes not purchased by us in the Tender Offer, to repay $1.445 billion aggregate principal amount of terms loans outstanding under our Term F Facility, to pay related fees and expenses and the remainder, if any, for general corporate purposes. See Use of Proceeds.

**No Listing**

We do not intend to list the notes on any securities exchange. Although the underwriters have informed us that they intend to make a market in the notes, they are not obligated to do so and may discontinue market-making activities at any time without notice. Accordingly, a liquid market for the notes may not be maintained.

**Risk Factors**

Investing in the notes involves substantial risk. See Risk Factors on page S-25 for a discussion of certain factors that you should consider before investing in the notes.

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## SUMMARY HISTORICAL FINANCIAL AND OTHER DATA

The following table sets forth a summary of our consolidated historical financial and other data as of and for the periods presented. The summary historical financial information presented below for each of the three years in the period ended December 31, 2016 has been derived from our audited consolidated financial statements incorporated by reference in this prospectus supplement. Our consolidated financial statements for each of the three years in the period ended December 31, 2016 have been audited by Deloitte & Touche LLP, an independent registered public accounting firm.

The following summary historical financial and other data should be read in conjunction with the section entitled Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes thereto, included in our Annual Report on Form 10-K filed with the SEC on February 21, 2017, which is incorporated by reference in this prospectus supplement.

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| | (In millions) | | |
| **Consolidated Statement of (Loss) Income Data** | | | |
| Operating revenues (net of contractual allowances and discounts) | $ 21,275 | $ 22,564 | $ 21,561 |
| Provision for bad debts | 2,837 | 3,127 | 2,922 |
| *Net operating revenues* | 18,438 | 19,437 | 18,639 |
| Operating costs and expenses: | | | |
| Salaries and benefits | 8,624 | 8,991 | 8,618 |
| Supplies | 3,011 | 3,048 | 2,862 |
| Other operating expenses | 4,248 | 4,520 | 4,322 |
| Government and other legal settlements and related costs | 16 | 4 | 101 |
| Electronic health records incentive reimbursement | (70) | (160) | (259) |
| Rent | 450 | 457 | 434 |
| Depreciation and amortization | 1,100 | 1,172 | 1,106 |
| Amortization of software to be abandoned | | | 75 |
| Impairment and loss on sale of businesses, net | 1,919 | 68 | 41 |
| Total operating costs and expenses | 19,298 | 18,100 | 17,300 |
| *(Loss) income from operations* | (860) | 1,337 | 1,339 |
| Interest expense, net of interest income of $14, $15 and $5 in 2016, 2015 and 2014, respectively | 962 | 973 | 972 |
| Loss from early extinguishment of debt | 30 | 16 | 73 |
| Gain on sale of investments in unconsolidated affiliates | (94) | | |
| Equity in earnings of unconsolidated affiliates | (43) | (63) | (48) |
| (Loss) income from continuing operations before income taxes | (1,715) | 411 | 342 |
| (Benefit from) provision for income taxes | (104) | 116 | 82 |
| (Loss) income from continuing operations | (1,611) | 295 | 260 |
| Discontinued operations, net of taxes: | | | |
| Loss from operations of entities sold or held for sale | (7) | (27) | (7) |
| Impairment of hospitals sold or held for sale | (8) | (5) | (50) |
| Loss on sale, net | | (4) | |
| Loss from discontinued operations, net of taxes | (15) | (36) | (57) |

| | | | |
|---|---|---|---|
| *Net (loss) income* | (1,626) | 259 | 203 |
| Less: Net income attributable to noncontrolling interests | 95 | 101 | 111 |
| Net (loss) income attributable to Community Health Systems, Inc. stockholders | $ (1,721) | $ 158 | $ 92 |

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| | Year Ended December 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| | (In millions) | | |
| **Consolidated Statement of Cash Flows Data** | | | |
| Net cash provided by operating activities | $ 1,137 | $ 921 | $ 1,615 |
| Net cash provided by (used in) investing activities | 630 | (1,051) | (4,351) |
| Net cash (used in) provided by financing activities | (1,713) | (195) | 2,872 |

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| | (Dollars in millions) | | |
| **Consolidated Data** | | | |
| Number of hospitals (at end of period) | 155 | 194 | 197 |
| Licensed beds (at end of period)(1) | 26,222 | 29,853 | 30,137 |
| Beds in service (at end of period)(2) | 23,229 | 26,312 | 27,000 |
| Admissions(3) | 857,412 | 940,292 | 924,557 |
| Adjusted admissions(4) | 1,867,348 | 2,038,103 | 1,969,770 |
| Patient days(5) | 3,832,104 | 4,175,214 | 4,091,183 |
| Average length of stay (days)(6) | 4.5 | 4.4 | 4.4 |
| Occupancy rate (beds in service)(7) | 43.1% | 43.3% | 43.8% |
| Net operating revenues | $ 18,438 | $ 19,437 | $ 18,639 |
| Net inpatient revenues as a % of net patient revenues before provision for bad debts | 43.2% | 42.8% | 43.9% |
| Net outpatient revenues as a % of net patient revenues before provision for bad debts | 56.8% | 57.2% | 56.1% |
| Net (loss) income attributable to Community Health Systems, Inc. stockholders | $ (1,721) | $ 158 | $ 92 |
| Net (loss) income attributable to Community Health Systems, Inc. stockholders as a % of net operating revenues | (9.3)% | 0.8% | 0.5% |
| Adjusted EBITDA(8) | $ 2,225 | $ 2,670 | $ 2,777 |
| Adjusted EBITDA as a % of net operating revenues(8) | 12.1% | 13.7% | 14.9% |
| Further Adjusted EBITDA(9) | $ 2,169 | | |
| Further Adjusted EBITDA as a % of Non-GAAP Adjusted Net Operating Revenues(9) | 12.4% | | |

| | December 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| | (In millions) | | |
| **Consolidated Balance Sheet Data** | | | |
| Cash and cash equivalents | $ 238 | $ 184 | $ 509 |
| Total assets | 21,944 | 26,595 | 27,118 |
| Long-term debt | 14,789 | 16,556 | 16,378 |
| Deferred income taxes | 411 | 593 | 845 |
| Other long-term Liabilities | 1,575 | 1,698 | 1,692 |
| Redeemable noncontrolling interests in equity of consolidated subsidiaries | 554 | 571 | 531 |

| | | | |
|---|---|---|---|
| Community Health Systems, Inc. stockholders equity | 1,615 | 4,019 | 4,003 |
| Noncontrolling interests in equity of consolidated subsidiaries | 113 | 86 | 80 |

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| | Year Ended December 31, 2016 | 2015 | (Decrease) Increase |
|---|---|---|---|
| | (Dollars in millions) | | |
| **Same-Store Data(10)** | | | |
| Admissions(3) | 818,559 | 834,383 | (1.9)% |
| Adjusted admissions(4) | 1,773,093 | 1,782,134 | (0.5)% |
| Patient days(5) | 3,678,397 | 3,752,264 | |
| Average length of stay (days)(6) | 4.5 | 4.5 | |
| Occupancy rate (beds in service)(7) | 43.4% | 44.3% | |
| Net operating revenues | $ 17,481 | $ 17,248 | 1.4% |
| Income from operations | $ 1,069 | $ 1,498 | (28.6)% |
| Income from operations as a % of net operating revenues | 6.1% | 8.7% | |
| Depreciation and amortization | $ 1,045 | $ 1,030 | |
| Equity in earnings of unconsolidated affiliates | $ (14) | $ (11) | |

| | December 31, 2016 As Adjusted (In millions) |
|---|---|
| **Other Financial Data** | |
| Secured Net Debt(11) | $ 8,442 |
| Total Net Debt(12) | $ 14,567 |

(1) Licensed beds are the number of beds for which the appropriate state agency licenses a facility regardless of whether the beds are actually available for patient use.
(2) Beds in service are the number of beds that are readily available for patient use.
(3) Admissions represent the number of patients admitted for inpatient treatment.
(4) Adjusted admissions is a general measure of combined inpatient and outpatient volume. We computed adjusted admissions by multiplying admissions by gross patient revenues and then dividing that number by gross inpatient revenues.
(5) Patient days represent the total number of days of care provided to inpatients.
(6) Average length of stay (days) represents the average number of days inpatients stay in our hospitals.
(7) We calculated occupancy rate percentages by dividing the average daily number of inpatients by the weighted-average number of beds in service.
(8) EBITDA is a non-GAAP financial measure which consists of net (loss) income attributable to Community Health Systems, Inc. before interest, income taxes, depreciation and amortization. Adjusted EBITDA, also a non-GAAP financial measure, is EBITDA adjusted to add back net income attributable to noncontrolling interests and to exclude the effect of discontinued operations, loss from early extinguishment of debt, impairment and (gain) loss on sale of business, gain on sale of investments in unconsolidated affiliates, amortization of software to be abandoned, acquisition and integration expenses from the acquisition of HMA, expense incurred related to the spin-off of QHC, expense incurred related to the sale of a majority ownership interest in our home care division, expense related to government and other legal settlements and related costs, and (income) expense from fair value adjustments on the CVR agreement liability accounted for at fair value related to the HMA legal proceedings, and related legal expenses. Adjusted EBITDA does not reflect adjustments for any completed or intended divestitures. We have from time to time sold noncontrolling interests in certain of our subsidiaries or acquired subsidiaries with existing noncontrolling interest ownership positions. We believe that it is useful to present Adjusted EBITDA because it adds back the portion of EBITDA attributable to these third-party interests and

clarifies for investors our portion of EBITDA generated by continuing operations. We report Adjusted EBITDA as a measure of financial performance. Adjusted EBITDA is a key measure used by our management to assess the operating performance of our hospital operations and to make decisions on the allocation of resources. Adjusted EBITDA is also used to evaluate the performance of our executive management team and is one of the primary targets used to determine short-term cash incentive compensation. In addition, our management

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utilizes Adjusted EBITDA in assessing our consolidated results of operations and operational performance and in comparing our results of operations between periods. We believe it is useful to provide investors and other users of our financial statements this performance measure to align with how management assesses our results of operations. Adjusted EBITDA also is comparable to a similar metric called Consolidated EBITDA, as defined in our senior secured credit facility, which is a key component in the determination of our compliance with some of the covenants under our senior secured credit facility (including our ability to service debt and incur capital expenditures), and is used to determine the interest rate and commitment fee payable under the Credit Facility (although Adjusted EBITDA does not include all of the adjustments described in the senior secured credit facility). For further discussion of Consolidated EBITDA and how that measure is utilized in the calculation of our debt covenants, see the Capital Resources section of Part II, Item 7 of our Annual Report on Form 10-K filed with the SEC on February 21, 2017, which is incorporated by reference into this prospectus supplement.

Adjusted EBITDA is not a measurement of financial performance under U.S. GAAP. It should not be considered in isolation or as a substitute for net income, operating income, or any other performance measure calculated in accordance with U.S. GAAP. The items excluded from Adjusted EBITDA are significant components in understanding and evaluating financial performance. We believe such adjustments are appropriate as the magnitude and frequency of such items can vary significantly and are not related to the assessment of normal operating performance. Additionally, our calculation of Adjusted EBITDA may not be comparable to similarly titled measures reported by other companies. See Non-GAAP Financial Measures for additional information regarding our use of this measure, including the limitations thereof.

The following table reflects the reconciliation of Adjusted EBITDA, as defined, to net (loss) income attributable to Community Health Systems, Inc. stockholders as derived directly from our consolidated financial statements for the years ended December 31, 2016, 2015 and 2014 (in millions):

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2016** | **2015** | **2014** |
| Net (loss) income attributable to Community Health Systems, Inc. stockholders | $ (1,721) | $ 158 | $ 92 |
| Adjustments: | | | |
| (Benefit from) provision for income taxes | (104) | 116 | 82 |
| Depreciation and amortization | 1,100 | 1,172 | 1,106 |
| Net income attributable to noncontrolling interests | 95 | 101 | 111 |
| Loss from discontinued operations | 15 | 36 | 57 |
| Amortization of software to be abandoned | | | 75 |
| Interest expense, net | 962 | 973 | 972 |
| Loss from early extinguishment of debt | 30 | 16 | 73 |
| Impairment and (gain) loss on sale of businesses, net | 1,919 | 68 | 41 |
| Gain on sale of investments in unconsolidated affiliates | (94) | | |
| Expenses related to the acquisition and integration of HMA | | 1 | 69 |
| Expense from government and other legal settlements and related costs | 16 | 4 | 105 |
| (Income) expense from fair value adjustments and legal expenses related to cases covered by the CVR | (6) | 8 | (6) |
| Expenses related to the sale of a majority interest in home care division | 1 | | |
| Expenses related to the spin-off of Quorum Health Corporation | 12 | 17 | |
| Adjusted EBITDA | $ 2,225 | $ 2,670 | $ 2,777 |

(9) For information regarding Further Adjusted EBITDA, Further Adjusted EBITDA margin and Non-GAAP Adjusted Net Operating Revenues, including applicable reconciliations, see Other Non-GAAP Financial Measures Further Adjusted EBITDA and Non-GAAP Adjusted Net Operating Revenues below.

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(10) Same-store operating results and statistical data exclude information for the hospitals divested in the spin-off of QHC in both the year ended December 31, 2016 and the comparable periods in 2015 and 2014. Same-store operating results for the period from January 1, 2014 through December 31, 2014 include former HMA hospitals, as if such hospitals were acquired on January 1, 2014. For all hospitals owned throughout all periods presented, the same-store operating results and statistical data reflects the indicated periods. The same-store information does not reflect the application of purchase accounting adjustments as if the HMA merger had been completed on January 1, 2014. Therefore, this information is not intended to present pro forma information prepared under the guidelines of Articles 3-05 and 11 of the SEC. However, management believes the information provides investors with useful information about the hospital admissions, adjusted admissions and net operating revenues had the HMA facilities been acquired on January 1, 2014. This same-store information for the hospitals acquired in the HMA merger for the period from January 1 through December 31, 2014 is non-GAAP financial information and may not be comparable to the information provided for the comparable 2015 period due to the aforementioned purchase accounting adjustments not having been applied. In addition, same-store comparisons exclude our hospitals that have previously been classified as discontinued operations for accounting purposes.

(11) Secured Net Debt means total secured debt less the amount outstanding under our Receivables Facility, less cash and cash equivalents, as of December 31, 2016, on an adjusted basis as reflected in Capitalization below. For more detailed information regarding the components of Secured Net Debt, including a description of applicable adjustments, see Capitalization below.

(12) Total Net Debt means the aggregate of all outstanding indebtedness less the amount outstanding under our Receivables Facility, less cash and cash equivalents, as of December 31, 2016, on an as adjusted basis as reflected in Capitalization below. For more detailed information regarding the components of Total Net Debt, including a description of applicable adjustments, see Capitalization below.

**Other Non-GAAP Financial Measures**

This prospectus supplement, including this section below, presents certain non-GAAP financial measures. This section provides certain information with respect to such non-GAAP financial measures, including reconciliations to the applicable GAAP financial measures.

**Further Adjusted EBITDA and Non-GAAP Adjusted Net Operating Revenues**

The Summary section of this prospectus supplement, and the chart set forth below, presents Further Adjusted EBITDA for the year ended December 31, 2016. Further Adjusted EBITDA is Adjusted EBITDA (calculated as reflected in footnote (8) in this section above), further adjusted to (i) remove the impact for the year ended December 31, 2016, of the operations included in our divestitures that were completed during 2016 beginning in April 2016 (as such amounts do not adjust for the impact of Bartow Regional Medical Center, which was sold on January 1, 2016, and Lehigh Regional Medical Center, which was sold on February 1, 2016) as if those divestitures were completed on January 1, 2016, (ii) with respect to hospital acquisitions that were completed during 2016, include the estimated impact that such acquired operations would have had on our Adjusted EBITDA for the year ended December 31, 2016, as if such operations had been acquired by us as of January 1, 2016, which estimate was derived by calculating the incremental results for the period in 2016 prior to the date of the acquisition by annualizing actual results of operations in 2016 from the date of acquisition, together with such actual results of operations, and (iii) add back stock-based compensation expense in 2016. For additional information regarding the divestitures we completed in 2016, see Summary Recent Developments Portfolio Rationalization Program in this prospectus supplement. For additional information regarding the acquisitions we completed in 2016, see Completed Acquisitions and Divestitures in Part II, Item 7 of our Annual Report on Form 10-K filed with the SEC on February 21, 2017, incorporated by reference into this prospectus supplement.

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In addition, the chart set forth below presents our non-GAAP Adjusted Net Operating Revenues and our Further Adjusted EBITDA margin, in each case for the year ended December 31, 2016. Our non-GAAP Adjusted Net Operating Revenues represents our net operating revenues, further adjusted to (i) remove the impact for the year ended December 31, 2016, of the operations included in our divestitures that were completed during 2016 beginning in April 2016 (as such amounts do not adjust for the impact of Bartow Regional Medical Center, which was sold on January 1, 2016, and Lehigh Regional Medical Center, which was sold on February 1, 2016) as if those divestitures were completed on January 1, 2016 and (ii) with respect to hospital acquisitions that were completed during 2016, include the estimated impact that such acquired operations would have had on our net operating revenues for the year ended December 31, 2016 as if such operations had been acquired by us as of January 1, 2016, which estimate was derived by calculating the incremental results for the period in 2016 prior to the date of the acquisition by annualizing actual results of operations in 2016 from the date of acquisition, together with such actual results of operations. Our Further Adjusted EBITDA margin is determined by dividing our Further Adjusted EBITDA by our non-GAAP Adjusted Net Operating Revenues.

We believe that it is useful to present Further Adjusted EBITDA because (i) it adjusts for the impact of divestitures that were completed during 2016 beginning in April 2016 in connection with our portfolio rationalization strategy as well as hospital acquisitions that were completed during 2016, and thus clarifies for investors and other users of our financial statements our portion of Adjusted EBITDA for the year ended December 31, 2016, generated by operations held by us as of the date hereof, and (ii) it excludes and highlights the impact of stock-based compensation expense, which we believe is useful in assessing our underlying operating results in light of the non-cash nature and variability of stock-based compensation expense. We believe that it is useful to present non-GAAP Adjusted Net Operating Revenues and Further Adjusted EBITDA margin because such non-GAAP financial measures similarly adjust for the impact of divestitures that were completed during 2016 beginning in April 2016 in connection with our portfolio rationalization strategy as well as hospital acquisitions that were completed during 2016, and thus clarify for investors and other users of our financial statements our applicable operating performance for the year ended December 31, 2016, with respect to these metrics generated by operations held by us as of the date hereof.

The following table presents our non-GAAP Adjusted Net Operating Revenues, Further Adjusted EBITDA and Further Adjusted EBITDA margin, in each case, for the year ended December 31, 2016.

| | | **Year Ended December 31, 2016 (In millions)** |
|---|---|---|
| Non-GAAP Adjusted Net Operating Revenues | $ | 17,559 |
| Further Adjusted EBITDA | $ | 2,169 |
| Further Adjusted EBITDA Margin | | 12.4% |

The following table reflects the reconciliation of non-GAAP Adjusted Net Operating Revenues, as defined, to net operating revenues, as derived directly from our consolidated financial statements for the year ended December 31, 2016:

| | | **Year Ended December 31, 2016 (In millions)** |
|---|---|---|
| Net operating revenues | $ | 18,438 |

| | | |
|---|---|---|
| Adjustments: | | |
| 2016 completed divestitures | | (925) |
| 2016 completed acquisitions(a) | | 46 |
| Non-GAAP Adjusted Net Operating Revenues | $ | 17,559 |

(a) The net operating revenues of hospital acquisitions completed in 2016 has been determined based on the estimated net operating revenues of such acquired operations for the year ended December 31, 2016, as if

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such acquired operations had been acquired by us as of January 1, 2016, which estimate was derived by calculating the incremental revenue for the period in 2016 prior to the date of the acquisition by annualizing actual results of operations in 2016 from the date of acquisition, together with such actual results of operations.

The following table reflects (i) the reconciliation of Further Adjusted EBITDA to Adjusted EBITDA, each as defined, on a consolidated basis, for the year ended December 31, 2016 (for a reconciliation of Adjusted EBITDA to net (loss) income attributable to Community Health Systems, Inc. stockholders, the most comparable GAAP measure on a consolidated basis, for this period, see footnote (9) above)).

| | | **Year Ended December 31, 2016 (In millions)** |
|---|---|---|
| Adjusted EBITDA | $ | 2,225 |
| Adjustments: | | |
| 2016 completed divestitures(a) | | (109) |
| 2016 completed acquisitions(b) | | 7 |
| Stock-based compensation expense | | 46 |
| Further Adjusted EBITDA | $ | 2,169 |

(a) For additional information regarding the Adjusted EBITDA impact in the year ended December 31, 2016, of our divestitures completed in 2016 beginning in April 2016 (as such amounts do not adjust for the impact of Bartow Regional Medical Center, which was sold on January 1, 2016, and Lehigh Regional Medical Center, which was sold on February 1, 2016), and a reconciliation of such non-GAAP financial measure, see below under Other Non-GAAP Financial Measures Adjusted EBITDA: Disposed Operations, Definitive Agreement Operations and LOI Operations.

(b) The Adjusted EBITDA of hospital acquisitions completed in 2016 has been determined based on the estimated Adjusted EBITDA of such acquired operations for the year ended December 31, 2016, as if such acquired operations had been acquired by us as of January 1, 2016, which estimate was derived by calculating the incremental results for the period in 2016 prior to the date of the acquisition by annualizing actual results of operations in 2016 from the date of acquisition, together with such actual results of operations.

**Secured Net Debt and Total Net Debt Ratio**

The following chart presents (i) the ratio of our Secured Net Debt as of December 31, 2016 (as defined in the Other Financial Data section of this section above) to our Further Adjusted EBITDA (calculated as reflected in Further Adjusted EBITDA and Non-GAAP Adjusted Net Operating Revenues above) for the year ended December 31, 2016, and (ii) the ratio of our Total Net Debt as of December 31, 2016 (as defined in the Other Financial Data section of this section above) to our Further Adjusted EBITDA for the year ended December 31, 2016). Neither Secured Net Debt nor Total Net Debt includes debt under our Receivables Facility.

| | |
|---|---|
| Secured Net Debt/Further Adjusted EBITDA | 3.9x |
| Total Net Debt/Further Adjusted EBITDA | 6.7x |

**Adjusted EBITDA Disposed Operations, Definitive Agreement Operations and LOI Operations**

The Summary section of this prospectus supplement presents Adjusted EBITDA (calculated as reflected in footnote (8) in this section above) for the year ended December 31, 2016, with respect to (a) operations included in our divestitures that were completed in 2016, beginning in April 2016 (as such amounts do not adjust

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for the impact of Bartow Regional Medical Center, which was sold on January 1, 2016, and Lehigh Regional Medical Center, which was sold on February 1, 2016) (the Disposed Operations ), (b) operations included in our continuing operations in respect of which, as of February 28, 2017, we had entered into definitive agreements to dispose such operations which had not closed (the Definitive Agreement Operations ), and (c) operations in respect of which, as of February 28, 2017, we had entered into non-binding letters of intent to dispose such operations (but not including certain letters of intent where discussions were at a more preliminary stage as noted in the Summary section of this prospectus supplement) (the LOI Operations ). For additional information regarding the divestitures related to the Disposed Operations, and the potential divestitures related to the Definitive Agreement Operations and the LOI Operations, see Summary Recent Developments Portfolio Rationalization Program.

We present Adjusted EBITDA for the year ended December 31, 2016 with respect to the Disposed Operations because we believe that, by reflecting the impact of these Disposed Operations in respect of divestitures that were completed in 2016 beginning in April 2016 (as such amounts do not adjust for the impact of Bartow Regional Medical Center, which was sold on January 1, 2016, and Lehigh Regional Medical Center, which was sold on February 1, 2016), this measure highlights for investors and other users of our financial statements our portion of Adjusted EBITDA for the year ended December 31, 2016, generated by these operations that are no longer held by us. In addition, we present Adjusted EBITDA with respect to the Definitive Agreement Operations and LOI Operations because we believe that, by reflecting the impact of these Definitive Agreement Operations and LOI Operations in respect of these potential divestitures were subject to a definitive agreement as of February 28, 2017, as well as potential divestitures subject to a non-binding letter of intent as of February 28, 2017 (not including certain letters of intent where discussions were at a more preliminary stage as noted in the Summary section of this prospectus supplement), respectively, this measure separately highlights for investors and other users of our financial statements our portion of Adjusted EBITDA for the year ended December 31, 2016, generated by operations that no longer would be held by us in the event that the potential divestitures in respect of the Definitive Agreement Operations and LOI Operations, respectively, are ultimately completed; however, there can be no assurance that these potential divestitures will be completed or, if they are completed, the ultimate timing of the completion of these divestitures.

The following table reflects the reconciliation of our Adjusted EBITDA attributable to the Disposed Operations to our income from continuing operations before income taxes (the most comparable GAAP measure to which this non-GAAP financial measure can be reconciled) attributable to Disposed Operations, in each case, for the period ended December 31, 2016:

| | Year Ended December 31, 2016 (In millions) |
|---|---|
| Income from continuing operations before income taxes | $ 124 |
| Adjustments: | |
| Depreciation and amortization | 43 |
| Interest expense, net | 36 |
| Gain on sale of investments in unconsolidated affiliates | (94) |
| Adjusted EBITDA | $ 109 |

The following table reflects the reconciliation of our Adjusted EBITDA attributable to the Definitive Agreement Operations to our income from continuing operations before income taxes (the most comparable

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GAAP measure to which this non-GAAP financial measure can be reconciled) attributable to Definitive Agreement Operations, in each case, for the period ended December 31, 2016:

| | Year Ended December 31, 2016 (In millions) |
|---|---|
| Loss from continuing operations before income taxes | $ (46) |
| Adjustments: | |
| Depreciation and amortization | 101 |
| Interest expense, net | 34 |
| Adjusted EBITDA | $ 89 |

The following table reflects the reconciliation of our Adjusted EBITDA attributable to the LOI Operations to our income from continuing operations before income taxes (the most comparable GAAP measure to which this non-GAAP financial measure can be reconciled) attributable to LOI Operations, in each case, for the period ended December 31, 2016:

| | Year Ended December 31, 2016 (In millions) |
|---|---|
| Loss from continuing operations before income taxes | $ (38) |
| Adjustments: | |
| Depreciation and amortization | 57 |
| Interest expense, net | 19 |
| Adjusted EBITDA | $ 38 |

**Additional Information**

The Non-GAAP financial measures presented in this section, including non-GAAP Adjusted Net Operating Revenues, Further Adjusted EBITDA and Further Adjusted EBITDA margin, and Adjusted EBITDA for the Disposed Operations, the Definitive Agreement Operations and the LOI Operations, are not measurements of financial performance under U.S. GAAP. These measures should not be considered in isolation or as a substitute for operating revenues (net of contractual allowances and discounts), net income, operating income, or any other performance measure calculated in accordance with U.S. GAAP. The items excluded from these non-GAAP financial measures are significant components in understanding and evaluating financial performance. Additionally, these calculations of non-GAAP financial measures may not be comparable to similarly titled measures reported by other companies.

Our presentation of these non-GAAP financial measures should not be construed as an implication that our future results will be unaffected by unusual or non-recurring items. These non-GAAP financial measures have limitations as analytical tools, some of which are:

they do not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments;

they do not reflect changes in, or cash requirements for, our working capital needs;

they do not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our substantial indebtedness;

they do not reflect any income tax payments we may be required to make;

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although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and these measures do not reflect any cash requirements for such replacements;

they do not reflect the impact on earnings of charges resulting from certain matters that we believe may not be indicative of our ongoing operations;

Further Adjusted EBITDA does not reflect adjustments for any intended or completed divestitures (other than divestitures we completed between April 1, 2016 and December 31, 2016);

With respect to the potential dispositions included within the Definitive Agreement Operations and the LOI Operations for which Adjusted EBITDA for the year ended December 31, 2016, is calculated as set forth herein, there can be no assurance that these divestitures will be completed or, if they are completed, the ultimate timing of the completion of these divestitures;

Further Adjusted EBITDA does not consider the potentially dilutive impact of issuing stock-based compensation; and

other companies in our industry may calculate these measures differently than we do because such measures do not have standardized definitions, which limits their usefulness as comparative measures.

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## RISK FACTORS

*Before purchasing the notes, you should carefully consider the risk factors set forth below as well as the other information contained, including information incorporated by reference, in this prospectus supplement and the accompanying prospectus. This prospectus supplement contains forward-looking statements that involve risk and uncertainties. Any of the following risks could materially and adversely affect our business, financial condition or results of operations. Additional risks and uncertainties not currently known to us or those we currently view to be immaterial may also materially and adversely affect our business, financial condition or results of operations. In such a case, you may lose all or part of your original investment.*

### Risks Related to the Notes and our Indebtedness

**We may not be able to generate sufficient cash to service all of our indebtedness, including the notes, and we may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.**

Our ability to make scheduled payments on or to refinance our indebtedness depends on our financial and operating performance, which is subject to prevailing economic and competitive conditions and to financial, business, regulatory and other factors beyond our control. We cannot assure you that we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. See Forward-Looking Statements herein and Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources included in our Annual Report on Form 10-K for the year ended December 31, 2016, which is incorporated by reference in this prospectus supplement.

The Issuer is a holding company with no direct operations. The Issuer s principal assets are the equity interests it holds in our operating subsidiaries. As a result, we are dependent upon dividends and other payments from our subsidiaries to generate the funds necessary to meet our outstanding debt service and other obligations. Our subsidiaries may not generate sufficient cash from operations to enable us to make principal and interest payments on our indebtedness, including the notes. In addition, any payments of dividends, distributions, loans or advances to us by our subsidiaries could be subject to legal and contractual restrictions. Our subsidiaries are permitted under the terms of our indebtedness, including the indenture that will govern the notes, to incur additional indebtedness that may restrict payments from those subsidiaries to us. The agreements governing the current and future indebtedness of our subsidiaries may not permit those subsidiaries to provide us with sufficient cash to fund payments on the notes when due. Our subsidiaries are separate and distinct legal entities, and they may have (except to the extent of any guarantees of the notes or any security interest thereby) no obligation, contingent or otherwise, to pay amounts due under the notes or to make any funds available to pay those amounts, whether by dividend, distribution, loan or other payment.

We may find it necessary or prudent to refinance certain of our outstanding indebtedness, the terms of which may not be favorable to us. Our ability to refinance our indebtedness on favorable terms, or at all, is directly affected by the then current general economic and financial conditions. In addition, our ability to incur secured indebtedness (which would generally enable us to achieve better pricing than the incurrence of unsecured indebtedness) depends in part on the value of our assets, which depends, in turn, on the strength of our cash flows and results of operations, and on economic and market conditions and other factors.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and may be forced to reduce or delay capital expenditures, sell assets or operations, seek additional capital or restructure or refinance our indebtedness, including the notes. We cannot assure you that we would be able to take any of these actions, that these actions would be successful and permit us to meet our scheduled debt service

obligations or that these actions would be permitted under the terms of our existing or future debt agreements, including our Credit Facility, the indentures that govern our Existing Notes (the

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Existing Notes Indentures ) and the indenture that will govern the notes. For example, our Credit Facility, the Existing Notes Indentures and the indenture that will govern the notes restrict our ability to dispose of assets and use the proceeds from any dispositions. We may not be able to consummate those dispositions and any proceeds we receive may not be adequate to meet any debt service obligations then due. See Description of Certain Indebtedness and Description of the Notes.

**Restrictive covenants in the agreements governing our indebtedness may adversely affect us.**

The Credit Facility, the Existing Notes Indentures and the indenture that will govern the notes contain various covenants that limit our ability to take certain actions, including our ability to:

incur, assume or guarantee additional indebtedness;

issue redeemable stock and preferred stock;

repurchase capital stock;

make restricted payments, including paying dividends and making certain loans, acquisitions and investments;

redeem debt that is subordinated in right of payment to the notes;

create liens;

sell or otherwise dispose of assets, including capital stock of subsidiaries;

impair the security interests;

enter into agreements that restrict dividends and certain other payments from subsidiaries;

merge, consolidate, sell or otherwise dispose of substantially all our assets;

enter into transactions with affiliates; and

guarantee certain obligations.

In addition, our Credit Facility contains restrictive covenants and requires us to maintain specified financial ratios and satisfy other financial condition tests. Our ability to meet these restrictive covenants and financial ratios and tests may be affected by events beyond our control, and we cannot assure you that we will meet those tests.

A breach of any of these covenants could result in a default under our Credit Facility, the Existing Notes Indentures and the indenture that will govern the notes. Upon the occurrence of an event of default under our Credit Facility, any of the Existing Notes Indentures or the indenture that will govern the notes, all amounts outstanding under our Credit Facility, the applicable Existing Notes Indenture or the indenture that will govern the notes may become immediately due and payable and all commitments under the Credit Facility to extend further credit may be terminated. If we were unable to repay those amounts, the lenders under our Credit Facility could proceed against the collateral granted to them to secure that indebtedness, the 2021 Secured Notes and the notes. We have a significant amount of indebtedness outstanding under the Credit Facility. If the lenders under our Credit Facility accelerate the repayment of borrowings, we cannot assure you that we will have sufficient assets to repay our Credit Facility, the 2021 Secured Notes and our other indebtedness secured thereby, including the notes. If the proceeds of the collateral are not sufficient to repay all indebtedness secured by such assets, the holders of the notes, the 2021 Secured Notes and the lenders under our Credit Facility (to the extent not repaid from the proceeds of the sale of such assets) would have only a senior unsecured, unsubordinated claim against any remaining assets, equal in right of payment with all other unsecured liabilities, including the 2019 Notes, the 2020 Notes, the 2022 Notes and trade payables.

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**Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.**

Our borrowings under the Credit Facility are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income would decrease. Our interest expense, net, for the year ended December 31, 2016 was $962 million. For the year ended December 31, 2016, a fluctuation in interest rates of 1% on our variable rate debt that is not hedged by interest rate swaps would have resulted in a fluctuation in our interest expense of approximately $50 million.

**If we default on our obligations to pay our indebtedness, we may not be able to make payments on the notes.**

Any default under the agreements governing our indebtedness, including a default under our Credit Facility or any of the Existing Notes that is not waived by the required lenders or holders, as applicable, and the remedies sought by the holders of indebtedness as a result of a default, could render us unable to pay principal, premium, if any, and interest on the notes and substantially decrease the market value of the notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness, including covenants in the indenture that will govern the notes, the Existing Notes Indentures and our Credit Facility, we could be in default under the terms of the agreements governing our indebtedness, including our Credit Facility, the Existing Notes Indentures and the indenture that will govern the notes. In the event of any default, the holders of this indebtedness could elect to declare all the funds borrowed to be immediately due and payable, together with accrued and unpaid interest; the lenders under our Credit Facility could elect to terminate their commitments under the Credit Facility, cease making further loans and direct the collateral agent to institute foreclosure proceedings against our assets; and we could be forced into bankruptcy or liquidation. If our operating performance declines, we may in the future need to obtain waivers from the required lenders under our Credit Facility to avoid being in default. If we breach our covenants under our Credit Facility and seek a waiver, we may not be able to obtain a waiver from the required lenders. If this occurs, we would be in default under our Credit Facility, the lenders could exercise their rights, as described above, and we could be forced into bankruptcy or liquidation. See Description of Certain Indebtedness, and Description of the Notes.

**We have a substantial amount of indebtedness that will mature and become due in the near future and the notes offered hereby will mature in close proximity to our other indebtedness.**

The following table sets forth the substantial indebtedness outstanding as of December 31, 2016 (on an as adjusted basis as described under Capitalization ). All of the substantial indebtedness that we will have outstanding after the completion of this offering is scheduled to mature prior to the maturity of the notes offered hereby:

| Indebtedness | Principal Amount Outstanding ($ in millions) | Scheduled Maturity |
|---|---|---|
| Receivables Facility Non-Extended Loans | 242(1) | November 13, 2017 |
| Receivables Facility Extended Loans | 435(1) | November 13, 2018 |
| Credit Facility Term F Loans | 0 | December 31, 2018 |
| Credit Facility Revolving Loans | 0(2) | January 27, 2019(3) |
| Credit Facility Term A Loans | 749 | January 27, 2019(3) |
| 2019 Notes | 1,925 | November 15, 2019 |

| | | |
|---|---|---|
| Credit Facility Term G Loans | 1,528 | December 31, 2019(4) |
| 2020 Notes | 1,200 | July 15, 2020 |
| Credit Facility Term H Loans | 2,811 | January 27, 2021(5) |
| 2021 Secured Notes | 1,000 | August 1, 2021 |
| 2022 Notes | 3,000 | February 1, 2022 |
| Notes offered hereby | 2,200 | March 31, 2023 |

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(1) As of December 31, 2016, we had $700 million of total commitments under our Receivables Facility.
(2) As of December 31, 2016, we had $1.0 billion of total commitments under the Revolving Facility.
(3) If on any date more than an aggregate of $250 million of the indebtedness under the Term F Facility and the 2018 Secured Notes will mature and become due and payable within 91 days of such date, then the Term A Facility and the Revolving Facility will be accelerated and all amounts then outstanding under the Term A Facility and the Revolving Facility will become immediately due and payable.
(4) If on any date more than an aggregate of $250 million of indebtedness under the Term F Facility, the 2018 Secured Notes and the 2019 Notes will mature and become due and payable within 91 days of such date, then the Term G Facility will be accelerated and all amounts then outstanding under the Term G Facility will become immediately due and payable.
(5) If on any date more than an aggregate of $250 million of indebtedness under the Term F Facility, the 2018 Secured Notes. the 2019 Notes and the 2020 Notes will mature and become due and payable within 91 days of such date, then the Term H Facility will be accelerated and all amounts then outstanding under the Term H Facility will become immediately due and payable.

As a result, we may not have sufficient cash to repay all amounts owing on the notes, the Existing Notes, the Credit Facility (or any of the various term and revolving loans outstanding thereunder) and the Receivables Facility at the applicable maturity date. Given that the notes, each series of Existing Notes, the Credit Facility and the Receivables Facility will mature in close proximity to each other, there can be no assurance that we will have the ability to borrow or otherwise raise the amounts necessary to repay all such amounts, and the prior maturity of such other substantial indebtedness may make it difficult to refinance or repay at maturity the notes. Our ability to refinance our indebtedness on favorable terms, or at all, is dependent on (among other things) conditions in the credit and capital markets which are beyond our control.

**Claims of holders of the notes will be structurally subordinated to claims of creditors and holders of preferred stock of our subsidiaries that do not guarantee the notes.**

As of the issue date, the notes will be guaranteed by certain of our domestic subsidiaries. Claims of holders of the notes will be structurally subordinated to the claims of creditors and holders of preferred stock of our subsidiaries that do not guarantee the notes, including trade creditors. All obligations of these subsidiaries will have to be satisfied before any of the assets of such subsidiaries would be available for distribution, upon a liquidation or otherwise, to us or to creditors of us, including the holders of the notes.

Excluding intercompany payables and receivables, we estimate that our non-guarantor subsidiaries accounted for approximately $7.2 billion, or 39%, of our total net operating revenue, approximately $136 million, or 12%, of our total net cash provided by operating activities, and approximately $(407) million, or 25%, of our total net loss, in each case, as of December 31, 2016. In addition, we estimate that our non-guarantor subsidiaries accounted for approximately $9.4 billion, or 43%, of our total assets, and approximately $1.8 billion, or 9%, of our total liabilities, in each case, as of December 31, 2016.

**We may not be able to satisfy our obligations to holders of the notes upon a change of control.**

Upon the occurrence of a change of control, as defined in the indenture that will govern the notes, the holders of the notes will be entitled to require us to repurchase the outstanding notes at a purchase price equal to 101% of the principal amount of the notes plus accrued and unpaid interest to the date of repurchase. Our failure to purchase or give a notice of purchase with respect to the notes would be a default under the indenture that will govern the notes, which would in turn be a default under the Credit Facility. In addition, a change of control will likely constitute an event of default under the Credit Facility, which would result in a default under the indenture that will govern the notes and the Existing Notes Indentures if the lenders accelerate the debt under the Credit Facility. The Existing Notes

Indentures contain, and any future credit agreements or other agreements to which we become a party may contain, similar restrictions and provisions. The exercise by holders of the notes of their right to require us to repurchase the notes could cause a default under our other debt agreements due to the

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financial effect of these repurchases on us, even if the change of control itself does not cause a default under the applicable indenture.

In the event of a change of control, we may not have sufficient funds to repurchase the notes and to satisfy our other obligations under the notes and any other indebtedness. The source of funds for any purchase of notes would be available cash or cash generated from other sources, which may not be available. Upon the occurrence of a change of control, we could seek to refinance our indebtedness or obtain a waiver from our lenders, but it is possible that we may not be able to obtain a waiver or refinance our indebtedness on commercially reasonable terms, if at all. On the other hand, the provisions in the indentures that will govern the notes regarding a change of control could increase the difficulty of a potential acquirer obtaining control of us. See Description of the Notes Change of Control.

The change of control provisions in the indenture that will govern the notes may not protect you in the event we consummate a highly leveraged transaction, reorganization, restructuring, merger or other similar transaction, unless such transaction constitutes a change of control under the indenture. Some of these transactions may not involve a change in voting power or beneficial ownership or, even if they do, may not involve a change in the magnitude required under the definition of Change of Control in the indenture to trigger our obligation to repurchase the notes. Except as described above, the indenture will not contain provisions that permit the holders of the notes to require us to repurchase or redeem the notes in the event of a takeover, recapitalization or similar transaction. Therefore, if an event occurs that does not constitute a change of control as defined under the indenture that will govern the notes, we will not be required to make an offer to repurchase the notes and you may be required to hold your notes despite the event. See Description of the Notes Change of Control.

**Subsidiary guarantors will be automatically released from their obligations under the Credit Facility in a variety of circumstances, which may cause those subsidiary guarantors to be released from their guarantees of the notes.**

While any obligations under the Credit Facility remain outstanding, any subsidiary guarantor of the notes may be released without action by, or consent of, any holder of the notes or the trustee under the indenture that will govern the notes if any subsidiary guarantor is no longer a guarantor of obligations under our Credit Facility and such subsidiary has no outstanding debt, subject to certain exceptions. See Description of the Notes. Upon the closing of any asset sale permitted under the Credit Facility consisting of the sale of all of the equity interests, or all or substantially all of the assets, of any subsidiary guarantor, the obligations of such subsidiary guarantor under the Credit Facility will be automatically discharged and released. In addition, if any shares of a subsidiary guarantor are subject to certain permitted interest transfers under the Credit Facility, including transfers of such shares in connection with permitted joint ventures or permitted syndication transactions under the Credit Facility, the obligations of such subsidiary guarantor under the Credit Facility will be automatically discharged and released. The lenders under our Credit Facility will have the discretion to release the guarantees under our Credit Facility in a variety of other circumstances.

The indenture that will govern the notes will also permit subsidiary guarantors to be released from their guarantees of the notes without action by, or consent of, any holder of the notes if, among other things, the notes achieve an investment grade status as described under Description of the Notes Certain Covenants Suspension of Covenants and Release of Collateral and Guarantees on Achievement of Investment Grade Status. You will not have a claim as a creditor against any subsidiary that is no longer a guarantor of the notes, and the indebtedness and other liabilities, including trade payables, whether secured or unsecured, of those subsidiaries will effectively be senior to claims of noteholders.

**Federal and state statutes may allow courts, under specific circumstances, to void the notes, the guarantees or the security interests, subordinate claims in respect of the notes, the guarantees or the security interests and/or**

**require noteholders to return payments received from us or the guarantors.**

Under the terms of the indenture that will govern the notes, the notes will be guaranteed by Holdings and certain of our subsidiaries and secured by a lien on certain of our and their assets in favor of the collateral agent.

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If we, Holdings or one of the subsidiaries that is a guarantor of the notes becomes the subject of a bankruptcy case or a lawsuit filed by unpaid creditors of us or any such guarantor, the issuance of the notes, the guarantees entered into by these guarantors or the grant of the security interests in favor of the notes may be reviewed under the federal bankruptcy law and comparable provisions of state fraudulent transfer laws. Under these laws, the notes, a guarantee and/or a grant of security could be voided, or claims in respect of the notes, a guarantee and/or a security interest could be subordinated to other obligations of us or the applicable guarantor or grantor if, among other things, we or the applicable guarantor or grantor, at the time the indebtedness evidenced by the notes or a guarantee was incurred or a security interest was granted:

- received less than reasonably equivalent value or fair consideration for issuing the notes, entering into the guarantee or granting the security interest; and
- either:
  - was insolvent or rendered insolvent by reason of issuing the notes, entering into such guarantee or grant;
  - was engaged in a business or transaction for which the guarantor s remaining assets constituted unreasonably small capital; or
  - intended to incur, or believed that it would incur, debts or contingent liabilities beyond its ability to pay such debts or contingent liabilities as they become due.

A court might also void the issuance of the notes, a guarantee or a grant of security, without regard to the above factors, if the court found that we issued the notes or the applicable guarantor or grantor entered into the applicable guaranty or security agreements with actual intent to hinder, delay or defraud our or their respective creditors.

If a court were to void the notes, a guarantee or a grant of security, you would no longer have a claim against us or the applicable guarantor or grantor, or, in the case of the security interest, a claim with respect to the related collateral. In such event, any payment by a guarantor or grantor pursuant to its guarantee of the notes or claim on the collateral securing the notes or a guarantee of the notes could be voided and required to be returned to the applicable guarantor or grantor, or to a fund for the benefit of other creditors under those circumstances.

If a guarantee and/or a security interest were voided as a fraudulent conveyance or held unenforceable for any other reason, in all likelihood holders of the notes would be creditors solely of the Issuer and those guarantors or grantors whose guarantees or grants of security, as applicable, had not been voided and holders of the notes would not get the benefit of a security interest in respect of the security interests that had been voided. The notes then would in effect be structurally subordinated to all liabilities of any guarantor whose guarantee was voided.

The measures of insolvency for purposes of these fraudulent transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, we, a guarantor or a grantor would be considered insolvent if:

the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all of its assets;

the present fair saleable value of its assets was less than the amount that would be required to pay the probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or

we or such guarantor or grantor could not pay its debts or contingent liabilities as they become due.

We cannot assure you as to what standard a court would use to determine whether or not we or a guarantor or grantor would be solvent at the relevant time, or regardless of the standard used, that any guarantee or grant of security would not be subordinated to any guarantor s or grantor s other debt.

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If a court held that the notes, a guarantee or a grant of security should be invalidated as a fraudulent conveyance, the court could void, or hold unenforceable, the notes, the guarantees or the grants of security, which could mean that you may not receive any payments under the notes, the guarantees and the grants of security and the court may direct you to return any amounts that you have already received from us or any guarantor or grantor. Furthermore, the holders of the notes would cease to have any direct claim against us or the applicable guarantor or grantor. Consequently, our or the applicable guarantor s or grantor s assets would be applied first to satisfy our or the applicable guarantor s or grantors other liabilities before any portion of its assets could be applied to the payment of the notes. Sufficient funds to repay the notes may not be available from other sources, including the remaining guarantors, if any. Moreover, the invalidation of a guarantee could result in acceleration of such debt (if not otherwise accelerated due to our or our guarantors or grantors insolvency or other proceeding).

Each guarantee contains a provision intended to limit the guarantor s liability to the maximum amount that it could incur without causing the incurrence of obligations under its guarantee to be a fraudulent transfer. This provision may not be effective to protect the guarantees from being voided under fraudulent transfer law or may reduce or eliminate the guarantor s obligation to an amount that effectively makes the guarantee worthless. For example, in 2009, the U.S. Bankruptcy Court in the Southern District of Florida in *Official Committee of Unsecured Creditors of TOUSA, Inc. v. Citicorp N. Am., Inc.* found a savings clause provision in that case to be ineffective and held the guarantees at issue in that case to be fraudulent transfers and voided them in their entirety.

**There is no assurance that any active trading market will develop for the notes.**

The notes are being issued to, and will be owned by, a relatively small number of beneficial owners. The underwriters have advised us that they intend to make a market in the notes, as permitted by applicable laws and regulations; however, the underwriters are not obligated to make a market in the notes, and they may discontinue their market-making activities at any time without notice. Therefore, we cannot assure you as to the development or liquidity of any trading market for the notes. The liquidity of any market for the notes will also depend on a number of factors, including:

- the number of holders of notes;
- our operating performance and financial condition;
- the market for similar securities;
- the interest of securities dealers in making a market in the notes; and
- prevailing interest rates.

Historically, the market for non-investment grade debt has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the notes. We cannot assure you that the market, if any, for the notes will be free from similar disruptions or that any disruptions may not adversely affect the prices at which you may sell your notes. Therefore, we cannot assure you that you will be able to sell your notes at a particular time or that the price that you receive when you sell will be favorable.

**Our level of indebtedness could adversely affect our ability to refinance existing indebtedness or raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry and prevent us from meeting our obligations under the agreements related to our indebtedness.**

We have a significant amount of indebtedness. As of December 31, 2016, on an as adjusted basis, we had approximately $9.4 billion aggregate principal amount of senior secured indebtedness outstanding, and approximately $6.1 billion of senior unsecured indebtedness outstanding. See Capitalization and Description of Certain Indebtedness.

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Our substantial leverage could have important consequences for you, including the following:

- it may limit our ability to refinance existing indebtedness or obtain additional debt or equity financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes;
- a substantial portion of our cash flows from operations will be dedicated to the payment of principal and interest on our indebtedness and will not be available for other purposes, including to fund our operations, capital expenditures, and future business opportunities;
- the debt service requirements of our indebtedness could make it more difficult for us to satisfy our financial obligations;
- some of our borrowings, including borrowings under our Credit Facility, accrue interest at variable rates, exposing us to the risk of increased interest rates;
- it may limit our ability to make strategic acquisitions or require us to make divestitures we would not otherwise make;
- it may limit our ability to adjust to changing market conditions and place us at a competitive disadvantage compared to our competitors that are less leveraged; and
- it may increase our vulnerability in connection with adverse changes in general economic, industry or competitive conditions or government regulations or other adverse developments.

**Despite current indebtedness levels, we may still be able to incur substantially more debt. This could further exacerbate the risks described above.**

We and our subsidiaries have the ability to incur substantial additional indebtedness in the future, subject to restrictions contained in our Credit Facility, the Existing Notes Indentures and the indenture that will govern the notes. Our Credit Facility as well as a separate receivables facility provide for commitments and borrowings of up to approximately $8.2 billion in the aggregate, of which approximately $7.2 billion was outstanding as of December 31, 2016. Our Credit Facility also gives us the ability to provide for one or more additional tranches of term loans and increases in our revolving credit facility in the aggregate principal amount of up to the greater of (x) $1.5 billion (only $750 million of which is effectively available, see Description of Certain Indebtedness Credit Facility ) and (y) an amount such that our senior secured net leverage ratio would not exceed 4.0:1.0 without the consent of the existing lenders if specified criteria are satisfied. For the 12-month period ended December 31, 2016, (a) the interest coverage ratio financial covenant under our Credit Facility required the ratio of consolidated EBITDA, as defined, to consolidated interest expense to be greater than or equal to 2.00 to 1.00 and (b) the secured net leverage ratio financial covenant under our Credit Facility limited the ratio of secured debt to consolidated EBITDA, as defined, to less than or equal to 4.50 to 1.00. We were in compliance with all such covenants at December 31, 2016, with a secured net

leverage ratio of approximately 3.96 to 1.00 and an interest coverage ratio of approximately 2.43 to 1.00. If additional indebtedness is added to our current debt levels, the related risks that we currently face related to indebtedness as noted above could increase.

**If the notes are issued with any original issue discount, or OID, and a bankruptcy petition were filed by or against the Issuer, holders of the notes may receive a lesser amount for their claim than they would have been entitled to receive under the indenture governing the notes.**

If the notes are issued with OID and a bankruptcy petition were filed by or against the Issuer under the United States Bankruptcy Code after the issuance of the notes, the claim by any holder of the notes for the principal amount of the notes may be limited to an amount equal to the sum of:

the original issue price for the notes; and

that portion of any OID that does not constitute unmatured interest for purposes of the United States Bankruptcy Code.

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Any OID that was not amortized as of the date of the bankruptcy filing would constitute unmatured interest for purposes of the United States Bankruptcy Code. Accordingly, holders of the notes under these circumstances may receive a lesser amount than they would be entitled to receive under the terms of the indenture governing the notes, even if sufficient funds are available.

**We are relying on our existing collateral agreement for the Credit Facility to grant the holders of the notes a security interest in our assets and the assets of the guarantors on a pari passu basis with the lenders under the Credit Facility and holders of the 2018 Secured Notes and the 2021 Secured Notes. If our existing collateral agreement is found to not properly extend to the obligations of the Issuer and the guarantors under the notes and the guarantees in respect thereof, or if there are any defects or omissions under our existing collateral agreement, the holders of the notes may not have a valid and perfected security interest in the collateral.**

In connection with this offering, the holders of the notes will be designated as secured parties under our existing collateral agreement for the Credit Facility and our obligations and the obligations of the guarantors in respect thereof are expected to be secured on a pari passu basis with the obligations under the Credit Facility and obligations in respect of our 2018 Secured Notes and our 2021 Secured Notes. There is no assurance, however, that creditors or other claimants will not attempt to invalidate the security interests in favor of the notes. Accordingly, if for any reason the existing grant of security interest is found not to properly extend to the obligations under the notes and the indenture that will govern the notes, the holders of the notes will not have a valid security interest in the collateral and will have only an unsecured claim against the Issuer and the guarantors.

In addition, a security interest in certain tangible and intangible assets can only be properly perfected, and the priority of such security interest may only be retained, under applicable law through certain actions taken by the secured party. We have made no verification in connection with this offering as to whether the lenders under the Credit Facility and the holders of the 2018 Secured Notes and the 2021 Secured Notes have a properly perfected security interest in all the assets of the Issuer and the guarantors intended to constitute collateral under the collateral agreement and there can be no assurance that the lenders under the Credit Facility, the holders of the 2018 Secured Notes and the 2021 Secured Notes or the collateral agent have taken all such necessary actions to perfect, and retain the priority of, the existing security interest prior to the date of this offering. In connection with this offering, we intend to make precautionary Uniform Commercial Code financing statement filings in the appropriate jurisdictions to further evidence and reaffirm our perfected security interest in respect of certain of the collateral held by the Issuer and its existing subsidiaries that will become guarantors. If the collateral agent did not take appropriate steps prior to the date of this offering to perfect the existing security interest or it is determined that the liens of the holders of the notes do not have the same priority in respect of the collateral as the lenders under the Credit Facility or the holders of the 2018 Secured Notes and the 2021 Secured Notes, the holders of the notes would have a junior claim to any intervening lien perfected prior to the priority date applicable to the notes. Any such intervening lien could secure a significant amount of indebtedness, could compete with our security interests in the collateral in favor of the notes and could have an adverse effect on the ability of the collateral agent to realize or foreclose upon the collateral.

There may be other exceptions, defects, encumbrances and imperfections in the security interest in respect of the Credit Facility. Upon the closing of this offering, the security interests in respect of the notes will be generally subject to the exceptions, defects, encumbrances and imperfections that exist in respect of the liens that secure the Credit Facility, the 2018 Secured Notes and the 2021 Secured Notes. These exceptions, defects, encumbrances and imperfections, and any others that may exist, could adversely affect the value realizable on the collateral securing the notes as well as the ability of the collateral agent to realize or foreclose on such collateral for the benefit of the holders of the notes.

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**Holders of the notes will not control certain decisions regarding collateral.**

In connection with this offering, the trustee under the indenture that will govern the notes will execute a joinder to our existing first lien intercreditor agreement (the Intercreditor Agreement ) with the collateral agent, the trustees for the holders of the 2018 Secured Notes and the 2021 Secured Notes and the administrative agent for the lenders and other secured parties under the Credit Facility. The Intercreditor Agreement provides, among other things, that prior to the earlier of (i) the discharge of the obligations in respect of the Credit Facility and (ii) the date that the authorized representative of holders of the largest outstanding principal amount of indebtedness (other than the Credit Facility) secured by a first priority lien on the collateral becomes the applicable authorized representative under the terms of the Intercreditor Agreement, the administrative agent for the lenders under the Credit Facility, as the applicable authorized representative, will have the authority to direct the collateral agent and control substantially all matters related to the collateral that secures the Credit Facility, the 2018 Secured Notes, the 2021 Secured Notes and that will secure the notes. The administrative agent and the lenders under the Credit Facility may direct the collateral agent to foreclose on, or take other actions with respect to, such collateral in a manner that is not in the interest of the holders of the notes. In addition, the Intercreditor Agreement provides that to the extent any collateral securing our obligations under the Credit Facility is released to satisfy the lien on claims in connection with such foreclosure, the liens on such collateral securing the notes will also automatically be released without any further action. The holders of the notes also waive certain of their rights relating to such collateral in connection with bankruptcy or insolvency proceeding involving the Issuer or any Guarantor. The Intercreditor Agreement provides that the holders of the notes may not take any actions to direct foreclosures or take other remedial actions following an event of default under the Credit Facility or the notes for at least 90 days and an indefinite period if the collateral agent or applicable authorized representative takes action to direct foreclosures or other actions following such event of default or if an insolvency proceeding is pending. See Description of Notes Pari Passu Intercreditor Arrangements.

After the discharge of the obligations with respect to the Credit Facility, whether on enforcement or repayment, or if the authorized representative of the Credit Facility lenders fails to take adequate action following an event of default, at which time the parties to the Credit Facility will no longer have the right to direct the actions of the collateral agent with respect to the collateral pursuant to the Intercreditor Agreement, that right passes to the authorized representative of holders of the next largest outstanding principal amount of indebtedness secured by a first priority lien on the collateral. If at that time we have an outstanding series of first lien indebtedness with a principal amount greater than the outstanding principal amount of the notes, then the authorized representative for such series of first lien indebtedness would be next in line to direct the collateral agent to exercise rights under the Intercreditor Agreement, rather than the trustee for the notes. In addition, subject to certain conditions, the security documents applicable to the notes generally allow us and our subsidiaries to remain in possession of, retain exclusive control over, freely operate and collect, invest and dispose of any income from the collateral. This may impact the type and quality of the security interest granted in respect of the collateral.

**There are circumstances other than the repayment in full, discharge or defeasance of the notes under which the collateral securing the notes will be automatically released without consent of the trustee or the holders of the notes.**

Under various circumstances, collateral securing the notes will be released automatically, including:

- upon a disposition of such collateral in a transaction not prohibited under the indenture that will govern the notes;

with respect to collateral owned by a subsidiary guarantor, upon the release of such guarantor from its guarantee;

with respect to any particular item of collateral, upon release by the collateral agent of the liens on such item of collateral securing the Credit Facility and the substantially concurrent release of the liens on such item securing all other first lien obligations (other than the notes), unless the outstanding principal amount of the notes exceeds the amount outstanding and committed under the Credit Facility;

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if such property or other asset is or becomes an asset excluded from the grant of security interest pursuant to the collateral documents; or

if the secured notes achieve an investment grade status as described under Description of the Notes Certain Covenants Suspension of Covenants and Release of Collateral and Guarantees on Achievement of Investment Grade Status.

The indenture that will govern the notes will permit us to designate one or more of our restricted subsidiaries that is a guarantor as an unrestricted subsidiary. If we designate a subsidiary guarantor as an unrestricted subsidiary for purposes of the indenture that will govern the notes, all of the liens on any collateral owned by such subsidiary or any of its subsidiaries and any guarantees of the notes by such subsidiary or any of its subsidiaries, will be released under the indenture that will govern the notes, but not necessarily under our Credit Facility or under the indentures governing our Existing Notes. Designation of an unrestricted subsidiary will reduce the aggregate value of the collateral securing the notes to the extent that liens on the assets of the unrestricted subsidiary and its subsidiaries are released. Any of these events will reduce the aggregate value of the collateral securing the notes.

**The collateral may not be valuable enough to satisfy all the obligations secured by such collateral and, in certain circumstances, can be released without the consent of the trustee or the holders of the notes.**

The notes and guarantees in respect thereof will be secured by a substantial portion of the property and assets of the Issuer and the guarantors, including stock of certain of their subsidiaries, subject to certain limitations, but no appraisal of the value of the collateral has been made in connection with this offering, and there is no assurance that the value of the collateral is equal to our obligations with respect to the notes and our other indebtedness secured by the collateral (including the 2021 Secured Notes and the Credit Facility). In addition, the Receivables and other assets held by a wholly owned special purpose entity to collateralize our Receivables Facility are available first and foremost to satisfy claims of creditors against that entity, as described in more detail in Description of Certain Indebtedness Receivables Facility . In addition, the fair market value of the collateral is subject to fluctuations based on factors that include, among others, general economic conditions and similar factors. The amount to be received upon a sale of the collateral would be dependent on numerous factors, including, but not limited to, the actual fair market value of the collateral at such time, the timing and the manner of the sale and the availability of buyers. A significant portion of the collateral is illiquid and may have no readily ascertainable market value or market. Likewise, there can be no assurances that the collateral will be saleable or, if saleable, that there will not be substantial delays in its liquidation. Accordingly, in the event of a foreclosure, liquidation, bankruptcy or similar proceeding, the collateral may not be sold in a timely or orderly manner, and the proceeds from any sale or liquidation of the collateral may not be sufficient to satisfy the Issuer s and the guarantors obligations under the notes, the guarantees in respect thereof, the 2021 Secured Notes, the Credit Facility and any other debt that is secured by the collateral. See Description of the Notes Collateral.

To the extent that liens securing obligations under the Credit Facility, the 2021 Secured Notes or other liens permitted under the Credit Facility, the indenture that governs the 2021 Secured Notes or the indenture that will govern the notes or other rights granted to other parties encumber any of the collateral securing the notes and the guarantees in respect thereof, those parties will have, and may exercise, rights and remedies with respect to the collateral that could adversely affect the value of the collateral and the ability of the collateral agent or the holders of the notes to realize or foreclose on the collateral.

The notes and the related guarantees are expected to be secured, subject to permitted liens, by a lien on the collateral that secures our Credit Facility, the 2018 Secured Notes and the 2021 Secured Notes on a pari passu basis and are expected to share equally in right of payment to the extent of the value of such shared collateral, subject to certain

exceptions. The indenture that will govern the notes offered hereby will permit us to incur additional indebtedness secured by a lien that ranks pari passu with the notes. Any such indebtedness may further limit the recovery from the realization of the value of such collateral available to satisfy holders of the notes.

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**In the event of a bankruptcy of the Issuer or any of the guarantors, holders of the notes may be deemed to have an unsecured claim to the extent that obligations in respect of the notes exceed the fair market value of the collateral securing the notes.**

In any bankruptcy case under Title 11 of the United States Code, as amended (the Bankruptcy Code ), with respect to either the Issuer or any of the guarantors, it is possible that the bankruptcy trustee, the debtor-in-possession or competing creditors will assert that the value of the collateral with respect to the notes on the date of such valuation is less than the then-current principal amount of the notes and all other obligations with equal and ratable security interests in the collateral (including the Credit Facility and the 2021 Secured Notes). Upon a finding by the bankruptcy court that the notes are under-collateralized, the claims in the bankruptcy case with respect to the notes and the other obligations secured by the collateral would be bifurcated between a secured claim and an unsecured claim, and the unsecured claim would not be entitled to the benefits of security in the collateral. Other consequences of a finding of under-collateralization would be, among other things, a lack of entitlement on the part of the notes to receive post-petition interest and a lack of entitlement on the part of the unsecured portion of the notes to receive adequate protection under the Bankruptcy Code. In addition, if any payments of post-petition interest had been made prior to the time of such a finding of under-collateralization, those payments could be recharacterized by the bankruptcy court as a reduction of the principal amount of the secured claim with respect to the notes.

**The amended or amended and restated mortgages on our real property will not be recorded at the time of the issuance of the notes, and as a result, the liens granted by such amended or amended and restated mortgages in respect of the notes could be subject to the liens of intervening creditors or set aside in any bankruptcy or insolvency proceeding.**

After this offering we intend to amend or amend and restate our existing real property mortgages that secure our Credit Facility, the 2018 Secured Notes and the 2021 Secured Notes to also secure the notes and the guarantees in respect thereof. The amended or amended and restated mortgages will not be in place at the time of the issuance of the notes. These mortgages constitute a significant portion of the value of the collateral and until the recordation of the amended or amended and restated mortgages, the holders of the notes will not have the benefit of such collateral. We have agreed to record the amended or amended and restated mortgages within 270 days (or such longer period as the collateral agent may agree in its sole discretion, such period, the Post-Closing Period ) following the issue date. If we are unable to deliver and record these mortgages or make any necessary notifications or filings with respect thereto, the value of the collateral securing the notes and the guarantees in respect thereof will be significantly reduced.

Delivery and recordation of such mortgages after the issue date of the notes increases the risk that the liens granted by those mortgages in respect of the notes and the related guarantees could be avoided in any bankruptcy or insolvency proceedings or become subject to the liens of intervening creditors. In addition, the lenders under the Credit Facility and the holders of the 2018 Secured Notes and the 2021 Secured Notes will, until the existing mortgages are amended or amended and restated, by virtue of the existing mortgage on the real property, have a substantially more valuable security interest than the holders of the notes.

**New title insurance policies and surveys have not been obtained for any real property.**

New title insurance policies and surveys have not been obtained in connection with the real property mortgages that will secure the notes. We have agreed to obtain modification and date down endorsements to the existing title insurance policies in conjunction with delivery of the amended or amended and restated mortgages unless such date downs are not available, in which case we will obtain new title insurance policies. Until date down endorsements or new title insurance policies, as applicable, are obtained, there can be no assurance that there does not exist a mechanics lien or other lien not permitted by the Credit Facility encumbering one or more of our real properties that is

senior to the lien (or a portion of the lien) created by any such amended or amended and restated mortgage. The existence of such liens could adversely affect the value of the real property securing the notes as well as the ability of the collateral agent to realize or foreclose on such real property.

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**Certain lien searches may not be completed until after the date of this prospectus supplement.**

Certain lien searches on the collateral that will secure the notes may not be completed until after the date of this prospectus supplement. These lien searches, once completed, could reveal a prior lien or multiple prior liens on the collateral that will secure the notes and these liens may prevent or inhibit the collateral agent from foreclosing on certain liens that will secure the notes and may impair the value of the collateral that will secure the notes. We cannot guarantee that the completed lien searches will not reveal any prior liens on the collateral that will secure the notes or that there are no unpermitted liens in jurisdictions where we could not or did not conduct lien searches. In addition, although we expect that the liens in favor of the holders of the notes will rank pari passu with the liens in favor of the lenders under the Credit Facility and the holders of the 2018 Secured Notes and the 2021 Secured Notes, a court could determine that any such prior lien that is so revealed is junior in priority solely to the security interest securing the obligations under the Credit Facility, the 2018 Secured Notes and the 2021 Secured Notes, but senior in priority to the security interest securing the obligations on the notes. In such a situation, under the Intercreditor Agreement, the claims of the holders of the notes will be effectively subordinated to both the holder of such prior lien and the lenders under the Credit Facility and the holders of the 2018 Secured Notes and the 2021 Secured Notes, and any value of the collateral allocated to the holder of the prior lien will be deducted on a ratable basis solely from the distributions owed to the holder of the notes. Any prior lien could be significant, could compete with the security interests in favor of the notes and could have an adverse effect on the ability of the collateral agent to realize or foreclose upon the collateral.

**Rights of holders of the notes in the collateral may be adversely affected by the failure to perfect security interests in the after-acquired collateral.**

Applicable law requires that a security interest in certain tangible and intangible assets can only be properly perfected and the priority of such security interest may only be retained through certain actions taken by the secured party. Our obligation to perfect the security interest for the benefit of the holders of the notes in specified collateral is limited. The collateral agent has no duty to monitor, and there can be no assurance that we will inform the collateral agent of, the future acquisition of property that is of a type constituting such specified collateral. Accordingly, there can be no assurance that the actions required to properly perfect a security interest in any such after-acquired property will be taken. None of the administrative agent under the Credit Facility, the trustee of the 2021 Secured Notes or the trustee of the notes has any obligation to monitor the future acquisition of additional assets or rights that constitute collateral or the perfection of any security interest. Any failure to monitor may result in the loss of the security interest in the collateral or the priority of the security interest in favor of the notes against third parties.

**The collateral is subject to casualty risk.**

Even if we maintain insurance, there are certain losses with respect to the collateral that may be either uninsurable or not economically insurable, in whole or part. Insurance proceeds may not compensate us fully for our losses. If there is a complete or partial loss of any collateral, the insurance proceeds may not be sufficient to satisfy all of our obligations, including with respect to the notes and the guarantees in respect thereof.

**The securities of our subsidiaries that would otherwise be pledged to secure the notes, subject to certain exceptions, will not be included in the collateral to the extent and for so long as that pledge would require the filing of separate financial statements with the SEC for that subsidiary. As a result, the notes may be secured by less collateral than the Credit Facility and certain of our other first lien obligations.**

The notes will be secured by a pledge of the stock, other equity interests and other securities of certain of our subsidiaries held by the Issuer or the guarantors. Under SEC regulations, if the par value, book value as carried by us or market value, whichever is greatest, of the stock, equity interests or other securities of a subsidiary pledged as part

of the collateral is greater than or equal to 20% of the aggregate principal amount of the notes then outstanding, such a subsidiary would be required to provide separate financial statements to the

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SEC. Any stock, equity interests and other securities of any of our subsidiaries will be excluded from the collateral for so long as the pledge of such stock, equity interests or other securities to secure the notes would cause such subsidiary to be required to file separate financial statements with the SEC pursuant to Rule 3-16 of Regulation S-X under the Securities Act or another similar rule. As a result, holders of the notes could lose a significant portion of their security interest in the stock, equity interests or other securities of those subsidiaries whose stock or other securities would otherwise be pledged. In addition, the list of our subsidiaries whose pledged stock or other securities is limited by the provision related to Rule 3-16 of Regulation S-X noted above may change as the applicable value of such pledged stock or other securities or the outstanding principal amount of the notes changes. The lenders under the Credit Facility are not subject to such limitation and thus may have substantially more valuable security interests and different interests as a result thereof. See Description of the Notes Limitation on Collateral Consisting of Subsidiary Securities.

**Bankruptcy laws may limit the ability of holders of the notes to realize value from the collateral.**

The right of the collateral agent to repossess and dispose of the collateral upon the occurrence of an event of default under the indenture that will govern the notes is likely to be significantly impaired by applicable bankruptcy law if a bankruptcy case were to be commenced by or against the Issuer or any of the guarantors before the collateral agent repossessed and disposed of the collateral. For example, under the Bankruptcy Code, pursuant to the automatic stay imposed upon the bankruptcy filing, a secured creditor is prohibited from repossessing its collateral from a debtor in a bankruptcy case, or from disposing of collateral repossessed from such debtor, or from taking other actions to levy against a debtor, without bankruptcy court approval after notice and a hearing. Moreover, the Bankruptcy Code permits the debtor to continue to retain and to use collateral even though the debtor is in default under the applicable debt instruments, provided that the secured creditor is given adequate protection. The meaning of the term adequate protection is undefined in the Bankruptcy Code and may vary according to circumstances (and is within the discretion of the bankruptcy court), but it is intended in general to protect the secured creditor s interest in the collateral from diminishing in value during the pendency of the bankruptcy case and may include periodic payments or the granting of additional security, if and at such times as the court in its discretion determines, for any diminution in the value of the collateral as a result of the automatic stay or any use of the collateral by the debtor during the pendency of the bankruptcy case. A bankruptcy court could conclude that the secured creditor s interest in its collateral is adequately protected against any diminution in value during the bankruptcy case without the need for providing any additional adequate protection. Due to the imposition of the automatic stay, the lack of a precise definition of the term adequate protection and the broad discretionary powers of a bankruptcy court, it is impossible to predict (i) how long payments under the notes could be delayed, or, if made at all, following commencement of a bankruptcy case, (ii) whether or when the collateral agent could repossess or dispose of the collateral or (iii) whether or to what extent holders of the notes would be compensated for any delay in payment or loss of value of the collateral through the requirement of adequate protection.

**Any future pledge of collateral or guarantee in favor of holders of the notes might be voidable in a bankruptcy case.**

Any future pledge of collateral or guarantee in favor of holders of the notes might be voidable in a bankruptcy case of the relevant pledgor or guarantor if certain events or circumstances exist or occur, including under the Bankruptcy Code if the pledgor or guarantor is insolvent at the time of the pledge or guarantee; the pledge or guarantee enables the holders of the notes to receive more than they would if the pledge or guarantee had not been made and the debtor were liquidated under Chapter 7 of the Bankruptcy Code; and a bankruptcy case in respect of the pledgor or guarantor is commenced within 90 days following the pledge or guarantee (or within one year following the pledge or guarantee if the creditor that benefited therefrom is an insider under the Bankruptcy Code). Accordingly, holders of the notes under these circumstances may receive a lesser amount than they would be entitled to receive under the terms of the

indenture that will govern the notes and the Intercreditor Agreement, even if sufficient funds are available.

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## Risks Related to Our Business and Industry

**Failure to improve operations at certain hospitals acquired from HMA could adversely affect us.**

We have achieved synergies from the HMA merger as a result of eliminating duplicate corporate functions and centralizing many support functions. However, we cannot be certain whether, and to what extent, additional operating improvements and efficiencies in connection with the HMA merger will be achieved in the future. In addition, operational improvement of some of the HMA hospitals has been more difficult to achieve than anticipated. Moreover, costs associated with HMA s legal proceedings and other loss contingencies may be greater than expected, and could exceed the amount of any reduction in payment under the contingent value rights, or CVRs, issued in the HMA merger to HMA stockholders.

In order to obtain the intended benefits of the merger, we must achieve additional efficiencies and improve operations at certain of the former HMA hospitals. Such operational improvement may be complex and the failure to do so efficiently and effectively may negatively affect earnings.

**We are the subject of various legal, regulatory and governmental proceedings that, if resolved unfavorably, could have an adverse effect on us, and we may be subject to other loss contingencies, both known and unknown.**

We are a party to various legal, regulatory and governmental proceedings and other related matters. Those proceedings include, among other things, government investigations. In addition, we are and may become subject to other loss contingencies, both known and unknown, which may relate to past, present and future facts, events, circumstances and occurrences. Should an unfavorable outcome occur in connection with our legal, regulatory or governmental proceedings or other loss contingencies, or if we become subject to any such loss contingencies in the future, there could be an adverse impact on our financial position, results of operations and liquidity.

In particular, government investigations, as well as qui tam lawsuits, may lead to significant fines, penalties, damages payments or other sanctions, including exclusion from government healthcare programs. Settlements of lawsuits involving Medicare and Medicaid issues routinely require both monetary payments and corporate integrity agreements, each of which could have an adverse effect on our business, financial condition, results of operations and/or cash flows.

**The impact of past acquisitions, as well as potential future acquisitions, could have a negative effect on our operations.**

Our business strategy has historically included growth by acquisitions. However, not-for-profit hospital systems and other for-profit hospital companies generally attempt to acquire the same type of hospitals as we do. LifePoint Health, Inc. is a principal competitor for acquisitions. Other competitors include HCA Holdings, Inc., Universal Health Services, Inc., other non-public, for profit hospitals and local market hospitals. Some of the competitors for our acquisitions have greater financial resources than we have. Furthermore, some hospitals are sold through an auction process, which may result in higher purchase prices than we believe are reasonable. Therefore, we may not be able to acquire additional hospitals on terms favorable to us.

In addition, many of the hospitals we have acquired have had lower operating margins than we do and operating losses incurred prior to the time we acquired them. Hospitals acquired in the future may have similar financial performance issues. In the past, we have experienced delays in improving the operating margins or effectively integrating the operations of certain acquired hospitals. In the future, if we are unable to improve the operating

margins of acquired hospitals, operate them profitably, or effectively integrate their operations, our results of operations and business may be adversely affected.

Moreover, hospitals that we have acquired, or in the future could acquire, may have unknown or contingent liabilities, including liabilities for failure to comply with healthcare laws and regulations. Although we generally

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seek indemnification from sellers covering these matters, we may nevertheless have material liabilities for past activities of acquired hospitals.

**If we are unable to complete divestitures that are currently contemplated, our results of operations and financial condition could be adversely affected.**

As noted above, we have been implementing a portfolio rationalization and deleveraging strategy by divesting hospitals and non-hospital businesses that are attractive to strategic and other buyers. Generally, these businesses are not in one of our strategically beneficial service areas, are less complementary to our business strategy and/or have lower operating margins. However, there is no assurance that these contemplated divestitures will be completed, will be completed within our contemplated timeframe, or will be completed on terms favorable to us or on terms sufficient to allow us to achieve our deleveraging strategy. Additionally, the results of operations for these hospitals we plan to divest and the potential gains or losses on the sales of those businesses may adversely affect our profitability. Moreover, we may incur asset impairment charges related to divestitures that reduce our profitability.

In addition, after entering into a definitive agreement, we may be subject to the satisfaction of pre-closing conditions as well as necessary regulatory and governmental approvals, which, if not satisfied or obtained, may prevent us from completing the sale. Divestitures may also involve continued financial exposure related to the divested business, such as through indemnities or retained obligations, that present risk to us.

Our planned divestiture activities may present financial, managerial, and operational risks. Those risks include diversion of management attention from improving existing operations; additional restructuring charges and the related impact from separating personnel, renegotiating contracts, and restructuring financial and other systems; adverse effects on existing business relationships with patients and third-party payors; and the potential that the collectability of any patient accounts receivable retained from any divested hospital may be adversely impacted. Any of these factors could adversely affect our financial condition and results of operations.

**State efforts to regulate the construction, acquisition or expansion of healthcare facilities could limit our ability to build or acquire additional healthcare facilities, renovate our facilities or expand the breadth of services we offer.**

Some states in which we operate require a certificate of need, or CON, or other prior approval for the construction or acquisition of healthcare facilities, capital expenditures exceeding a prescribed amount, changes in bed capacity or services and some other matters. In evaluating a proposal, these states consider the need for additional or expanded healthcare facilities or services. If we are not able to obtain required CONs or other prior approvals, we would not be able to acquire, operate, replace or expand our facilities or expand the breadth of services we offer. Furthermore, if a CON or other prior approval upon which we relied to invest in construction of a replacement or expanded facility were to be revoked or lost through an appeal process, we may not be able to recover the value of our investment.

**State efforts to regulate the sale of hospitals operated by municipal or not-for-profit entities could prevent us from acquiring these types of hospitals.**

Many states have adopted legislation regarding the sale or other disposition of hospitals operated by municipal or not-for-profit entities. In some states that do not have specific legislation, the attorneys general have demonstrated an interest in these transactions under their general obligation to protect the use of charitable assets. These legislative and administrative efforts focus primarily on the appropriate valuation of the assets divested and the use of the proceeds of the sale by the non-profit seller. While these review and, in some instances, approval processes can add additional time to the closing of a hospital acquisition, we have not had any significant difficulties or delays in completing

acquisitions. However, future state actions could seriously delay or even prevent our ability to acquire hospitals once we return to our acquisition strategy.

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**If we are unable to effectively compete for patients, local residents could use other hospitals and healthcare providers.**

The healthcare industry is highly competitive among hospitals and other healthcare providers for patients, affiliations with physicians and acquisitions. The competition among hospitals and other healthcare providers for patients has intensified in recent years. However, the majority of our hospitals are located in non-urban service areas where we believe we are the sole provider of general acute care health services. As a result, the most significant competition our hospitals face typically comes from hospitals outside of our primary service areas, including hospitals in urban areas that provide more complex services. Patients in our primary service areas may travel to these other hospitals because of physician referrals or their need for services we do not offer, among other reasons. Patients who receive services from these other hospitals may subsequently shift their preferences to those hospitals for the services we provide. Competition for patients is also increasing among other healthcare providers, including outpatient surgery, orthopedic, oncology and diagnostic centers. Our hospitals and our competitors are implementing physician alignment strategies, such as acquiring physician practice groups, employing physicians and participating in ACOs or other clinical integration models, which may impact our competitive position.

At December 31, 2016, 59 of our hospitals competed with more than one other hospital in their respective primary service areas. In most markets in which we are not the sole provider of general acute care health services, our primary competitor is a municipal or not-for-profit hospital. These hospitals are owned by tax-supported governmental agencies or not-for-profit entities supported by endowments and charitable contributions. They do not pay income or property taxes, and can make capital expenditures without paying sales tax. These financial advantages may better position these hospitals to maintain more modern and technologically upgraded facilities and equipment and offer services more specialized than those available at our hospitals. If our competitors are better able to attract patients with these offerings, we may experience an overall decline in patient volume.

Trends toward clinical transparency and value-based purchasing may have an unanticipated impact on our competitive position and patient volumes. The Centers for Medicare & Medicaid Services, or CMS, Hospital Compare website makes available to the public certain data that hospitals submit in connection with Medicare reimbursement claims, including performance data related to quality measures and patient satisfaction surveys. Federal law provides for the future expansion of the number of quality measures that must be reported. Further, every hospital must establish and update annually a public listing of the hospital s standard charges for items and services or publish its policies for allowing the public to view a list of these charges in response to an inquiry. If any of our hospitals achieve poor results (or results that are lower than our competitors) on these quality measures or on patient satisfaction surveys, or if our standard charges are higher than our competitors, we may attract fewer patients.

We expect these competitive trends to continue. If we are unable to compete effectively with other hospitals and other healthcare providers, local residents may seek healthcare services at providers other than our hospitals and affiliated businesses.

**The failure to obtain our medical supplies at favorable prices could cause our operating results to decline.**

We have a participation agreement with HealthTrust, a group purchasing organization, or GPO. The current term of this agreement expires in January 2018, with automatic renewal terms of one year unless either party terminates by giving notice of non-renewal. GPOs attempt to obtain favorable pricing on medical supplies with manufacturers and vendors, sometimes by negotiating exclusive supply arrangements in exchange for discounts. To the extent these exclusive supply arrangements are challenged or deemed unenforceable, we could incur higher costs for our medical supplies obtained through HealthTrust. Further, costs of supplies and drugs may continue to increase due to market pressure from pharmaceutical companies and new product releases. Higher costs could continue to adversely impact

our operating results. Also, there can be no assurance that our arrangement with HealthTrust will provide the discounts we expect to achieve.

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**If the fair value of our reporting units declines, a material non-cash charge to earnings from impairment of our goodwill could result.**

At December 31, 2016, we had approximately $6.5 billion of goodwill recorded on our books. We expect to recover the carrying value of this goodwill through our future cash flows. On an ongoing basis, under U.S. GAAP, we evaluate, based on the fair value of our reporting units, whether the carrying value of our goodwill is impaired when events or changes in circumstances indicate that such carrying value may not be recoverable. U.S. GAAP requires us to test goodwill for impairment at least annually.

During the three months ended June 30, 2016, we identified certain indicators of impairment requiring an interim goodwill impairment evaluation. Those indicators were primarily the decline in our market capitalization and fair value of long-term debt during the three months ended June 30, 2016, and a decline in our projected future earnings compared to our most recent annual evaluation. We performed an estimated calculation of fair value in step one of the impairment test at June 30, 2016, which indicated that the carrying value of our hospital operations reporting unit exceeded its fair value, which calculation was updated during the three months ended September 30, 2016. In addition, a step two calculation was performed to determine the implied value of goodwill in a hypothetical purchase price allocation. Based on these analyses, we recorded a non-cash impairment charge of $1.395 billion to goodwill during the year ended December 31, 2016 based on the fair value and resulting implied goodwill at that time.

We performed our annual goodwill evaluation during the fourth quarter of 2016. While no impairment was indicated by this evaluation, the reduction in our fair value and the resulting goodwill impairment charge recorded during 2016 reduced the excess of fair value calculated in the step two analysis over the carrying value of our hospital operations reporting unit to an amount less than 1% of our carrying value. This minimal amount in the excess fair value over carrying value of our hospital operations reporting unit increases the risk that future declines in fair value could result in goodwill impairment.

The testing of goodwill for impairment requires us to make significant estimates about our future performance and cash flows, as well as other assumptions related to our cost of capital and other factors impacting our fair value models. These estimates can be affected by various factors, including changes in economic, industry or other market assumptions, changes in our business operations, estimates of future revenue and expenses, estimated marked multiples, expected capital expenditures, potential changes in our stock price and market capitalization, and the fair value of our long-term debt. Changes in these factors, or changes in our actual performance compared with our estimates of future projections, could affect our calculation of the fair value of our reporting units, which could result in a material impairment charge to goodwill and a material non-cash charge to earnings during the period in which the impairment is determined.

**A significant decline in operating results or other indicators of impairment at one or more of our facilities could result in a material, non-cash charge to earnings to impair the value of long-lived assets.**

Our operations are capital intensive and require significant investment in long-lived assets, such as property, equipment and other long-lived intangible assets, including capitalized internal-use software. If one of our facilities experiences declining operating results or is adversely impacted by one or more of these risk factors, we may not be able to recover the carrying value of those assets through our future operating cash flows. On an ongoing basis, we evaluate whether changes in future undiscounted cash flows reflect an impairment in the fair value of our long-lived assets. If the carrying value of our long-lived assets is impaired, we may incur a material non-cash charge to earnings.

**We are unable to predict the ultimate impact of the Affordable Care Act, and our business may be adversely affected if the Affordable Care Act is repealed entirely or if provisions benefitting our operations are**

**significantly modified.**

In recent years, the U.S. Congress and certain state legislatures have introduced and passed a large number of proposals and legislation designed to make major changes in the healthcare system, including changes that

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increased access to health insurance. The most prominent of these efforts, the Affordable Care Act, affects how healthcare services are covered, delivered, and reimbursed. As currently structured, the Affordable Care Act mandates that substantially all U.S. citizens maintain health insurance coverage, expands health insurance coverage through a combination of public program expansion and private sector health insurance reforms, reduces Medicare reimbursement to hospitals, and promotes value-based purchasing. There are currently several public and private initiatives that aim to transition payment models from passive volume-based reimbursement to models that are tied to the quality and value of services.

The 2016 federal elections resulted in a new administration that, along with certain members of Congress, have stated their intent to repeal or make significant changes to the Affordable Care Act, its implementation and/or its interpretation. There is uncertainty regarding whether, when, and how the Affordable Care Act will be changed, what alternative provisions, if any, will be enacted, the timing of enactment and implementation of alternative provisions, and the impact of alternative provisions on providers as well as other healthcare industry participants. In addition, a presidential executive order has been signed that directs agencies to minimize economic and regulatory burdens of the Affordable Care Act, but it is unclear how this will be implemented. Further, Congress could eliminate or alter provisions beneficial to us while leaving in place provisions reducing our reimbursement. Government efforts to repeal or change the Affordable Care Act may have an adverse effect on our business, results of operations, cash flow, capital resources and liquidity.

**If reimbursement rates paid by federal or state healthcare programs or commercial payors are reduced, if we are unable to maintain favorable contract terms with payors or comply with our payor contract obligations, if insured individuals move to insurance plans with greater coverage exclusions or narrower networks, or if insurance coverage is otherwise restricted, our net operating revenues may decline.**

In 2016, 34.4% of our operating revenues, net of contractual allowances and discounts (but before the provision for bad debts), came from the Medicare and Medicaid programs. Federal healthcare expenditures continue to increase and state governments continue to face budgetary shortfalls as a result of current economic conditions and increasing Medicaid enrollment. As a result of such events and also pursuant to the Affordable Care Act, federal and state governments have made, and continue to make, significant changes in the Medicare and Medicaid programs, including reductions in reimbursement levels and supplemental payment programs like disproportionate share payments. Some of these changes have decreased, or could decrease, the amount of money we receive for our services relating to these programs.

In addition, government and commercial payors as well as other third parties from whom we receive payment for our services attempt to control healthcare costs by, for example, requiring hospitals to discount payments for their services in exchange for exclusive or preferred participation in their benefit plans, restricting coverage through utilization review, reducing coverage of inpatient services and shifting care to outpatient settings, requiring prior authorizations, and implementing alternative payment models. The ability of commercial payors to control healthcare costs using these measures may be enhanced by the increasing consolidation of insurance and managed care companies.

In 2016, 53.4% of our operating revenues, net of contractual allowances and discounts (but before the provision for bad debts), came from commercial payors. Our contracts with payors require us to comply with a number of terms related to the provision of services and billing for services. If we are unable to negotiate increased reimbursement rates, maintain existing rates or other favorable contract terms, effectively respond to payor cost controls or comply with the terms of our payor contracts, the payments we receive for our services may be reduced or we may be involved in disputes with payors and experience payment denials, both prospectively and retroactively. In addition, some individuals may move from existing coverage under health insurance plans with higher reimbursement rates for our services and lower co-pays and deductibles to plans, such as those purchased on the health insurance exchanges,

that may provide for lower reimbursement for our services along with higher co-pays and deductibles or even exclusion of our hospitals and employed physicians from coverage.

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**The demand for services provided by our hospitals can be impacted by factors beyond our control.**

Our admissions and adjusted admissions as well as acuity trends may be impacted by factors beyond our control. For example, seasonal fluctuations in the severity of influenza and other critical illnesses, unplanned shutdowns or unavailability of our facilities due to weather or other unforeseen events, decreases in trends in high acuity service offerings, changes in competition from outside service providers, turnover in physicians affiliated with our hospitals, or changes in medical technology can have an impact on the demand for services at our hospitals. The impact of these or other factors beyond our control could have an adverse effect on our business, financial position and results of operations.

**We may be adversely affected by consolidation among health insurers.**

In recent years, a number of health insurers have merged or increased efforts to consolidate with other payors as well as providers, in part, as a result of the insurance industry challenges resulting from the Affordable Care Act. Our ability to negotiate prices and favorable terms with health insurers in certain markets could be affected negatively as a result of this consolidation. Also, the shift toward value-based payment models could be accelerated if larger insurers find these models to be financially beneficial. We cannot predict whether we will be able to respond effectively to the impact of increased consolidation in the payor industry.

**If we fail to comply with extensive laws and government regulations, including fraud and abuse laws, we could suffer penalties or be required to make significant changes to our operations.**

The healthcare industry is governed by laws and regulations at the federal, state and local government levels. These laws and regulations include standards addressing, among other issues, the adequacy of medical care, equipment, personnel, operating policies and procedures; billing and coding for services; properly handling overpayments; classification of levels of care provided; preparing and filing of cost reports; relationships with referral sources and referral recipients; maintenance of adequate records; compliance with building codes; environmental protection; and privacy and security. Examples of these laws include, but are not limited to, the Health Insurance Portability and Accountability Act of 1996, the provision in the Social Security Act commonly known as the Stark Law, the federal anti-kickback statute, the federal False Claims Act, the Emergency Medical Treatment and Active Labor Act and similar state laws. If we fail to comply with applicable laws and regulations we could suffer civil sanctions and criminal penalties, including the loss of our operating licenses and our ability to participate in the Medicare, Medicaid and other federal and state healthcare programs.

In addition, there are heightened coordinated civil and criminal enforcement efforts by both federal and state government agencies relating to the healthcare industry, including the hospital segment. Recent enforcement actions have focused on financial arrangements between hospitals and physicians, billing for services without adequately documenting medical necessity and billing for services outside the coverage guidelines for such services. Specific to our hospitals, we have received inquiries and subpoenas from various governmental agencies regarding these and other matters, and we are also subject to various claims and lawsuits relating to such matters. For a further discussion of these matters, see Certain Legal Matters below.

In the future, evolving interpretations or enforcement of these laws and regulations could subject our current practices to allegations of impropriety or illegality or could require us to make changes in our facilities, equipment, personnel, services, capital expenditure programs and operating expenses.

**If we become subject to significant legal actions, we could be subject to substantial uninsured liabilities or increased insurance costs.**

Physicians, hospitals and other healthcare providers have become subject to an increasing number of legal actions alleging malpractice, product liability, or related legal theories. Even in states that have imposed caps on damages, litigants are seeking recoveries under new theories of liability that might not be subject to the caps on

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damages. Many of these actions involve large claims and significant defense costs. To protect us from the cost of these claims, we maintain claims made professional malpractice liability insurance and general liability insurance coverage in excess of those amounts for which we are self-insured. This insurance coverage is in amounts that we believe to be sufficient for our operations; however, our insurance coverage may not continue to be available at a reasonable cost for us to maintain adequate levels of insurance. Additionally, our insurance coverage does not cover all claims against us, such as fines, penalties, or other damage and legal expense payments resulting from qui tam lawsuits.

**We could be subject to increased monetary penalties and/or other sanctions, including exclusion from federal health care programs, if we fail to comply with the terms of the Corporate Integrity Agreement.**

On August 4, 2014, we announced that we had entered into a civil settlement with the U.S. Department of Justice, other federal agencies and identified relators that concluded previously announced investigations and litigation related to short stay admissions through emergency departments at certain of our affiliated hospitals. In addition to the amounts paid in the settlement, we executed the CIA with the OIG that has been incorporated into our existing and comprehensive compliance program.

Material, uncorrected violations of the CIA could lead to our suspension or disbarment from participation in Medicare, Medicaid and other federal and state healthcare programs and repayment obligations. In addition, we are subject to possible civil penalties for failure to substantially comply with the terms of the CIA, including stipulated penalties ranging between $1,000 to $2,500 per day. We are also subject to a stipulated penalty of $50,000 for each false certification made by us or on our behalf, pursuant to the reporting provisions of the CIA. The CIA increases the amount of information we must provide to the federal government regarding our healthcare practices and our compliance with federal regulations. The reports we provide in connection with the CIA could result in greater scrutiny by regulatory authorities.

**If we experience growth in self-pay volume and revenues, or if we experience deterioration in the collectability of patient responsibility accounts, our financial condition or results of operations could be adversely affected.**

Our primary collection risks relate to uninsured patients and outstanding patient balances for which the primary insurance payor has paid some but not all of the outstanding balance, with the remaining outstanding balance (generally deductibles and co-payments) owed by the patient. Collections are impacted by the economic ability of patients to pay and the effectiveness of our collection efforts. Significant changes in payor mix, business office operations, economic conditions or trends in federal and state governmental healthcare coverage may affect our collection of accounts receivable and are considered in our estimates of accounts receivable collectability.

Since the implementation of the Affordable Care Act, our self-pay revenues as a percentage of total revenue have decreased, primarily resulting from a shift from self-pay to Medicaid and private insurers for a portion of our patient population, driven by the insurance coverage expansion provisions of the Affordable Care Act. However, the outcome of the 2016 federal elections has cast considerable uncertainty on the future of the Affordable Care Act. In addition, it is difficult to predict the ultimate impact of the Affordable Care Act on the uninsured population and the percentage of our total revenue comprised of self-pay revenues because of, among other variables, uncertainty regarding the number and identity of states that ultimately choose to expand Medicaid and the number of uninsured who elect to purchase health insurance. Moreover, we may still be adversely affected by the growth in patient responsibility accounts as a result of increases in the adoption of plan structures, including health savings accounts, narrow networks and tiered networks, which shift greater responsibility for care to individuals through greater exclusions and copayment and deductible amounts. Further, our ability to collect patient responsibility accounts may be limited by statutory, regulatory and investigatory initiatives, including private lawsuits directed at hospital charges and collection practices

for uninsured and underinsured patients. In addition, a deterioration of economic conditions in the United States could potentially

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lead to higher levels of uninsured patients, result in higher levels of patients covered by lower paying government programs, result in fiscal uncertainties at both government payors and private insurers and/or limit the economic ability of patients to make payments for which they are responsible. If we experience growth in self-pay volume or deterioration in collectability of patient responsibility accounts, our financial condition or results of operations could be adversely affected.

**Many of the non-urban communities in which we operate continue to face challenging economic conditions, and the failure of certain employers, or the closure of certain manufacturing and other facilities in our markets, could have a disproportionate impact on our hospitals.**

While the U.S. economy as a whole has improved, improvement in many of the non-urban communities in which we operate has lagged behind the larger urban communities. In addition, the economies in the non-urban communities in which our hospitals primarily operate are often dependent on a small number of large employers, especially manufacturing or other facilities. These employers often provide income and health insurance for a disproportionately large number of community residents who may depend on our hospitals for care. The failure of one or more large employers, or the closure or substantial reduction in the number of individuals employed at manufacturing or other facilities located in or near many of the non-urban communities in which our hospitals primarily operate, could cause affected employees to move elsewhere for employment or lose insurance coverage that was otherwise available to them. When patients are experiencing personal financial difficulties or have concerns about general economic conditions, they may:

- delay or forgo elective procedures;
- purchase a high-deductible insurance plan or no insurance at all, which increases a hospital s dependence on self-pay revenue; or
- choose to seek care in emergency rooms.

The occurrence of these events may cause a reduction in our revenues and adversely impact our results of operations.

**If there are delays in regulatory updates by governmental entities to federal and state healthcare programs, we may experience increased volatility in our operating results as such delays may result in a timing difference between when such program revenues are earned and when they become known or estimable for purposes of accounting recognition.**

We derive a significant amount of our net operating revenues from governmental healthcare programs, primarily Medicare and Medicaid. The reimbursements due to us from those programs are subject to legislative and regulatory changes that can have a significant impact on our operating results. When delays occur in the implementation of regulations or passage of legislation, there is the potential for material increases or decreases in operating revenues to be recognized in periods subsequent to when such related services were performed, resulting in the potential for an adverse effect on our consolidated financial position and consolidated results of operations.

**If our adoption and utilization of electronic health record systems fails to achieve the required measures for meaningful use, our consolidated results of operations could be adversely affected.**

As a result of the Health Information Technology for Economic and Clinical Health Act, or HITECH, eligible hospitals and healthcare professionals can receive incentive payments for their adoption and meaningful use of EHR technology. The incentive payments are available for a maximum period of five or six years, depending on the program. The implementation of EHR technology that meets the meaningful use criteria requires a significant capital investment, and we have and intend to continue to offset some of these costs by maximizing our receipt of incentive payments. Eligible hospitals and professionals that fail to demonstrate

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meaningful use of certified EHR technology and have not applied and qualified for a hardship exception are subject to reduced reimbursement from Medicare. Thus, if our hospitals and employed professionals are unable to comply with the meaningful use standards, we will not be eligible to receive incentive payments that could offset some of the costs of implementing EHR systems (to the extent incentive payments remain available), and we could be subject to penalties that may have an adverse effect on our consolidated financial position and consolidated results of operations.

**A cyber-attack or security breach could cause a loss of confidential data, give rise to remediation and other expenses, expose us to liability under HIPAA, consumer protection laws, common law or other theories, subject us to litigation and federal and state governmental inquiries, damage our reputation, and otherwise be disruptive to our business.**

We rely extensively on our computer systems to manage clinical and financial data, communicate with our patients, payors, vendors and other third parties and summarize and analyze operating results. We have made significant investments in technology to protect our systems and information from cybersecurity risks. During the second quarter of 2014, our computer network was the target of an external, criminal cyber-attack in which the attacker successfully copied and transferred certain data outside the Company. This data included certain non-medical patient identification data (such as patient names, addresses, birthdates, telephone numbers and social security numbers) considered protected under HIPAA, but did not include patient credit card, medical or clinical information. The remediation efforts in response to the attack have been substantial, including continued development and enhancement of our controls, processes and practices designed to protect our systems, computers, software, data and networks from attack, damage or unauthorized access. Also in connection with the cyber-attack, we have been subject to multiple purported class action lawsuits and may be subject to additional litigation, potential governmental inquiries and potential reputation damages.

In spite of our security measures, there can be no assurance that we will not be subject to additional cyber-attacks or security breaches in the future. Such attacks or breaches could result in loss of protected health information or other data subject to privacy laws or disrupt our information technology systems or business. Additionally, growing cyber-security threats related to the use of ransomware and other malicious software threaten the access and utilization of critical information technology and data. We continue to prioritize cybersecurity and the development of practices and controls to protect our systems. Our ability to recover from a ransomware or other cyber-attack is dependent on these practices, including successful backup systems and other recovery procedures. As cyber-threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities. If we are subject to cyber-attacks or security breaches in the future, this could have an adverse impact on our business, financial condition or results of operations.

**A pandemic, epidemic or outbreak of a contagious disease in the markets in which we operate or that otherwise impacts our facilities could adversely impact our business.**

If a pandemic or other public health crisis were to affect our markets, our business could be adversely affected. Such a crisis could diminish the public trust in healthcare facilities, especially hospitals that fail to accurately or timely diagnose, or that are treating (or have treated) patients affected by contagious diseases. If any of our facilities were involved in treating patients for such a contagious disease, other patients might cancel elective procedures or fail to seek needed care at our facilities. Further, a pandemic might adversely impact our business by causing a temporary shutdown or diversion of patients, by disrupting or delaying production and delivery of materials and products in the supply chain or by causing staffing shortages in our facilities. Although we have disaster plans in place and operate pursuant to infectious disease protocols, the potential impact of a pandemic, epidemic or outbreak of a contagious disease with respect to our markets or our facilities is difficult to predict and could adversely impact our business.

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**Our performance depends on our ability to recruit and retain quality physicians.**

Although we employ some physicians, physicians are often not employees at our healthcare facilities at which they practice. The success of our healthcare facilities depends in part on the number and quality of the physicians on the medical staffs of our healthcare facilities, our ability to employ quality physicians, the admitting and utilization practices of employed and independent physicians, maintaining good relations with those physicians and controlling costs related to the employment of physicians. In many of the markets we serve, many physicians have admitting privileges at other healthcare facilities in addition to our healthcare facilities. Such physicians may terminate their affiliation with or employment by our healthcare facilities at any time. If we are unable to provide adequate support personnel or technologically advanced equipment and facilities that meet the needs of those physicians and their patients, they may be discouraged from referring patients to our facilities, admissions may decrease and our operating performance may decline.

**Our labor costs could be adversely affected by competition for staffing, the shortage of experienced nurses and labor union activity.**

In addition to our physicians, the operations of our hospitals are dependent on the efforts, abilities and experience of our management and medical support personnel, such as nurses, pharmacists and lab technicians. We compete with other healthcare providers in recruiting and retaining qualified management and support personnel responsible for the daily operations of our hospitals, including nurses and other non-physician healthcare professionals. In some markets, the availability of nurses and other medical support personnel has been a significant operating issue to healthcare providers. We may be required to continue to enhance wages and benefits to recruit and retain nurses and other medical support personnel or to hire more expensive temporary or contract personnel. In addition, the states in which we operate could adopt mandatory nurse-staffing ratios or could reduce mandatory nurse-staffing ratios already in place. State-mandated nurse-staffing ratios could significantly affect labor costs and have an adverse impact on revenues if we are required to limit admissions in order to meet the required ratios.

Increased or ongoing labor union activity is another factor that could adversely affect our labor costs or otherwise adversely impact us. To the extent a significant portion of our employee base unionizes, our labor costs could increase significantly. In addition, when negotiating collective bargaining agreements with unions, whether such agreements are renewals or first contracts, there is the possibility that strikes could occur during the negotiation process, and our continued operation during any strikes could increase our labor costs and otherwise adversely impact us.

If our labor costs increase, we may not be able to raise rates to offset these increased costs. Because a significant percentage of our revenues consists of fixed, prospective payments, our ability to pass along increased labor costs is constrained. In the event we are not entirely effective at recruiting and retaining qualified management, nurses and other medical support personnel, or in controlling labor costs, this could have an adverse effect on our results of operations.

**The industry trend towards value-based purchasing may negatively impact our revenues.**

The trend toward value-based purchasing of healthcare services is gaining momentum across the healthcare industry among both government and commercial payors. Generally, value-based purchasing initiatives tie payment to the quality and efficiency of care. For example, hospital payments may be negatively impacted by the occurrence of hospital acquired conditions, or HACs. The 25% of hospitals with the worst national risk-adjusted HAC rates for all hospitals in the previous year receive a 1% reduction in their total Medicare payments. Medicare does not reimburse for care related to HACs. In addition, federal funds may not be used under the Medicaid program to reimburse providers for services provided to treat HACs. Hospitals that experience excess readmissions for designated

conditions receive reduced payments for all inpatient discharges. The U.S. Department of Health and Human Services, or HHS, also reduces Medicare inpatient hospital payments for all

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discharges by a required percentage and pools the amount collected from these reductions to fund payments to reward hospitals that meet or exceed certain quality performance standards. Further, Medicare and Medicaid require hospitals to report certain quality data to receive full reimbursement updates.

HHS has indicated that it is particularly focused on tying Medicare payments to quality or value through alternative payment models, which generally aim to make providers attentive to the quality and cost of care they deliver to patients. Examples of alternative payment models include accountable care organizations, or ACOs, and bundled payment arrangements. HHS currently requires hospitals in certain geographic areas to participate in a bundled payment program for specified joint replacement procedures and will implement a mandatory program with a cardiac focus in 2017. HHS may increasingly establish similar mandatory programs. It is unclear whether alternative payment models will successfully coordinate care and reduce costs or whether they will decrease aggregate reimbursement. Several of the nation s largest commercial payors have also expressed an intent to increase reliance on value-based reimbursement arrangements. Further, many large commercial payors require hospitals to report quality data, and several commercial payors do not reimburse hospitals for certain preventable adverse events.

We expect value-based purchasing programs, including programs that condition reimbursement on patient outcome measures, to become more common and to involve a higher percentage of reimbursement amounts. We are unable at this time to predict how this trend will affect our results of operations, but it could negatively impact our revenues or our cost of operations, or both.

**Our revenues are somewhat concentrated in a small number of states which will make us particularly sensitive to regulatory and economic changes in those states.**

Our revenues are particularly sensitive to regulatory and economic changes in states in which we generate a significant portion of our revenues, including Florida, Pennsylvania, Texas, Indiana and Tennessee. Accordingly, any change in the current demographic, economic, competitive or regulatory conditions in these states could have an adverse effect on our business, financial condition or results of operations. Changes to the Medicaid programs in these states could also have an adverse effect on our business, financial condition, results of operations or cash flows. For example, the Texas Medicaid Waiver Program provides funding for uncompensated care and delivery system reform initiatives and allows Texas to continue receiving supplemental Medicaid reimbursement while expanding its Medicaid managed care program. CMS has extended the waiver through December 31, 2017. Texas has submitted an application to extend its Medicaid Waiver Program through September 30, 2019, but CMS has not yet issued a decision. We cannot predict whether the Texas Medicaid Waiver Program will be extended, continue in its current form or guarantee that revenues recognized from the program will not decrease.

In addition, some of our hospitals in Florida, Texas and other areas along the Gulf Coast are located in hurricane-prone areas. In the past, hurricanes have had a disruptive effect on the operations of our hospitals in Florida, Texas and other coastal states and the patient populations in those states. Our business activities could be harmed by a particularly active hurricane season or even a single storm, and the property insurance we obtain may not be adequate to cover losses from future hurricanes or other natural disasters.

**The Company s Stockholder Protection Rights Agreement could delay or prevent a change in control of the Company, which could have a negative effect on the price of the Company s common stock.**

The Board of Directors of the Company adopted a Stockholder Protection Rights Agreement on October 3, 2016. Under the terms of the Stockholder Protection Rights Agreement, any person (together with certain affiliated persons) that acquires 15% or more of the Company s common stock could suffer substantial dilution of its ownership interest in the Company through the issuance of a large amount of stock to shareholders other than the acquiring person.

Our Stockholder Protection Rights Agreement was adopted in order to prevent the accumulation of a potentially controlling block of the Company s common stock pending our exploration of potential strategic

options and alternatives. However, our Stockholders Protection Rights Agreement may impede an attempt to acquire a significant or controlling ownership interest in the Company, and may prevent or make more difficult takeovers or unsolicited corporate transactions involving the Company not supported by our Board of Directors, even if such a transaction were considered beneficial by some of our stockholders. The Stockholder Protection Rights Agreement will expire on April 1, 2017.

**There can be no assurance that our exploration of strategic alternatives will result in any transaction, and exploration of strategic alternatives may impact our ability to pursue other opportunities.**

As initially disclosed on September 19, 2016, with the assistance of advisors, we are exploring a variety of options with financial sponsors, as well as other potential alternatives. These discussions are ongoing. There can be no certainty that the exploration will result in any kind of transaction. We do not expect to make further public comment regarding these matters while the exploration takes place unless and until we otherwise deem further public comment is appropriate or required. In addition, the process of exploring strategic alternatives has involved and may continue to involve the dedication of significant resources, including the time and attention of our management, and the incurrence of significant costs and expenses. Moreover, uncertainty regarding the possible outcome of our exploration of strategic alternatives may increase the challenge of recruiting and retaining talented and skilled personnel. It is also possible that potentially inaccurate market speculation regarding the outcome of the process may cause our stock to trade based on factors other than our financial and operating performance and prospects as a stand-alone company.

## Certain Legal Matters

From time to time, we receive inquiries or subpoenas from state regulators, state Medicaid Fraud Control units, fiscal intermediaries, the Centers for Medicare and Medicaid Services, the Department of Justice and other government entities regarding various Medicare and Medicaid issues. In addition to the matters discussed below, we are currently responding to subpoenas and administrative demands concerning (a) certain cardiology procedures, medical records and policies at a New Mexico hospital, (b) an inquiry regarding a sleep lab at a Louisiana hospital, (c) a subpoena regarding wound care services at one of our Florida hospitals (which appears to be related to unsealed cases against Healogics, Inc.), (d) a subpoena concerning provider based billing status for hyperbaric oxygen therapy at one of our Tennessee hospitals, (e) a subpoena concerning a physician relationship at one of our Texas hospitals and (f) a civil investigative demand concerning short-term Medicaid eligibility determinations processed by third party vendors at one of our Pennsylvania hospitals. In addition, we are subject to other claims and lawsuits arising in the ordinary course of our business including lawsuits and claims related to billing practices and the administration of charity care policies at our hospitals. Based on current knowledge, management does not believe that loss contingencies arising from pending legal, regulatory and governmental matters, 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 pending legal, regulatory and governmental matters, some of which are beyond our 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 our results of operations or cash flows for any particular reporting period. Settlements of suits involving Medicare and Medicaid issues routinely require both monetary payments as well as corporate integrity agreements. Additionally, qui tam or whistleblower actions initiated under the civil False Claims Act may be pending but placed under seal by the court to comply with the False Claims Act s requirements for filing such suits. In September 2014, the Criminal Division of the United States Department of Justice, or DOJ, announced that all qui tam cases will be shared with their Division to determine if a parallel criminal investigation should be opened. The Criminal Division has also frequently stated an intention to pursue corporations in criminal prosecutions. From time to time, we detect issues of non-compliance with Federal healthcare laws pertaining to claims submission and reimbursement practices and/or financial relationships with physicians. We avail ourselves of various mechanisms to address potential overpayments arising out of these issues, including repayment of claims, rebilling of claims, and

participation in voluntary disclosure protocols

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offered by the Centers for Medicare and Medicaid Services and the Office of the Inspector General. Participating in voluntary repayments and voluntary disclosure protocols can have the potential for significant settlement obligations or even enforcement action.

**Community Health Systems, Inc. Legal Proceedings**

***Shareholder Litigation***

***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 our common stock between July 27, 2006 and April 11, 2011 and allege that misleading statements resulted in artificially inflated prices for our 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. In lieu of ruling on our motion to dismiss, the court permitted the plaintiffs to file a first amended consolidated class action complaint which was filed on October 5, 2015. Our motion to dismiss was filed on November 4, 2015 and oral argument took place on April 11, 2016. Our motion to dismiss was granted on June 16, 2016 and on June 27, 2016, the plaintiffs filed a notice of appeal to the Sixth Circuit Court of Appeals. The matter is fully briefed and we are waiting on the setting of a date for oral argument. We 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. Our 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 our motion to dismiss. This case was settled pursuant to a final order entered on January 17, 2017. Pursuant to the terms of the settlement, we are required to adopt and maintain for a specified period certain corporate governance measures. For more information, see the order and stipulation of settlement filed as Exhibit 99.2 to the Company s Annual Report on Form 10-K for the year ended December 31, 2016.

***Other Government Investigations***

***Dothan, Alabama Independent Lab Billing***. On February 12, 2015, our hospital in Dothan, Alabama received a Civil Investigative Demand, or CID, from the United States Department of Justice for information concerning its status as a covered hospital under certain lab billing regulations. These regulations discuss permissible billing of the technical component of lab tests performed for hospital patients by an independent laboratory. The CID seeks documentation and explanation whether the hospital qualifies as a covered hospital for billing purposes under the applicable regulations. We are cooperating fully with this investigation.

***Commercial Litigation and Other Lawsuits***

*Becker v. Community Health Systems, Inc. d/b/a Community Health Systems Professional Services Corporation d/b/a Community Health Systems d/b/a Community Health Systems PSC, Inc. d/b/a Rockwood Clinic P.S. and Rockwood*

*Clinic, P.S. (Superior Court, Spokane, Washington).* This suit was filed on February 29, 2012, by a former chief financial officer at Rockwood Clinic in Spokane, Washington. Becker claims he was wrongfully terminated for allegedly refusing to certify a budget for Rockwood Clinic in 2012. On

February 29, 2012, he also filed an administrative complaint with the Department of Labor, Occupational Safety and Health Administration alleging that he is a whistleblower under Sarbanes-Oxley, which was dismissed by the agency and was appealed to an administrative law judge for a hearing that occurred on January 19-26, 2016. In a decision dated November 9, 2016, the law judge awarded Becker approximately $1.9 million for front pay, back pay and emotional damages with attorney fees to be later determined. We have appealed the award to the Administrative Review Board and briefing is currently underway. At a hearing on July 27, 2012, the trial court dismissed Community Health Systems, Inc. from the state case and subsequently certified the state case for an interlocutory appeal of the denial to dismiss his employer and the management company. The appellate court accepted the interlocutory appeal, and it was argued on April 30, 2014. On August 14, 2014, the court denied our appeal. On October 20, 2014, we filed a petition to review the denial with the Washington Supreme Court. Our appeal was accepted and oral argument was heard on June 9, 2015. On September 15, 2015, the court denied our appeal and remanded to the trial court; a previous trial setting of September 12, 2016 has been vacated and not reset. We continue to vigorously defend these actions.

*Eliel Ntakirutimana, M.D. and Anesthesia Healthcare Partners of Laredo, P.A., Jose Berlioz, M.D. and Jose Berlioz, M.D., P.A. d/b/a Safari Pediatrics v. Laredo Texas Hospital Company, L.P. d/b/a Laredo Medical Center, CHS/Community Health Systems, Inc., Webb Hospital Corporation, Community Health Systems Professional Services Corporation, Community Health Systems, Inc., Abraham Abe Martinez, Argelia Argie Martinez, Michael Portacci, Wayne Smith, Timothy P. Adams, and Timothy Schmidt.* On December 28, 2012, two physicians and each of their professional associations, who previously contracted as independent contractors with Laredo Medical Center under contracts that could be terminated without cause upon certain written notice, filed a first amended complaint. The first amended complaint alleged claims for breaches of contracts, unjust enrichment, violation of the Texas Theft Liability Act, negligence, breach of fiduciary duty, knowing participation in breach of fiduciary duty, defamation and business disparagement, R.I.C.O., economic duress/coercion, tortious interference with contracts or prospective business relations, conspiracy, respondent superior, actual and apparent authority, ratification, vice-principal liability, and joint enterprise liability. The first amended complaint, in part, alleges facts concerning payments made by Dr. Eliel Ntakirutimana to former Laredo Medical Center CEO, Abe Martinez, who is also a defendant in the suit. On October 23, 2013, an order staying the case until further notice was entered. On April 13, 2016, the magistrate judge entered an order lifting the stay and set a scheduling conference that was held on June 8, 2016. On July 22, 2016, we filed several motions for summary judgment. Additional motions for summary judgment have been filed. We continue to vigorously defend this matter.

***Cyber Attack.*** As previously disclosed on a Current Report on Form 8-K filed by us on August 18, 2014, our computer network was the target of an external, criminal cyber-attack that we believe occurred between April and June, 2014. We and Mandiant (a FireEye Company), the forensic expert engaged by us in connection with this matter, believe the attacker was a foreign Advanced Persistent Threat group who used highly sophisticated malware and technology to attack our systems. The attacker was able to bypass our security measures and successfully copy and transfer outside the Company certain non-medical patient identification data (such as patient names, addresses, birthdates, telephone numbers and social security numbers), but not including patient credit card, medical or clinical information. We continue to work closely with federal law enforcement authorities in connection with their investigation and possible prosecution of those determined to be responsible for this attack. Mandiant has conducted a thorough investigation of this incident and continues to advise us regarding security and monitoring efforts. We have provided appropriate notification to affected patients and regulatory agencies as required by federal and state law. We are offering identity theft protection services to individuals affected by this attack.

We have incurred certain expenses to remediate and investigate this matter, and expect to continue to incur expenses of this nature in the foreseeable future. In addition, multiple purported class action lawsuits have been filed against us and certain subsidiaries. These lawsuits allege that sensitive information was unprotected and inadequately encrypted by us. The plaintiffs claim breach of contract and other theories of recovery, and are seeking damages, as well as

restitution for any identity theft. On February 4, 2015, the United States Judicial

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Panel on Multidistrict Litigation ordered the transfer of the purported class actions pending outside of the District Court for the Northern District of Alabama to the District Court for the Northern District of Alabama for coordinated or consolidated pretrial proceedings. A consolidated complaint was filed and we filed a motion to dismiss on September 21, 2015, which was partially argued on February 10, 2016. In an oral ruling from the bench, the court greatly limited the potential class by ruling only plaintiffs with specific injury resulting from the breach had standing to sue. Further, on jurisdictional grounds, the court dismissed Community Health Systems, Inc. from all non-Tennessee based cases. Finally, the court set April 15, 2016 for further argument on whether the remaining plaintiffs have sufficiently stated a cause of action to continue their cases. On April 15, 2016 in an oral ruling from the bench, the court dismissed additional claims and following this oral ruling only eight of the forty plaintiffs remained with significant limitations imposed on their ability to assert claims for damages. These oral rulings were confirmed in a written order filed on September 12, 2016. On October 20, 2016, the plaintiffs filed a renewed motion for interlocutory appeal from the motion to dismiss ruling and on February 15, 2017 this motion was denied. At this time, we are unable to predict the outcome of this litigation or determine the potential impact, if any, that could result from this litigation, but we intend to vigorously defend these lawsuits. This matter may subject us to additional litigation, potential governmental inquiries, potential reputational damage, and additional remediation, operating and other expenses.

*Mounce v. Community Health Systems, Inc.* This case is a purported class action lawsuit served on July 29, 2015, claiming our affiliated Arkansas hospitals violated payor contracts by allegedly improperly asserting hospital liens against third-party tortfeasors and seeking class certifications for any similarly situated plaintiffs at any affiliated Arkansas hospital. A motion of summary judgment and a motion of class certification have been filed and both are currently pending. We will vigorously defend the case.

*Morrow v. Community Health Systems, Inc.* This case is a purported class action lawsuit filed on July 25, 2016, in the United States District Court, Middle District of Tennessee alleging our affiliated hospital, South Baldwin Regional Medical Center in Foley, AL, violated a payor contract by allegedly improperly asserting a hospital lien against a third-party tortfeasor and allegedly unjustly enriching the hospital. The plaintiff seeks certification of a class for any similarly situated plaintiffs at any Company affiliated hospital. A motion to dismiss has been filed. We will vigorously defend the case.

**Certain Legal Proceedings Related to HMA**

***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. 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*

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*Associates, Inc. (Middle District Florida) ( France )* which involved allegations of wrongful billing and was 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 settled as to all allegations except alleged wrongful termination; and *U.S. ex rel. David Napoliello, M.D. v. Health Management Associates, Inc. (Middle District Florida) ( Napoliello )* 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 Napoliello 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, May 27, 2015, September 25, 2015, January 25, 2016, May 25, 2016, September 26, 2016, December 27, 2016 and now until April 27, 2017. We intend to defend against the allegations in these matters, but have also been cooperating with the government in the ongoing investigation of these allegations. We have been in discussions with the Civil Division of the DOJ regarding the resolution of these matters. During the first quarter of 2015, we were informed the Criminal Division continues to investigate former executive-level employees of HMA and continues to consider whether any HMA entities should be held criminally liable for the acts of the former HMA employees. We are voluntarily cooperating with these inquiries and have not been served with any subpoenas or other legal process.

***Qui Tam Matters Where the Government Declined Intervention***

*U.S. ex rel. Richard M. O Keeffe, Jr., M.D. v. The River Oaks Management Company, LLC, et al. (SD Mississippi).* By order filed on February 10, 2017, the court ordered the unsealing of this matter. The unsealing revealed that on February 3, 2017 the United States had declined to intervene in the allegations that an HMA subsidiary had an inappropriate financial relationship with the relator because his employment contract allegedly was not fair market value in violation of the Stark law, the Anti-Kickback Statute and the False Claims Act. We will vigorously defend this case.

***Securities and Exchange Commission Investigations***

On April 25, 2013, HMA received a subpoena from the SEC, issued pursuant to an investigation, requesting documents related to accounts receivable, billing write-downs, contractual adjustments, reserves for doubtful accounts, and accounts receivable aging, and revenue from Medicare, Medicaid and from privately insured or uninsured patients. On June 5, 2013, HMA received a supplemental subpoena from the SEC which requests additional financial reports. Subsequent subpoenas have been directed to us, our accountants, the former accountants for HMA and certain individuals. On July 17, 2014, we received an additional subpoena from the SEC seeking numerous categories of documents relating to the financial statement adjustments taken in the fourth quarter of 2013 in the areas described above. This investigation is ongoing and we are unable to determine the potential impact, if any, of this investigation.

***Class Action Lawsuits***

On April 30, 2012, two class action lawsuits that were brought against HMA and certain of its then executive officers, one of whom was at that time also a director, were consolidated in the United States District Court for the Middle District of Florida under the caption In Re: Health Management Associates, Inc., et al. and three pension fund plaintiffs were appointed as lead plaintiffs. On July 30, 2012, the lead plaintiffs filed an amended consolidated complaint purportedly on behalf of stockholders who purchased HMA s common stock during the period from July 27, 2009, through January 9, 2012. The amended consolidated complaint (i) alleges that HMA made false and misleading statements in certain public disclosures regarding its business and financial results and (ii) asserts claims for violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended. Among other things, the plaintiffs

claim that HMA inflated its earnings by engaging in fraudulent Medicare billing practices that entailed admitting patients to observation status when they should not have been admitted at all and to inpatient status when they should have been admitted to observation status. The plaintiffs

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seek unspecified monetary damages. On October 22, 2012, the defendants moved to dismiss the plaintiffs amended consolidated complaint for failure to state a claim or plead facts required by the Private Securities Litigation Reform Act. The plaintiffs filed an unopposed stipulation and proposed order to suspend briefing on the defendants motion to dismiss because they intended to seek leave of court to file a proposed second amended consolidated complaint. On December 15, 2012, the court entered an order approving the stipulation and providing a schedule for briefing with respect to the proposed amended pleadings. On February 25, 2013, the plaintiffs filed a second amended consolidated complaint, which asserted substantially the same claims as the amended consolidat