

PART I**Item 1.****BUSINESS OF COMMUNITY HEALTH SYSTEMS****Overview of Our Company**

We are the largest non-urban provider of general hospital healthcare services in the United States in terms of number of facilities. As of December 31, 2004, we owned, leased or operated 71 hospitals, geographically diversified across 22 states, with an aggregate of 7,888 licensed beds, excluding one hospital held for sale. In approximately 85% of our markets, we are the sole provider of these services. In all but one of our other markets, we are one of two providers of these services. For the fiscal year ended December 31, 2004, we generated \$3.3 billion in net operating revenues, and \$151 million in net income.

Wayne T. Smith, who has over 30 years of experience in the healthcare industry, joined our Company as President in January 1997. We named him Chief Executive Officer in April 1997 and Chairman of our Board of Directors in February 2001. During his time with us, we have:

- strengthened the senior management team in all key business areas;
- standardized and centralized our operations across key business areas;
- implemented a disciplined acquisition program;
- expanded and improved the services and facilities at our hospitals;
- implemented quality of care improvement programs at our hospitals;
- recruited additional physicians to the markets in which our hospitals are located; and
- instituted a company-wide regulatory compliance program.

As a result of these initiatives, we achieved net operating revenue growth of 19.2% in 2004, 29.3% in 2003, and 30.5% in 2002. We also achieved net income growth of 15.2% in 2004, 31.5% in 2003, and 123.5% in 2002.

We target hospitals in growing, non-urban healthcare markets because of their favorable demographic and economic trends and competitive conditions. Because non-urban service areas have smaller populations, there are generally fewer hospitals and other healthcare service providers in these communities and generally a lower level of managed care presence in these markets. We believe that smaller populations support less direct competition for hospital-based services. Also, we believe that non-urban communities generally view the local hospital as an integral part of the community.

Our Internet address is www.chs.net and the investor relations section of our website is located at www.chs.net/investor.relations. We make available free of charge, through the investor relations section of our website, annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports, as soon as reasonably practical after they are filed with the Securities and Exchange Commission. Our filings are also available to the public at the website maintained by the Securities and Exchange Commission, www.sec.gov.

We also make available free of charge, through the investor relations section of our website, the Company's Governance Principles, its Code of Conduct and the charters of the Audit and Compliance Committee, the Compensation Committee and the Governance and Nominating Committee.