

## Community Health Systems, Inc. Contingent Value Rights Anticipated to Begin Trading on NASDAQ on January 27, 2014

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**To:** Head Traders, Compliance Officers

**From:** William Slattery, Vice President, NASDAQ Listing Qualifications Department

**DATE:** January 27, 2014

**Re:** Community Health Systems, Inc. Contingent Value Rights to Begin Trading on NASDAQ Today (**Financial Product Update #2014 - )**

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### **Summary**

- Community Health Systems, Inc. Contingent Value Rights to commence trading on NASDAQ today, January 27, 2014
- Member responsibility
- Contact information

### **Overview**

Community Health Systems, Inc. (the "Company" or "CHS") Contingent Value Rights (the "CVRs") have been approved for listing on The Nasdaq Stock Market, Inc., and will commence trading on January 27, 2014. The CVRs will trade with the ticker symbol CYHHZ and the CUSIP number is 203668 116.

### **Description**

The CVRs have certain unique characteristics. The CVRs are being issued in connection with the merger between the Company and FWCT-2 Acquisition Corporation, a Delaware corporation and a wholly owned Subsidiary of the Company ("Merger Sub"), and Health Management Associates, Inc., a Delaware corporation ("HMA"); If the merger contemplated by the merger agreement is completed, each share of common stock of HMA outstanding immediately prior to the effective time of the merger (other than treasury shares of HMA and any shares of HMA common stock owned by CHS or any subsidiary of CHS or HMA, and other than shares of HMA common stock as to which dissenters' rights have been properly exercised), pursuant to the General Corporation Law of the State of Delaware, will be converted into the right to receive (1) \$10.50 in cash, without interest, (2) 0.06942 shares of common stock of CHS and (3) one CVR, and is subject to any applicable withholding of taxes and the payment of cash in lieu of fractional shares. This is referred to as the "merger consideration." Members must make sure that investors receive an explanation of such special characteristics and risks, including, but not limited to, the following:

- Upon the closing of the merger, CHS and a trustee mutually acceptable to CHS and HMA will enter into a Contingent Value Rights Agreement governing the terms of the CVRs. A holder of a CVR will be entitled to receive a cash payment of up to \$1.00 per CVR following and conditioned upon the final resolution of certain existing legal matters involving HMA. If the amount of certain specified losses (including attorney's fees and expenses) arising out of or relating to such legal matters exceeds a

deductible of \$18,000,000, the amount payable in respect of each CVR will be reduced (but not below zero) by a pro rata portion (based on the total number of CVRs outstanding at the time of final resolution of such legal matters) of \$0.90 for each dollar of losses in excess of the \$18,000,000 deductible. To the extent such specified losses arising out of such legal matters exceeds approximately \$318,000,000, the amount payable in respect of each CVR will be zero. For purposes of calculating the payment to the CVR holders, the amount of such losses will be net of any amounts actually recovered by CHS under insurance policies. After the closing of the merger, CHS will control the management and disposition of the above mentioned legal matters involving HMA, including with respect to the defense, negotiation and settlement thereof. The CVRs do not have a finite payment date.

- The CVR Payment Amount, if any, will be paid on a date (referred to in this proxy statement/prospectus as the "CVR Payment Date") established by CHS that is no later than sixty (60) days after the date on which Final Resolution of the Existing Litigation occurs. All payments in respect of the CVRs will be made to holders of record of the CVRs as of the CVR Payment Date. Amounts payable by CHS in respect of the CVRs will be considered paid on the date due if on such date the trustee or paying agent under the CVR agreement holds money sufficient to pay all such amounts then due in accordance with the CVR agreement. CHS and the paying agent under the CVR agreement will be entitled to deduct and withhold from any amount payable in respect of the CVRs any amounts that they reasonably determine are required to be deducted and withheld under applicable tax law.
- The CVRs are unsecured obligations of CHS and all payments under the CVRs, all other obligations under the CVR agreement and the CVRs and any rights or claims relating thereto will be subordinated in right of payment to the prior payment in full of all senior obligations of CHS.
- The CVR agreement expressly permits CHS or any of its subsidiaries or affiliates to acquire some or all of the CVRs, whether in open market transactions, private transactions or otherwise. Prior to any acquisition of any CVRs, CHS must publicly disclose the amount of CVRs which it has been authorized to acquire. CHS must also report in its quarterly reports the amount of CVRs it has been authorized to acquire as well as the amount of CVRs CHS has acquired, in each case as of the end of the quarterly period reported in such quarterly report.
- The CVR agreement provides that all determinations with respect to the calculation of the CVR Payment Amount will be reasonably made by CHS in good faith and will be binding on the CVR holders absent manifest error. CHS may, and at the request of the trustee under the CVR agreement shall, at CHS's sole cost and expense, reasonably select an independent third-party financial, accounting, valuation, appraisal or other advisor to assist it in calculating the amount of the CVR Payment Amount. If such an independent advisor is engaged, CHS will be entitled to conclusively rely on the reports of the independent advisor in determining the CVR Payment Amount and all calculations of the independent advisor will be binding on the CVR holders absent manifest error. In the event that a Final Resolution involves a settlement which includes claims that are not included in the Existing Litigation, the Company or the independent advisor, as the case may be, will calculate in good faith the amount of Losses that are properly attributed to the Existing Litigation, on the one hand, and such other claims, on the other hand. The CVR agreement provides that CHS shall be entitled to fully control the management and disposition of any Existing Litigation, including with respect to the defense, negotiation or

settlement thereof, and all decisions relating thereto. The CVR agreement also provides that CHS shall keep the trustee and the CVR holders reasonably informed, on a timely basis (and in no event less than a quarterly basis) with respect to the status of the Existing Litigation, provided that as long as CHS remains subject to the reporting requirements of Section 13(a) or Section 15(d) of the Exchange Act, the disclosure provided under "Legal Proceedings" in its annual report on Form 10-K and its quarterly reports on Form 10-Q will satisfy this informational requirement.

### **Suitability**

Trading in the CVRs on NASDAQ will be subject to the provisions of NASDAQ Rule 2111A. Members recommending transactions in the CVRs to customers should make a determination that the recommendation is suitable for the customer. Members must have a reasonable basis to believe that the recommendation is suitable for a customer based on information obtained through reasonable diligence to ascertain the customer's investment profile. A customer's investment profile includes, but is not limited to: the customer's age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and any other information the customer may disclose to the member or associated person in connection with such recommendation. Members must also consider the complexity of, and risks associated with, the Shares. In addition, members must possess sufficient information to satisfy the "know your customer" obligation that is embedded in the NASDAQ Conduct Rules (NASDAQ Rule 2090A).

Members also should review NASD Notice to Members 03-71 for guidance on trading these securities. The Notice reminds members of their obligations to: (1) conduct adequate due diligence to understand the features of the product; (2) perform a reasonable-basis suitability analysis; (3) perform customer-specific suitability analysis in connection with any recommended transactions; (4) provide a balanced disclosure of both the risks and rewards associated with the particular product, especially when selling to retail investors; (5) implement appropriate internal controls; and (6) train registered persons regarding the features, risk and suitability of these securities.

### **Contact Information**

For additional information regarding the Contingent Value Rights, please see:

- Community Health Systems, Inc.'s Form S-4/A filed with the SEC on November 18, 2013.

Any additional questions can be directed to:

- William Slattery, Vice President, NASDAQ Listing Qualifications at 301.978.8088.