

February 3, 2010

Board of Directors
Morristown-Hamblen Healthcare System
908 West 4th North Street
Morristown, TN 37814

Dear Morristown-Hamblen Healthcare System Board Members:

My name is Marty Smith and I am Community Health Systems' Division President responsible for our eleven hospitals in Tennessee. The purpose of my letter is to make you and other members of the Morristown Hamblen Healthcare System Board of Trustees aware that on November 30, 2009, Community Health Systems (CHS) sent a proposal to Morristown-Hamblen Healthcare System's (MHHS) Board of Directors Chairman, Carl Storms, which we believe set forth a compelling offer that would provide significant financial investment in your hospital and outstanding benefits for your community.

Last week, we sent the same proposal to each member of the MHHS Board of Directors and requested an opportunity to meet with them. We received a response from Mr. Storms, which is attached to this letter. In his response, Mr. Storms informed us that the MHHS Board of Directors has entered into exclusive negotiations with another provider and that it would not entertain discussions with CHS as long as this period of exclusive negotiations continues.

While we understand and appreciate the constraints under which the Board is now working, we were disappointed to learn that the full Board of Directors did not have an opportunity to review our proposal before proceeding with another offer. We believe our proposal merits consideration before the Board makes a final decision about the future of MHHS, and we wanted you to be aware of the key commitments CHS is willing to make for the long-term benefit of the hospital and community:

- **CHS is willing to pay \$50,000,000 for the assets of MHHS.** After paying its debts, MHHS would have a residual Foundation worth millions of dollars that would be administered solely by the MHHS Foundation and used for the benefit of the local community.
- **MHHS would keep all cash, investments and third party/notes receivables estimated to be worth approximately \$30,000,000.** MHHS would retain all current cash and investments with the opportunity to transition those assets into the Foundation.

- **CHS is willing to commit to at least \$60,000,000 in capital investments at MHHS over the first seven years.** The capital investment could increase if it is determined that it would be more feasible to build a replacement hospital. This investment would allow MHHS to grow clinical programs and services, fund building improvements, add new equipment and technologies, and recruit new physicians.
- **A partnership between MHHS and LRH would result in an estimated incremental \$800,000 to \$1 million in annual tax revenue for the local economy.**
- **The new, combined, integrated hospital system could operate under the umbrella “Morristown-Hamblen Healthcare System.”** A final decision on system name would be made with input from the local board. CHS would continue to honor the history and traditions of MHHS.
- **MHHS would continue to operate with a local board.** They would hold essentially the same responsibilities as the current board. Members of the existing board could carry over to the new board.
- **MHHS and LRH medical staff would be actively engaged in the consolidation of resources and the development of future strategies for MHHS and LRH.**
- **All MHHS employees would be hired in positions and at compensation levels consistent with those provided by MHHS.**

CHS has been a community partner in the City of Morristown and Hamblen County for over 16 years through Lakeway Regional Hospital (LRH). We remain committed to the delivery of high-quality healthcare services in Hamblen County.

We believe our proposal brings strategic benefit to both of our organizations and to our community. If we join forces by combining the strengths and resources of our respective hospitals, we can improve the lives of the citizens of Hamblen County and the surrounding areas through the development of a **regional, integrated healthcare delivery system** based in Morristown. We are prepared to significantly improve and expand MHHS services and would work to develop a strategic master plan for the market with Board and medical staff input.

Together, we can expand the breadth and depth of the clinical programs we offer; increase financial investments in facilities, medical equipment and technologies; and more effectively recruit physicians to the community.

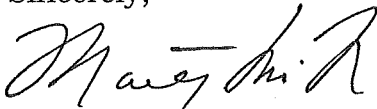
We have confidence in our ability to execute this strategy in Hamblen County based on our experience in other similar communities. Just 130 miles south of you in Bradley County we have a very successful example of market integration and expansion. The two hospital history of Cleveland and Bradley County is a unique parallel to the healthcare dynamics of Morristown, and we would invite you to visit our hospital there and to see first hand the benefits of an integrated healthcare system.

Beyond the favorable terms of a business transaction, we believe MHHS and LRH are fundamentally aligned in our cultures and in our approach to quality, patient safety and customer service. That alignment is evidenced by the performance of both facilities in strong Core Measure results, HCAHPS scores and the relationship our organizations share with the Studer Group. These shared values would certainly ensure our ability to form a true partnership, to achieve a successful integration, and to build long-term success and growth for MHHS – for the overall benefit of the community.

Finally, proceeds from the sale of the hospital would be used to establish a residual foundation worth millions of dollars, which would be used to improve the health and well-being of the community and greatly enrich the lives of local residents.

I sincerely hope that we will have an opportunity to present our proposal to the MHHS Board of Directors. In the meantime, if you would like to review a complete copy of our proposal, or if you have any questions that I can answer, please feel free to contact me at 615-465-7000.

Sincerely,



Marty Smith
President, Division III Operations
Community Health Systems

Attachment: Morristown-Hamblen Healthcare System Response Letter