TRIAD HOSPITALS INC
Form S-4
February 04, 2004
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As Filed with the Securities and Exchange Commission on February 4, 2004

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

TRIAD HOSPITALS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	**8062**	**75-2816101**
(State of or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification No.)**

5800 Tennyson Parkway

Plano, Texas 75024

(214) 473-7000

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Donald P. Fay, Esq.

Executive Vice President, General Counsel and Secretary

5800 Tennyson Parkway

Plano, Texas 75024

(214) 473-7000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Morton A. Pierce, Esq.

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Dewey Ballantine LLP

1301 Avenue of the Americas

New York, New York 10019-6092

(212) 259-8000

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this Registration Statement becomes effective.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per Note	Proposed maximum aggregate offering price(1)	Amount of registration fee
7% Senior Subordinated Notes due 2013	$600,000,000	100%	$600,000,000	$ 76,020

(1) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(f)(2)

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective time until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION DATED , 2004

PROSPECTUS

Triad Hospitals, Inc.

Offer to Exchange

$600 million aggregate principal amount of registered

7% Senior Subordinated Notes due 2013

for any and all of a like principal amount of outstanding unregistered

7% Senior Subordinated Notes due 2013

We are offering to exchange 7% senior subordinated notes due 2013 that have been registered under the Securities Act of 1933, as amended, which we refer to as the exchange notes, for any and all of the $600 million aggregate principal amount outstanding of our 7% senior subordinated notes due 2013 that were issued and sold by us on November 12, 2003 in a private offering exempt from registration under the Securities Act, which we refer to as the old notes.

Material Terms of this Exchange Offer

Expires 5:00 p.m., New York City time, on , 2004, unless extended.

Not subject to any condition other than that this exchange offer not violate applicable law or any applicable interpretation of the Staff of the Securities and Exchange Commission and certain other customary conditions.

You may withdraw your tender of old notes at any time prior to the expiration of this exchange offer.

Affiliates of our company may not participate in this exchange offer.
The exchange of old notes should not be a taxable exchange for U.S. federal income tax purposes.

The terms of the exchange notes to be issued are substantially identical to the old notes, except for certain transfer restrictions and registration rights relating to the old notes.

We will not receive any proceeds from this exchange offer.

You may tender old notes only in denominations of $1,000 and multiples of $1,000.

We do not intend to apply for listing of the exchange notes on any securities exchange or to seek approval for quotation of the exchange notes through an automated quotation system.

Please refer to Risk Factors beginning on page 15 of this document for important information you should consider in connection with this exchange offer.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the exchange notes to be issued in this exchange offer or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

Prospectus dated , 2004

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PROSPECTUS

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FORWARD-LOOKING STATEMENTS

This prospectus contains disclosures which are forward-looking statements. Forward-looking statements include all statements that do not relate solely to historical or current facts, and can be identified by the use of words such as may, believe, will, expect, project, estimate, anticip or continue. See Summary, Risk Factors, Business Business Strategy and Management s Discussion and Analysis of Financial Condition an Results of Operations. These forward-looking statements are based on our current plans and expectations and are subject to a number of uncertainties and risks that could significantly affect our current plans and expectations and our future financial condition and results. These factors include, but are not limited to:

- the highly competitive nature of the healthcare business;
- the efforts of insurers and other payers, healthcare providers, and others to contain healthcare costs;
- possible changes in Medicare, Medicaid and other government programs that may further limit reimbursements to healthcare providers;
- changes in federal, state or local regulation affecting the healthcare industry;
- the possible enactment of federal or state healthcare reform;
- the ability to attract and retain qualified management and personnel, including physicians and nurses;
- the departure of key executive officers from our company;
- claims and legal actions relating to professional liabilities and other matters;
- fluctuations in the market value of our common stock;
- changes in accounting standards;
- changes in general economic conditions or geopolitical events;
- future acquisitions, joint venture developments or divestitures which may result in additional charges;
- the ability to enter into managed care provider arrangements on acceptable terms;
- the availability and terms of capital to fund the expansion of our business;

changes in business strategy or development plans;

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

potential adverse impact of known and unknown government investigations; and

timeliness of reimbursement payments received under government programs.

As a consequence, current plans, anticipated actions and our future financial condition and results may differ from those expressed in any forward-looking statements made by or on behalf of our company. You are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented herein. We do not undertake any obligation to update publicly or revise any forward-looking statements.

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PROSPECTUS SUMMARY

This summary highlights selected information appearing elsewhere in this prospectus and may not contain all of the information that is important to you. This prospectus includes the specific terms of the exchange notes we are offering, as well as information regarding our business and detailed financial data. In this prospectus, the terms we, us, our, our company and Triad refer to Triad Hospitals, Inc. and its subsidiaries, except where it is clear from the context that such term means only Triad Hospitals, Inc. In addition, in this prospectus, unless the context otherwise requires, the term notes refers to both the old notes that are the subject of this exchange offer and the exchange notes that will be issued in exchange for old notes in this exchange offer. Information regarding HCA Inc. that is included in this prospectus is derived from reports and other information filed by HCA with the Commission.

About Our Company

Who We Are

We are one of the largest publicly owned hospital companies in the United States and provide healthcare services through hospitals and ambulatory surgery centers that we own and operate in small cities and selected urban markets primarily in the southern, midwestern and western United States. Our hospital facilities include 57 general acute care hospitals and 15 ambulatory surgery centers located in the states of Alabama, Alaska, Arizona, Arkansas, California, Indiana, Kansas, Louisiana, Mississippi, Missouri, Nevada, New Mexico, Ohio, Oklahoma, Oregon, South Carolina, Texas and West Virginia. Included among these facilities is one hospital operated through a 50/50 joint venture that is not consolidated for financial reporting purposes, two hospitals under construction and two hospitals that we lease to a third party. We are also a minority investor in three joint ventures that own seven general acute care hospitals in Georgia and Nevada. Through our wholly-owned subsidiary, Quorum Health Resources, LLC, referred to as QHR, we also provide management and consulting services to independent general acute care hospitals located throughout the United States. For the year ended December 31, 2002, we had revenues, EBITDA and net income of $3,541.1 million, $538.1 million and $141.5 million, respectively, and for the nine months ended September 30, 2003, we had revenues, EBITDA and net income of $2,890.3 million, $390.0 million and $95.7 million, respectively. In the fourth quarter of 2003, we disposed of our interest in one entity and determined that two hospitals would be designated as held for sale. These entities will be reclassified as discontinued operations in the fourth quarter of 2003, with prior period financial results restated.

What We Do

Our general acute care hospitals typically provide a full range of services commonly available in hospitals, such as internal medicine, general surgery, cardiology, oncology, neurosurgery, orthopedics, obstetrics, diagnostic and emergency services. Our hospitals also generally provide outpatient and ancillary healthcare services such as outpatient surgery, laboratory, radiology, respiratory therapy, cardiology and physical therapy. Outpatient services also are provided by ambulatory surgery centers that we operate. In addition, some of our general acute care hospitals have a limited number of licensed psychiatric beds and provide psychiatric skilled nursing services.

In addition to providing capital resources and general management, we make available a variety of management services to our healthcare facilities. These services include ethics and compliance programs, national supply and equipment purchasing and leasing contracts, accounting, financial and clinical systems, governmental reimbursement assistance, information systems, legal support, personnel management, internal audit, access to regional managed care networks, resource management, and strategic and business planning.

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Our Mission

Our mission is to continuously improve the quality of healthcare services provided to the communities we serve by creating an environment that fosters physician participation, recognizes the value and contributions of our employees and strives to meet the unique healthcare needs of our local communities. Our objective is to provide quality healthcare services to our communities, while simultaneously generating strong financial performance and appropriate returns to our investors, through disciplined and balanced execution of a comprehensive business strategy that reinforces both quality of care and financial strength.

Our Business Strategy

Our business strategy combines an operating strategy devoted to working with providers, employees and communities and a capital strategy devoted to investing capital in a disciplined manner into internal and external development projects that enhance patient care and provide appropriate returns to our investors. We believe our business strategy differentiates us from many peers and competitors.

Our Operating Strategy

The foundation of our operating strategy is to work cooperatively and collaboratively with physicians, communities and employees in a manner that benefits all constituents. We actively involve local providers, local community leaders and our own employees in our critical decision making in order to enhance the quality of physicians practices, the quality of the healthcare environment in each community and the professional satisfaction of our employees. We believe this strategy results in increased volumes, rates and operating margins, and in external development opportunities with not-for-profit hospitals attracted to our operating strategy. Our collaborative operating strategy has several components:

Actively involve healthcare providers in decision making. We believe that working cooperatively and collaboratively with physicians to develop and maintain strong, mutually beneficial relationships with them leads to improved physician satisfaction, resource management and quality of care. We believe that this results in higher volumes, rates and operating margins and in external development opportunities. To reinforce the collaboration, we have established in each market a Physician Leadership Group, or PLG, consisting of leading physicians who practice at our local hospitals. Each PLG meets monthly with corporate and hospital management to establish local priorities and address physician concerns. A national Physician Leadership Group, consisting of representatives from the local PLGs, meets regularly with members of our corporate management to address broader corporate and national objectives. Our corporate management includes a team of experienced physicians who focus entirely on maintaining our physician relations. We also believe the PLGs generate and facilitate external development opportunities as more physicians and not-for-profit-hospitals are able to learn through physician word-of-mouth about our operating strategy of working collaboratively with providers.

Similarly, we believe that working cooperatively and collaboratively with our nurses and other employees to develop and maintain strong, mutually beneficial relationships with them leads to improved satisfaction, morale and retention of our employees, as well as better quality of care for our patients. We believe that this leads to higher patient satisfaction, volumes, rates and operating margins. In each of our markets, we have a Nursing Leadership Group, or NLG, chaired by the facility Chief Nursing Officer and comprising facility nurses who work with corporate and hospital management to establish local priorities and company-wide best practices for nursing care. A national Nursing Leadership Group, consisting of representatives from the local NLGs, addresses broader corporate and national objectives with members of our corporate management team. We have also created Departmental Operations Committees that address key clinical and support functions represented by specific hospital departments, including radiology, dietary and plant operations. Members, chosen for their leadership qualities demonstrated at our facilities, meet regularly to share best practices and

other initiatives, both locally and nationally.

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Actively involve communities in decision making. Our community philosophy is a simple one: our stockholders own the bricks and mortar, but the hospitals effectively belong to the communities we serve. We seek to have each community embrace its hospital as an important local asset in order to make the facility successful. To that end, we have local Boards of Trustees consisting solely of local physicians and community leaders. We empower each local Board of Trustees with responsibilities related to strategic and capital planning and overall supervision of the quality of care provided to the community. By involving local communities in key decisions affecting their hospitals, we believe we can achieve higher volumes, rates and operating margins.

Actively partner with not-for-profit hospitals. An integral part of our operating strategy is to be a preferred partner for the not-for-profit hospitals that comprise approximately 85% of the nation s acute care hospitals. For not-for-profit hospitals, we offer three alternatives for potentially improving their performance: contract management, consulting services and capital partnership. We believe that these relationships can result in attractive growth opportunities that are consistent with, and that reinforce, the other components of our business strategy.

We provide management and consulting services through our QHR subsidiary to over 200 not-for-profit hospitals in the United States. These are typically independent hospitals in rural communities who we believe benefit from the management infrastructure QHR provides, infrastructure that they might not otherwise afford on their own.

We also provide an attractive alternative to any not-for-profit hospital that needs capital. We can either buy its hospital or partner with it in a joint venture, often for the purpose of developing a new or replacement hospital for the community. We believe we often have a competitive advantage over some of our peers and competitors in buying or partnering with not-for-profit hospitals as a result of:

- our operating strategy of working cooperatively and collaboratively with physicians, employees and communities, which appeals to many not-for-profits;
- our QHR management subsidiary s relationship and reputation with leading not-for-profits nationwide; and
- our flexibility regarding shared governance and ownership with not-for-profits through joint ventures with those who prefer to retain some ownership rather than sell.

Our Capital Strategy

Our capital strategy consists of the disciplined investment of capital for routine maintenance projects as well as internal and external development projects intended to grow volumes, rates and operating margins. Except for routine maintenance projects, our capital projects are typically projected to generate a return greater than the weighted average cost of capital for that project. We are, however, willing to trade short-term returns for longer-term returns that we believe will be superior.

For existing facilities, we currently expect to spend approximately $115 to 125 million annually on routine maintenance capital expenditures for structural and cosmetic repairs at our facilities. We also identify and invest in expansion opportunities where we perceive that demand is not being adequately met due to population growth or insufficient existing healthcare services. Expansion opportunities may include adding beds, adding operating rooms or introducing specialty services in order to meet demand and decrease outmigration.

For external development, we pursue acquisition opportunities, but only selectively and opportunistically. In situations where sellers are concerned solely with obtaining the highest price, especially in an auction, we generally do not have a competitive advantage over others and thus generally do not prevail.

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However, in situations where sellers also place value on our collaborative culture and strategy, we believe we often have a competitive advantage and sometimes can prevail, even in an auction, and even when we may not submit the highest financial offer. We also build new hospitals, either on our own or in partnership with not-for-profit hospitals, especially in small-city markets with populations of 50,000-200,000 and in other markets that tend to be most receptive to our strategy of working collaboratively with providers and communities. We also build replacement facilities for existing facilities, usually by becoming a capital partner with a not-for-profit hospital that lacks capital to rebuild an old or aging facility but has a favorable clinical reputation and market position.

Our principal executive offices are located at 5800 Tennyson Parkway, Plano, Texas 75024, and our phone number is (214) 473-7000. Our corporate website address is http://www.triadhospitals.com. Information contained on our website is not part of this prospectus.

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Summary of the Exchange Offer

Background	On November 12, 2003, we issued $600 million aggregate principal amount of 7% Senior Subordinated Notes due 2013 in a private offering. These old notes were not registered under the Securities Act. In connection with the offering of the old notes, we entered into a registration rights agreement with the initial purchasers of the old notes, dated November 12, 2003, which we refer to as the registration rights agreement, in which we agreed to offer to exchange your old notes for new notes which have been registered under the Securities Act. This exchange offer is intended to satisfy that obligation.
Securities Offered	$600,000,000 aggregate principal amount of 7% Senior Subordinated Notes due 2013 which we have registered under the Securities Act.
Issuer	Triad Hospitals, Inc.
The Exchange Offer	We are offering to exchange $1,000 principal amount of exchange notes for each $1,000 principal amount of your old notes. The terms of the old notes and the exchange notes are identical in all material respects, except that the exchange notes do not restrict transfer and do not include exchange or registration rights. After this exchange offer is completed, you will no longer be entitled to any exchange or registration rights with respect to your old notes. Under limited circumstances, certain holders of outstanding old notes may require us to file a shelf registration statement under the Securities Act. As of this date, there is $600 million aggregate principal amount of old notes outstanding.
Required Representations	In order to participate in this exchange offer, you will be required to make certain representations to us in a letter of transmittal, including that: any exchange notes will be acquired by you in the ordinary course of your business; you have no arrangement or understanding with any person to participate in the distribution (within the meaning of the Securities Act) of the exchange notes; and you are not our affiliate as defined under Rule 405 of the Securities Act.
Resale	Based upon the existing interpretations of the staff of the Commission as described in several no-action letters to other issuers regarding similar exchange offers, we believe that the exchange notes issued in this exchange offer can be freely traded by you without compliance with the registration and prospectus delivery provisions of the Securities Act provided that: the exchange notes issued in this exchange offer are being acquired in the ordinary course of your business;

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	you are not participating, do not intend to participate and have no arrangement or understanding with any person to participate in the distribution of the notes issued to you in this exchange offer; and you are not our affiliate as defined under Rule 405 of the Securities Act. If our belief is inaccurate and you transfer any exchange note issued to you in this exchange offer without delivering a prospectus meeting the requirements of the Securities Act or without an exemption from registration of your exchange notes from such requirements, you may incur liability under the Securities Act. We do not assume, or indemnify you against, such liability. Each participating broker-dealer that is issued exchange notes in this exchange offer for its own account in exchange for old notes which were acquired by such participating broker-dealer as a result of market-making or other trading activities, must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of the exchange notes issued in this exchange offer. We have agreed in the registration rights agreement that a participating broker-dealer may use this prospectus for an offer to resell, resale or other retransfer of the exchange notes issued to it in this exchange offer. We do not intend to apply for listing of the exchange notes on any securities exchange or to seek approval for quotation of the exchange notes through an automated quotation system. Accordingly, there can be no assurance that an active market will develop upon completion of this exchange offer or, if developed, that such market will be sustained or as to the liquidity of any market.
Expiration Date	This exchange offer will expire at 5:00 p.m., New York City time, on , 2004, unless extended, in which case the term expiration date shall mean the latest date and time to which we extend this exchange offer.
Conditions to the Exchange Offer	This exchange offer is subject to certain customary conditions, which may be waived by us. This exchange offer is not conditioned upon any minimum principal amount of old notes being tendered.
Procedures for Tendering Your Old Notes	If you wish to tender your old notes for exchange pursuant to this exchange offer, you must do one of the following on or before the expiration date: make a book-entry transfer of your old notes into the exchange agent s account at The Depository Trust Company

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	and either transmit a properly completed and duly executed letter of transmittal, which accompanies this prospectus, or a manually signed facsimile of the letter of transmittal, together with any other required documentation, to the exchange agent at the address set forth in this prospectus under The Exchange Offer Exchange Agent, and on the front cover of the letter of transmittal, or transmit a computer generated message transmitted by means of The Depository Trust Company s Automated Tender Offer Program system and received by the exchange agent and forming a part of a confirmation of book entry transfer in which you acknowledge and agree to be bound by the terms of the letter of transmittal; or transmit the certificates for your old notes and a properly completed and duly executed letter of transmittal, or a manually signed facsimile of the letter of transmittal, together with any other required documentation, to the exchange agent. If either of these procedures cannot be satisfied on a timely basis, then you should comply with the guaranteed delivery procedures described below. By executing the letter of transmittal, each holder of notes will make representations to us described under The Exchange Offer Procedures for Tendering.
Special Procedures for Beneficial Owners	If you are a beneficial owner whose old notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender your old notes in this exchange offer, you should contact such registered holder promptly and instruct such registered holder to tender on your behalf. If you wish to tender on your own behalf, you must, prior to completing and executing the letter of transmittal and delivering your old notes, either make appropriate arrangements to register ownership of the old notes in your name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time and may not be able to be completed prior to the expiration date.
Guaranteed Delivery Procedures	If you wish to tender your old notes and time will not permit the documents required by the letter of transmittal to reach the exchange agent prior to the expiration date, or the procedure for book-entry transfer cannot be completed on a timely basis, you must tender your old notes according to the guaranteed delivery procedures described under The Exchange Offer Procedures for Tendering Guaranteed Delivery Procedures.

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Acceptance of Old Notes and Delivery of Exchange Notes	Subject to the conditions described under The Exchange Offer Conditions to the Exchange Offer, we will accept for exchange any and all old notes which are validly tendered in this exchange offer, and not withdrawn, prior to 5:00 p.m., New York City time, on the expiration date. We will issue the exchange notes as soon as practicable after the expiration date.
Withdrawal Rights	You may withdraw the tender of your old notes at any time prior to the expiration date, subject to compliance with the procedures for withdrawal described in this prospectus under The Exchange Offer Withdrawal Rights.
U.S. Federal Income Tax Considerations	For a summary of material federal income tax considerations relating to the exchange of old notes for exchange notes, see Material U.S. Federal Income Tax Considerations.
Exchange Agent	Citibank, N.A., the trustee under the indenture governing the notes, is serving as the exchange agent. The address, telephone number and facsimile number of the exchange agent are set forth in this prospectus under The Exchange Offer Exchange Agent.
Consequences of Failure to Exchange Old Notes	If you do not exchange your old notes for exchange notes pursuant to this exchange offer, you will continue to be subject to the restrictions on transfer provided in the old notes and in the indenture governing the notes. In general, the old notes may not be offered or sold, unless they are registered under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. We do not currently intend to register the old notes under the Securities Act. See Risk Factors If you fail to exchange your old notes, they will continue to be restricted securities and may become less liquid.

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Summary of Terms of the Notes

The exchange notes are identical in all material respects to the old notes, except that the exchange notes will no longer contain transfer restrictions and holders of exchange notes will no longer have registration rights. The exchange notes will evidence the same debt as the old notes, which they replace, and will be governed by the same indenture.

Issuer	Triad Hospitals, Inc.
Notes	$600,000,000 aggregate principal amount of 7% Senior Subordinated Notes due 2013.
Maturity	November 15, 2013
Interest Payment Dates	May 15 and November 15, commencing on May 15, 2004.
Ranking	The notes are unsecured senior subordinated indebtedness. The notes rank senior in right of payment to any of our future subordinated indebtedness, equal in right of payment with any of our existing and future senior subordinated indebtedness and subordinated in right of payment to any of our existing and future senior indebtedness. In addition, the notes are effectively subordinated to our current and future secured indebtedness, to the extent of the value of the assets securing such indebtedness, and all existing and future indebtedness and other liabilities of our subsidiaries. As of September 30, 2003, after giving effect to the offering of the old notes and the use of proceeds therefrom, we would have had approximately $1,172.4 million of senior indebtedness including $568.0 million of secured indebtedness and approximately $4.4 million of indebtedness of our subsidiaries, excluding guarantees of other indebtedness of ours.
Optional Redemption	Prior to November 15, 2008, we may redeem all or any portion of the notes at a redemption price equal to 100% of principal amount plus the Applicable Redemption Premium described in this prospectus, plus accrued and unpaid interest to the redemption date. We may redeem the notes, in whole or in part, at any time on or after November 15, 2008 at our option at the redemption prices set forth herein under Description of the Notes Optional Redemption, plus accrued and unpaid interest to the redemption date.
Optional Redemption Upon Equity Offerings	On or before November 15, 2006, we may redeem up to 35% of the notes with the net proceeds of certain equity offerings at 107% of the principal amount thereof, plus accrued and unpaid interest to the redemption date, if at least 65% of the aggregate principal amount of the originally issued notes remain outstanding. See Description of the Notes Redemption Optional Redemption.

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Certain Covenants	The indenture governing the notes contains certain covenants that, among other things, limit our ability and the ability of certain of our subsidiaries to: incur additional indebtedness; sell assets; enter into certain transactions with affiliates; make certain restricted payments such as investments and dividends on or purchases of our capital stock; or merge or consolidate with or transfer all or substantially all of our assets to another entity.
Change in Control	Upon a change in control of our company, we will be required to offer to repurchase the notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest to the date of repurchase. Our ability to repurchase the notes upon a change in control will be limited by the terms of our debt agreements. In addition, we cannot assure you that we will have the financial resources to repurchase the notes. See Description of the Notes Certain Covenants Purchase of Notes upon a Change in Control.
Use of Proceeds	We will not receive any net proceeds from this exchange offer.

Risk Factors

You should carefully consider all of the information in this prospectus. In particular, you should evaluate the specific risk factors under Risk Factors, which begins on page 15, for a discussion of certain risks that should be considered by investors in connection with this exchange offer.

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Summary Historical Information

We derived our summary historical financial information presented below from our historical financial statements. In the opinion of our management, the summary financial information as of and for each of the nine-month periods ended September 30, 2002 and September 30, 2003 reflects all adjustments, which consist only of normal recurring adjustments, necessary to present fairly our financial position and results of operations as of the applicable dates and for the applicable periods. Historical results are not necessarily indicative of the results to be expected in the future. In addition, interim results may not be indicative of the results to be expected in the future.

The information included in this section should be read in conjunction with our selected historical financial data included elsewhere in this prospectus and the historical consolidated financial statements and related notes contained in the annual report, and other information, that we have filed with the Commission and that are incorporated by reference in this prospectus. See Available Information for information on where you can obtain copies of information we have filed with the Commission.

	As of and for the Year Ended December 31,					As of and for the Nine Months Ended September 30,	
	1998	1999	2000	2001	2002	2002	2003
	(in millions, except per share and statistical data)						
Summary of Operations:							
Revenues	$ 1,588.7	$ 1,329.1	$ 1,235.5	$ 2,669.5	$ 3,541.1	$ 2,622.1	$ 2,890.3
Income (loss) from operations (a)	(85.5)	(95.6)	4.4	6.0	141.5	105.8	95.7
Net income (loss) (a)(b)	(87.1)	(95.6)	4.4	2.8	141.5	105.8	95.7
Financial Position:							
Assets	$ 1,371.3	$ 1,341.1	$ 1,400.5	$ 4,165.3	$ 4,381.6	$ 4,354.3	$ 4,483.7
Long-term debt, including amounts due within one year	14.3	555.4	590.7	1,773.8	1,692.0	1,708.0	1,642.0
Intercompany balances payable to HCA	613.7						
Working capital	184.9	187.6	191.9	381.0	399.2	415.6	398.1
Capital expenditures	114.9	132.7	94.4	200.6	296.6	225.0	182.9
Stockholders equity	500.7	559.9	573.7	1,731.5	1,954.5	1,906.5	2,065.6
Operating Data:							
Cash flows from operating activities	$ 33.6	$ 155.2	$ 71.6	$ 318.3	$ 358.3	$ 270.5	$ 292.9
Cash flows from investing activities	$ (108.3)	$ (57.7)	$ (171.4)	$ (1,453.1)	$ (261.8)	$ (202.6)	$ (168.2)
Cash flows from financing activities	$ 74.7	$ (26.6)	$ 35.6	$ 1,144.4	$ (44.5)	$ (32.3)	$ (52.8)
Number of hospitals at end of period (c)	39	29	28	46	48	48	48
Number of licensed beds at end of period (d)	5,902	3,722	3,520	7,557	7,827	7,816	7,906
Weighted average licensed beds (e)	5,905	4,745	3,633	6,379	7,684	7,636	7,867
Number of available beds at end of period (f)	5,199	3,280	3,162	6,776	7,119	7,100	7,181
Admissions (g)	169,590	145,889	128,645	233,888	282,777	212,975	216,997

Adjusted admissions (h)	276,771	241,547	220,590	396,256	481,344	363,638	371,360
Average length of stay (days) (i)	4.9	4.5	4.4	4.8	4.9	4.9	4.9
Other Data:							
EBITDA (j)	$ 53.6	$ 42.6	$ 157.8	$ 344.6	$ 538.1	$ 402.9	$ 390.0
Selected Ratios:							
Ratio of earnings to fixed charges (k)			1.3x	1.3x	2.5x	2.5x	2.4x
Ratio of EBITDA to interest expense (l)	0.8	0.6	2.5	2.7	3.9	3.9	3.9
Ratio of long-term debt to EBITDA (l)	11.7	13.0	3.7	5.1	3.1	n/a	n/a

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(a) Includes charges related to impairment of long-lived assets of $55.1 million ($32.9 million after tax benefit), $69.2 million ($55.8 million after tax benefit), $8.0 million ($4.7 million after tax benefit) and $23.1 million ($21.1 million after tax benefit) for the years ended December 31, 1998, 1999, 2000, and 2001, respectively.

(b) Includes loss from discontinued operations of $1.6 million for the year ended December 31, 1998 and extraordinary loss of $3.2 million for the year ended December 31, 2001.

(c) Number of hospitals excludes facilities under construction. This table does not include any operating statistics for non-consolidating joint ventures and facilities leased to others.

(d) Licensed beds are those beds for which a facility has been granted approval to operate from the applicable state licensing agency, regardless of whether the beds are actually available for patient use.

(e) Represents the average number of licensed beds, weighted based on periods owned.

(f) Available beds are those beds that a facility actually has in use.

(g) Represents the total number of patients admitted (in the facility for a period in excess of 23 hours) to our hospitals and is used by management and certain investors as a general measure of inpatient volume.

(h) Adjusted admissions are used by management and certain investors as a general measure of combined inpatient and outpatient volume. Adjusted admissions are computed by multiplying admissions (inpatient volume) by the sum of gross inpatient revenue and gross outpatient revenue and then dividing the resulting amount by gross inpatient revenue. The adjusted admissions computation adjusts outpatient revenue to the volume measure (admissions) used to measure inpatient volume resulting in a general measure of combined inpatient and outpatient volume.

(i) Represents the average number of days admitted patients stay in our hospitals.

(j) EBITDA is defined as earnings before depreciation, amortization, interest expense, interest income, income tax provision (benefit), extraordinary loss and loss from discontinued operations. EBITDA is commonly used by our lenders and investors to assess our leverage capacity, debt service ability and liquidity. Many of our debt agreements use EBITDA, or a modification of EBITDA, in financial covenant calculations. EBITDA is used by management to evaluate financial performance and resource allocation for each facility and for us as a whole. EBITDA should not be considered as a measure of financial performance under generally accepted accounting principles, and the items excluded from EBITDA are significant components in understanding and assessing financial performance. EBITDA should not be considered in isolation or as an alternative to net income, cash flows generated by operating, investing or financing activities or other financial statement data presented in the consolidated financial statements as an indicator of financial performance or liquidity. Because EBITDA is not a measurement determined in accordance with generally accepted accounting principles and is thus susceptible to varying calculations, EBITDA as presented may not be comparable to other similarly titled measures of other companies.

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A reconciliation of EBITDA to cash provided by operating activities follows (in millions):

	For the Year Ended December 31,					For the Nine Months Ended September 30,	
	1998	1999	2000	2001	2002	2002	2003
EBITDA	$ 53.6	$ 42.6	$ 157.8	$ 344.6	$ 538.1	$ 402.9	$ 390.0
Interest expense allocated from HCA	(66.2)	(22.5)					
Interest expense	(2.7)	(45.2)	(62.2)	(127.6)	(136.7)	(102.6)	(99.9)
Interest income		2.5	4.9	1.6	1.7	1.3	2.0
Non-cash interest expense		3.3	1.0	10.3	9.0	5.8	6.0
Deferred income tax provision (benefit)	(24.6)	(27.3)	11.8	39.6	83.7	69.8	52.1
Income tax benefit (provision)	39.4	25.5	(12.9)	(42.5)	(94.2)	(69.8)	(63.1)
Provision for doubtful accounts	138.4	129.0	103.6	239.9	272.8	197.2	289.0
ESOP expense		3.7	7.1	9.3	10.8	8.3	6.2
Minority interests	11.0	8.7	9.0	7.2	14.8	11.0	6.9
Equity in (earnings) loss of affiliates	(3.4)	3.1	1.4	(14.5)	(21.7)	(18.6)	(22.9)
Gain on sales of assets		(8.6)	(7.9)	(23.1)	(4.5)	(2.5)	(1.0)
Impairment of long-lived assets	55.1	69.2	8.0	23.1			
Non-cash stock option expense			0.9	5.6	0.4	0.3	0.3
Increase (decrease) in cash from operating assets and liabilities:							
Accounts receivable	(145.9)	(94.1)	(116.9)	(193.2)	(332.7)	(232.8)	(301.8)
Inventories and other assets	(2.1)	14.4	(22.0)	13.3	(23.1)	(23.1)	(17.2)
Accounts payable and other current liabilities	(18.9)	56.3	(19.9)	25.0	18.2	18.0	27.4
Other	(0.1)	(5.4)	7.9	(0.3)	21.7	5.3	18.9
Cash provided by operating activities	$ 33.6	$ 155.2	$ 71.6	$ 318.3	$ 358.3	$ 270.5	$ 292.9

(k) Our earnings were insufficient to cover fixed charges for the years ended December 31, 1998 and 1999 by $115.6 million and $112.4 million, respectively.

(l) For 1998 and periods in 1999 prior to our spin-off from HCA, debt and interest expense consisted primarily of intercompany debt and interest expense allocated by HCA.

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RISK FACTORS

In evaluating whether to participate in this exchange offer, you should carefully consider the following factors in addition to all other information contained in this prospectus.

Risks Relating to Our Company

Our substantial leverage could have a significant effect on our operations.

We are a highly leveraged company. At September 30, 2003, our consolidated long-term debt equaled approximately $1.6 billion. We also may draw upon a revolving line of credit in an aggregate principal amount of up to $250.0 million, and, as of September 30, 2003, there were no amounts outstanding thereunder. There were $36.2 million of letters of credit issued at September 30, 2003 that reduce amounts available under the line of credit. As of September 30, 2003, after giving effect to the offering of the old notes and the use of the net proceeds therefrom, our long-term debt would have been approximately $1.8 billion. We also have the ability to incur significant amounts of additional debt, subject to the conditions imposed by the terms of our credit facility and the indentures governing our senior notes and the notes.

Although we believe that our future operating cash flow, together with available financing arrangements, will be sufficient to fund our operating requirements, our leverage and debt service obligations could have important consequences to you, including the following:

- The terms of our existing debt obligations contain numerous financial and other restrictive covenants which, among other things, restrict our ability to pay dividends, incur additional debt and sell assets. If we do not comply with these obligations, it may cause an event of default, which, if not cured or waived, could require us to repay the indebtedness immediately.

- We may be more vulnerable in the event of downturns in our businesses, in our industries, in the economy generally or if the government implements further limitations on reimbursement under Medicare and Medicaid.

- We may have difficulty obtaining additional financing at favorable interest rates to meet our requirements for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes.

- We may be required to dedicate a substantial portion of our cash flow to the payment of principal and interest on our indebtedness, which could reduce the amount of funds available for operations.

- Any borrowings we may make at variable interest rates leave us vulnerable to increases in interest rates generally.

A significant portion of our revenues is dependent on Medicare and Medicaid payments, and possible reductions in Medicare or Medicaid payments or the implementation of other measures to reduce reimbursements may reduce our revenues.

A significant portion of our revenues is derived from the Medicare and Medicaid programs, which are highly regulated and subject to frequent and substantial changes. We derived approximately 37.2% and 36.6% of our revenues from the Medicare and Medicaid programs for the year ended December 31, 2002 and for the nine months ended September 30, 2003, respectively. Legislative changes, including those enacted as part of the Balanced Budget Act of 1997, have resulted in limitations on, and reduced levels of payment and reimbursement for, a substantial portion of hospital procedures and costs.

The Balanced Budget Act of 1997, also referred to as BBA, included significant reductions in spending levels for the Medicare and Medicaid programs by:

adopting rate reductions for inpatient and outpatient hospital services;

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establishing a prospective payment system, or PPS, for hospital outpatient services, skilled nursing facilities and home health agencies under Medicare; and

repealing the federal payment standard, referred to as the Boren Amendment, for hospitals and nursing facilities under Medicaid.

Certain rate reductions resulting from BBA are being mitigated by the Balanced Budget Refinement Act of 1999 and the Benefits Improvement Protection Act of 2000, or BIPA. Nonetheless, BBA significantly changed the method and amounts of payment under the Medicare and Medicaid programs. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, or MPDIMA, was signed into law on December 8, 2003. In addition to creating a new Medicare prescription drug benefit, MPDIMA provides for a number of other significant changes in the Medicare program. These changes include a reduction in the annual update for ambulatory surgery center payments from April 2004 through the third quarter of 2005 and no payment update for the fourth quarter of 2005 through 2009. MPDIMA also provides for reductions in the annual update in home health agency payments for 2004 through 2006, and for a reduction in the annual update for inpatient hospital payments from 2005 through 2007 for hospitals that do not submit to the Medicare program quality reporting data specified under the National Voluntary Hospital Reporting Initiative. We are unable to predict the ultimate impact of MPDIMA on us, but we cannot assure you that it will not have an adverse effect on our business.

A number of states have adopted or are considering legislation designed to reduce their Medicaid expenditures and to provide universal coverage and additional care, including enrolling Medicaid recipients in managed care programs and imposing additional taxes on hospitals to help finance or expand the states Medicaid systems. We believe that hospital operating margins have been, and may continue to be, under significant pressure because of deterioration in pricing flexibility and payer mix, and growth in operating expenses in excess of the increase in prospective payments under the Medicare program.

Future healthcare legislation or other changes in the administration or interpretation of governmental healthcare programs may have a material adverse effect on our business, financial condition, results of operations or prospects.

Our revenue and profitability may be constrained by future cost containment initiatives undertaken by purchasers of healthcare services.

The competitive position of our hospitals is also affected by the increasing number of initiatives undertaken during the past several years by major purchasers of healthcare, including federal and state governments, insurance companies and employers, to revise payment methodologies and monitor healthcare expenditures in order to contain healthcare costs. As a result of these initiatives, managed care organizations offering prepaid and discounted medical services packages represent an increasing portion of our admissions, which may result in reduced hospital revenue growth. In addition, private payers increasingly are attempting to control healthcare costs through direct contracting with hospitals to provide services on a discounted basis, increased utilization review and greater enrollment in managed care programs such as health maintenance organizations and preferred provider organizations, referred to as HMOs and PPOs, respectively. If we are unable to contain costs through increased operational efficiencies and the trend among purchasers of healthcare toward containing reimbursements and payments continues, our results of operations and cash flow will be adversely affected.

We conduct business in a heavily regulated industry; changes in or violations of regulations may result in increased costs or sanctions that could reduce our revenue and profitability.

General

The healthcare industry is subject to extensive federal, state and local laws and regulations relating to:

licensure;

conduct of operations;

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ownership of facilities;

addition of facilities and services;

confidentiality, maintenance and security issues associated with medical records;

billing for services; and

prices for services.

These laws and regulations are extremely complex. In many instances, the industry does not have the benefit of significant regulatory or judicial interpretation of these laws and regulations, in particular, Medicare and Medicaid anti-fraud and abuse amendments, codified under section 1128B(b) of the Social Security Act and known as the Anti-Kickback Statute. This law prohibits providers and others from soliciting, receiving, offering or paying, directly or indirectly, any remuneration intended to induce referrals of patients to receive goods or services reimbursable under Medicare, Medicaid and other federal healthcare programs.

As authorized by Congress, the United States Department of Health and Human Services, or HHS, has issued regulations that outline categories of activities that are deemed protected from prosecution under the Anti-Kickback Statute. The fact that a given business arrangement does not fall within one of these safe harbor provisions does not render the arrangement illegal under the Anti-Kickback Statute. However, business arrangements of healthcare service providers that fail to satisfy the applicable safe harbor criteria risk increased scrutiny by enforcement authorities.

We have a variety of financial relationships with physicians who refer patients to our hospitals. We have contracts with physicians providing services under a variety of financial arrangements such as employment contracts, leases and professional service agreements. We also provide financial incentives, including loans and minimum revenue guarantees, to recruit physicians into the communities served by our hospitals. Several of the freestanding surgery centers affiliated with us have physician investors. In several of our locations, physicians have acquired ownership interests in hospitals and other healthcare providers in which we own a majority interest. Some of our arrangements with our physicians do not expressly meet the requirements for safe harbor protection. We cannot assure you that regulatory authorities that enforce the Anti-Kickback Statute will not determine that any of these arrangements violate the Anti-Kickback Statute or other federal or state laws. A determination that we have violated the Anti-Kickback laws or other federal laws could subject us to liability under the Social Security Act, including:

criminal penalties;

civil sanctions, including civil monetary penalties; and

exclusion from participation in government programs such as Medicare and Medicaid or other federal healthcare programs.

Fraud and Abuse; Self-Referral Legislation

The Health Insurance Portability and Accountability Act of 1996, known as HIPAA, broadens the scope of the fraud and abuse laws to include all healthcare services, whether or not they are reimbursed under a federal program, and creates new enforcement mechanisms to combat fraud and abuse, including an incentive program under which individuals can receive up to $1,000 for providing information on Medicare fraud and abuse that leads to the recovery of at least $100 of Medicare funds.

In addition, the portion of the Social Security Act commonly known as the Stark Law prohibits physicians from referring Medicare and Medicaid patients to providers of designated health services if the physician or a member of his or her immediate family has an ownership interest in or compensation arrangements with that provider. There are exceptions to the Stark Law for physicians maintaining an ownership interest in an entire hospital or surgery center, employment agreements, leases, physician recruitment and certain other physician

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arrangements. On January 4, 2001, the Centers for Medicare and Medicaid Services, referred to as CMS, formerly known as the Healthcare Financing Administration, issued final regulations subject to comment intended to clarify parts of the Stark Law and some of the exceptions to it. These regulations are considered Phase I of a two-phase process, with the remaining regulations to be published at an unknown future date. Phase I of the regulations became effective on January 4, 2002, or in the case of some of the provisions relating to home health agencies, became effective on April 5, 2001. We cannot predict the final form that these regulations will take or the effect that the final regulations will have on us. Therefore, our physician arrangements may ultimately be found not to be in compliance with the Stark Law.

Many of the states in which we operate have adopted Anti-Kickback and physician self-referral legislation, some of which extends beyond the scope of the federal law to prohibit the payment or receipt of remuneration for the referral of patients and physician self-referrals, regardless of the source of payment for the care. These statutes typically provide criminal and civil penalties as well as loss of licensure. Little precedent exists for the interpretation or enforcement of these laws. Both federal and state government agencies have announced heightened and coordinated civil and criminal enforcement efforts. In addition, the Office of the Inspector General of HHS and the Department of Justice regularly identify suspected areas of abuse for enforcement focus.

HIPAA

Another set of laws that may impact our operations concern the Administrative Simplification Provisions of HIPAA, which require the use of uniform electronic data transmission standards for healthcare claims and payment transactions submitted or received electronically. On August 17, 2000, CMS published final regulations establishing electronic data transmission standards that all healthcare providers must use when submitting or receiving certain healthcare transactions electronically. We obtained an extension for compliance with these regulations and, as of October 16, 2003, the date set for compliance, we are in compliance.

In December 2000, CMS acting under HIPAA released final regulations, which required compliance by April 2003, relating to the adoption of standards to protect the privacy of health-related information. These privacy regulations extensively regulate the use and disclosure of individually identifiable health-related information. CMS has also promulgated final regulations under HIPAA establishing standards to protect the security of health-related information. These regulations were published in February 2003 and require compliance by April 2005. They require health care providers to implement organizational and technical practices to protect the security of electronically maintained or transmitted health-related information. The privacy regulations and the security regulations, when they become effective, could impose significant costs on us in order to comply with these standards. Violations of the regulations could result in civil penalties of up to $25,000 per type of violation in each calendar year and criminal penalties of up to $250,000 per violation. In addition, our facilities will continue to remain subject to any state laws that are more restrictive than the regulations issued under HIPAA, which vary by state and could impose additional penalties.

Federal and state governmental agencies have recently undertaken enforcement initiatives in the areas of cost reporting and billing practices including, in particular, a focus on Medicare outlier payments.

Government officials responsible for enforcing healthcare laws could assert that we, or any of the transactions in which we are involved, are in violation of these laws. It is also possible that the courts could ultimately interpret these laws in a manner that is different from our interpretations. A determination that we have violated these laws, or the public announcement that we are being investigated for possible violations of these laws, could have a material adverse effect on our business, financial condition, results of operations or prospects and our business reputation could suffer significantly.

Certificate of Need Laws

Some states require prior approval for the purchase of major medical equipment or the purchase, construction, expansion, sale or closure of healthcare facilities, based upon a determination of need for additional

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or expanded healthcare facilities or services. The governmental determinations, embodied in Certificates of Need, known as CONs, may be required for capital expenditures exceeding a prescribed amount, changes in bed capacity or services and certain other matters. Six states in which we currently own hospitals, Alabama, Mississippi, Ohio, Oregon, South Carolina and West Virginia, have CON laws affecting acute care hospital services. We cannot predict whether we will be able to obtain required CONs in the future. Any failure to obtain any required CONs may impair our ability to expand our operations or operate profitably.

The laws, rules and regulations described above are complex and subject to interpretation. In the event of a determination that we are in violation of any of these laws, rules or regulations, or if further changes in the regulatory framework occur, our results of operations could be significantly harmed.

We have experienced a deterioration in the collectibility of our uninsured accounts receivable, resulting in an increase in our allowance for doubtful accounts, and we may continue to experience such deterioration in the future.

We record our accounts receivable at the estimated net realizable amount, and maintain allowances for doubtful accounts for estimated losses resulting from payers inability to make payments on accounts. We estimate these allowances based on historical net write offs of uncollectible accounts and other factors. Our operating results for the three months ended September 30, 2003 reflect a $50.6 million pre-tax increase in our allowance for doubtful accounts. This increase reflects growth in our uninsured receivables and deterioration in the collectibility of those uninsured receivables. We believe that these trends have resulted from weak economic conditions and rising health care costs, and we may continue to have greater amounts of uninsured receivables in the future. If the collectibility of our uninsured receivables continues to deteriorate, further increases in our allowance for doubtful accounts may be required, which could materially adversely impact our operating results and financial condition.

Our future success depends on our ability to maintain good relationships with the physicians at our hospitals.

Because physicians generally direct the majority of hospital admissions, our success has been, in part, dependent upon the number and quality of physicians on our hospitals medical staff, the admissions practices of the physicians at our hospitals and our ability to maintain good relations with our physicians. Physicians are generally not employees of the hospitals at which they practice and, in many of the markets that we serve, most physicians have admitting privileges at other hospitals in addition to our hospitals. If we are unable to successfully maintain good relationships with physicians, our hospitals admissions may decrease and our operating performance may decline.

Our revenues are heavily concentrated in Texas, Indiana and Alabama, which makes us particularly sensitive to economic and other changes in these states.

For the year ended December 31, 2002, our:

- Texas facilities generated approximately 22.0% of revenues, 19.7% of EBITDA and 9.6% of income before income tax provision;
- Indiana facilities generated approximately 14.5% of revenues, 22.3% of EBITDA and 21.3% of income before income tax provision; and

Alabama facilities generated approximately 11.5% of revenues, 13.7% of EBITDA and 9.5% of income before income tax provision.

For the nine months ended September 30, 2003, our:

Texas facilities generated approximately 22.0% of revenues, 18.8% of EBITDA and 3.1% of income before income tax provision;

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- Indiana facilities generated approximately 14.0% of revenues, 24.5% of EBITDA and 24.4% of income before income tax provision; and

- Alabama facilities generated approximately 11.3% of revenues, 14.1% of EBITDA and 7.7% of income before income tax provision.

Accordingly, any change in the current demographic, economic, competitive or regulatory conditions in Texas, Indiana or Alabama could have a material adverse effect on our business, financial condition, results of operations or prospects. After giving pro forma effect to our recent acquisition of four hospitals in Arkansas, approximately 13.7% of our revenues, 11.5% of our EBITDA and 10.6% of our income before income tax provision for the year ended December 31, 2002 would have been generated by our Arkansas facilities.

We depend heavily on our senior and local management personnel, and the loss of the services of one or more of our key senior management personnel or key local management personnel could weaken our management team and our ability to deliver healthcare services efficiently.

We are dependent upon the services and management experience of James D. Shelton and other of our executive officers. If Mr. Shelton or any of our other executive officers were to resign their positions or otherwise be unable to serve, our management could be weakened and our operating results could be adversely affected. In addition, our success depends on our ability to attract and retain local managers at our hospitals and related facilities, the ability of our officers and key employees to manage growth successfully and our ability to attract and retain skilled employees. If we are unable to attract and retain local management, our operating performance could decline.

Our success depends on our ability to attract and retain qualified healthcare professionals, and a shortage of qualified healthcare professionals in certain markets could weaken our ability to deliver healthcare services efficiently.

In addition to the physicians and management personnel whom we employ, our operations are dependent on the efforts, ability and experience of our other healthcare professionals, such as nurses, pharmacists and lab technicians. Nurses, pharmacists, lab technicians and other healthcare professionals are generally employees of our company. Our future success will be influenced by our ability to attract and retain these skilled employees. A shortage of healthcare professionals in certain markets, the loss of some or all of our key employees, or the inability to attract and retain sufficient numbers of qualified healthcare professionals could cause our operating performance to decline.

We rely on the information systems provided to us by HCA and our operations could suffer if our access to these systems is interrupted.

Since our spin-off from HCA, HCA continues to provide various information systems support services to us on a contractual basis. Our business depends significantly on effective information systems to process clinical and financial information. Under a contract with an initial term that expires in May 2006, HCA s wholly-owned subsidiary, Columbia Information Services, Inc., provides financial, clinical, patient accounting and network information services to us. The contract can be terminated prior to May 2006 in the event of bankruptcy or if either party fails to cure a breach within a specified notice period. If our access to these systems is limited or we fail to develop independent systems in the future, our operations could suffer. Moreover, as new information systems are developed, we must integrate them into our existing system. Our inability to successfully integrate new information systems could cause our operations to suffer.

We face intense competition from other hospitals and healthcare providers which may result in a decline in our revenues, profitability and market share.

The healthcare business is highly competitive and competition among hospitals and other healthcare providers for patients has intensified in recent years. In some cases, competing hospitals are more established

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than our hospitals. Certain of these competing facilities, particularly in urban markets, offer services, including extensive medical research and medical education programs, which are not offered by our facilities. Some of the hospitals that compete with ours are owned or operated by tax-supported governmental bodies or by private not-for-profit entities supported by endowments and charitable contributions which can finance capital expenditures on a tax-exempt basis and are exempt from sales, property and income taxes. In some of these markets, we also face competition from other providers such as outpatient surgery, orthopedic, oncology and diagnostic centers.

Although some of our hospitals operate in geographic areas where they are currently the sole provider of general acute care hospital services in their communities, these hospitals also face competition from other hospitals, including larger tertiary care centers. Despite the fact that these competing hospitals may be as far as 30 to 50 miles away, patients in these markets increasingly may migrate to these competing facilities as a result of local physician referrals, managed care plan incentives or personal choice.

Our healthcare consulting business competes in a fragmented industry for the small percentage of hospitals managed by hospital management companies. Competitors include large, national firms such as the national accounting firms, specialized healthcare firms, and numerous independent practitioners. Furthermore, some hospitals choose to obtain management services from the many large, tertiary care facilities that create referral networks with smaller surrounding hospitals. As a result, hospitals have various alternatives to the management services currently offered by us.

The intense competition we face from other healthcare providers and other firms may result in a decline in our revenues, profitability and market share.

We may have difficulty in implementing our business strategy of growth through acquisitions and joint ventures and we may have difficulty effectively integrating future acquisitions and joint ventures into our ongoing operations. We also may have difficulty acquiring hospitals from not-for-profit entities due to increased regulatory scrutiny.

One element of our business strategy is expansion through the acquisition of acute care hospitals or the formation of joint ventures in selected markets. The competition to acquire hospitals and form joint ventures in the markets that we target is significant, and we may not be able to consummate suitable transactions on terms favorable to us if other healthcare companies, including those with greater financial resources than ours, are competing for the same target businesses. In order to consummate future acquisitions or joint ventures, we may be required to incur or assume additional indebtedness. We may not be able to obtain financing, if necessary, for any acquisitions or joint ventures that we might make or we may be required to borrow at higher rates and on less favorable terms. Additionally, we may not be able to effectively integrate the facilities that we acquire with our ongoing operations.

Acquired businesses may have unknown or contingent liabilities, including liabilities for failure to comply with healthcare laws and regulations. Although we have policies to conform the practices of acquired facilities to our standards, and generally will seek indemnification from prospective sellers covering these matters, we may become liable for past activities of acquired businesses.

Many states have enacted or are considering enacting laws affecting sales, leases or other transactions in which control of not-for-profit hospitals is acquired by for-profit entities. These laws, in general, include provisions relating to state attorney general approval, advance notification and community involvement. In addition, state attorneys general in states without specific legislation governing these transactions may exercise authority based upon charitable trust and other existing law. The increased legal and regulatory review of these transactions involving the change of control of not-for-profit entities may increase the costs required, or limit our ability, to acquire not-for-profit hospitals and may affect our ability to exercise existing purchase options for hospitals under hospital lease arrangements.

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We may be subject to liabilities because of litigation and investigations that could have a material adverse effect on our operations.

HCA Litigation and Investigations

HCA was the subject of governmental investigations and litigation relating to the business practices of HCA and its subsidiaries, including subsidiaries that, prior to our spin-off from HCA, owned facilities now owned by us. These investigations were concluded through a series of agreements executed in 2000 and 2003. HCA remains a defendant in *qui tam* actions on behalf of the United States alleging, in general, submission of improper claims to the government for reimbursement. The lawsuits seek three times the amount of damages caused to the United States by the submission of any Medicare or Medicaid false claims presented by the defendants to the federal government, civil damages of not less than $5,500 nor more than $11,000 for each such Medicare or Medicaid claim, attorneys fees and costs. HCA has disclosed that of the original 30 *qui tam* actions, the U.S. Department of Justice, or DOJ, intervened in eight actions that were settled in June 2003. The settlement agreement does not affect *qui tam* cases in which the government has not intervened. HCA also has previously disclosed that it is aware of additional *qui tam* actions that remain under seal and believes that there may be other sealed *qui tam* cases of which it is unaware. HCA also is the subject of a formal order of investigation by the Commission. HCA understands that the Commission s investigation includes the anti-fraud, insider trading, periodic reporting and internal accounting control provisions of the federal securities laws.

We are unable to predict the effect or outcome of the ongoing Commission investigation or *qui tam* actions, or whether any additional investigations or litigation will be commenced. In connection with our spin-off from HCA on May 11, 1999, we entered into a distribution agreement with HCA. The terms of the distribution agreement provide that HCA will indemnify us for any losses (other than consequential damages) which we may incur as a result of the proceedings described above. HCA has also agreed to indemnify us for any losses (other than consequential damages) which we may incur as a result of proceedings which may be commenced by government authorities or by private parties in the future that arise from acts, practices or omissions engaged in prior to the date of the spin-off and that relate to the proceedings described above. HCA has also agreed that, in the event that any hospital owned by us at the time of the spin-off is permanently excluded from participation in the Medicare and Medicaid programs as a result of the proceedings described above, then HCA will make a cash payment to us, in an amount (if positive) equal to five times the excluded hospital s 1998 income from continuing operations before depreciation and amortization, interest expense, management fees, impairment of long-lived assets, minority interests and income taxes, as set forth on a schedule to the distribution agreement, less the net proceeds of the sale or other disposition of the excluded hospital.

HCA will not indemnify us under the spin-off distribution agreement for losses relating to any acts, practices and omissions engaged in by us after the spin-off date, whether or not we are indemnified for similar acts, practices and omissions occurring prior to the spin-off date. HCA also will not indemnify us under the spin-off distribution agreement for similar *qui tam* litigation, governmental investigations and other actions to which Quorum Health Group, Inc. was subject, some of which are described below. If indemnified matters were asserted successfully against us or any of our facilities, and HCA failed to meet its indemnification obligations, then this event could have a material adverse effect on our business, financial condition, results of operations or prospects. The extent to which we may or may not continue to be affected by the investigations of HCA and the initiation of additional investigations, if any, cannot be predicted. These matters could have a material adverse effect on our business, financial condition, results of operations or prospects.

Quorum Litigation and Investigations

Prior to our merger with Quorum, Quorum and its subsidiaries were named as defendants in several *qui tam* lawsuits by or on behalf of the United States alleging submission of false claims for reimbursement and improper allocation of costs within the company. These lawsuits were settled in exchange for monetary payments and execution of a corporate integrity agreement, which has been replaced by the corporate integrity agreement we entered into in November 2001.

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As a result of its ongoing discussions with the government prior to the merger, Quorum learned of two additional unrelated *qui tam* complaints against it alleging violations of the False Claims Act for claims allegedly submitted to the government involving one owned and two managed hospitals. Quorum accrued the estimated liability for these items prior to the merger. The matter involving the owned hospital has been settled and the matter involving the two managed hospitals remains under seal. With respect to the matter involving the two managed hospitals, the government requested that Quorum conduct a self audit with respect to one Medicare cost report for one managed hospital and three other specific issues. The government has stated that it intends to investigate certain other allegations.

On September 9, 2003, we were served with a *qui tam* complaint alleging, among other things, the submission of false claims for reimbursement and improper allocation of costs at a hospital in Mississippi managed by QHR, which is named as an additional defendant. The federal government has apparently elected not to intervene in the case and the complaint was recently unsealed. While we intend to vigorously defend this matter, we are not yet able to form a view as to any probable liability for any of the claims alleged in the complaint.

Neither our merger agreement with Quorum nor the distribution agreement entered into with HCA in connection with our spin-off will provide indemnification to us in respect of the Quorum litigation and investigations described above. If we incur material liabilities as a result of other *qui tam* litigation or governmental investigation, these matters could have a material adverse effect on our business, financial condition, results of operations or prospects.

We from time to time may be the subject of additional investigations or a party to additional litigation which alleges violations of law. We may not know about those investigations, or about *qui tam* actions filed against us unless and to the extent such are unsealed. If any of those matters were successfully asserted against us, there could be a material adverse effect on our business, financial position, results of operations or prospects.

If we fail to comply with our corporate integrity agreement, we could be required to pay significant monetary penalties.

On November 1, 2001, we entered into a five-year corporate integrity agreement with the Office of the Inspector General and agreed to maintain our compliance program in accordance with the corporate integrity agreement. This obligation could result in greater scrutiny by regulatory authorities. Violations of the integrity agreement could subject our hospitals to substantial monetary penalties. Complying with the corporate integrity agreement may impose expensive and burdensome requirements on certain operations which could have a material adverse impact on us.

We may be subject to liabilities because of claims arising from our hospital management activities.

We may be subject to liabilities from the activities or omissions of the employees of hospitals we manage or our employees in connection with the management of such hospitals. Recently, we and other hospital management companies have been subject to complaints alleging that these companies violated laws on behalf of hospitals they managed. In some cases, plaintiffs brought actions against the management company instead of, or in addition to, their individually managed hospital clients for these violations. Our hospital management contracts generally require the hospitals we manage to indemnify us against certain claims and maintain specified amounts of insurance. However, our managed hospitals or other third parties may not indemnify us against losses we incur arising out of the activities or omissions of the employees of the hospitals we manage. If we are held liable for amounts exceeding the limits of insurance coverage or for claims outside the scope of that coverage or any indemnity, or if any indemnity agreement is determined to be unenforceable, then any such liability could adversely affect our business, results of operations and financial condition.

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We may be subject to general liabilities or liabilities because of claims brought against our owned and leased hospitals, and we are experiencing rising malpractice insurance premiums.

In recent years, plaintiffs have brought actions against hospitals and other healthcare providers, alleging malpractice, product liability or other legal theories. Many of these actions involved large claims and significant defense costs. We maintain professional malpractice liability and general liability insurance coverage to cover claims arising out of the operations of our owned and leased hospitals. Some of the claims, however, could exceed the scope of the coverage in effect or coverage of particular claims could be denied. While our professional and other liability insurance has been adequate in the past to provide for liability claims, such insurance may not be available for us to maintain adequate levels of insurance. Moreover, healthcare providers in our industry are experiencing significant increases in the premiums for malpractice insurance, and it is anticipated that such costs may continue to rise. Malpractice insurance coverage may not continue to be available at a cost allowing us to maintain adequate levels of insurance with acceptable deductible amounts. In addition, because of the significant increase in medical malpractice insurance premiums in certain states, we may encounter difficulty recruiting and retaining physicians.

In addition, we self-insure portions of our workers compensation, health insurance, and general and professional liability insurance coverage and maintain excess loss policies. The liabilities estimated for these self-insured portions are based on actuarially determined estimates which are determined based on a number of factors including amount and timing of historical payments, severity of individual cases and anticipated volume of services provided. The amounts of any ultimate actual payments for workers compensation and general and professional liability risks may not become known for several years after incurrence. Moreover, any factors changing the underlying data used in determining these estimates would result in revisions to the liabilities which could result in a decrease in income.

We could incur substantial liability if our spin-off from HCA was found to be taxable.

On March 30, 1999, HCA received a private letter ruling from the IRS concerning the United States federal income tax consequences of the spin-off of our company and LifePoint Hospitals, Inc. by HCA and the restructuring transactions that preceded the spin-off. The private letter ruling provided that the spin-off generally was tax-free to HCA and HCA s stockholders, except for any cash received instead of fractional shares. The IRS has issued additional private letter rulings that supplement its March 30, 1999 ruling, including supplemental rulings stating that the Quorum merger and certain other transactions occurring subsequent to the spin-off do not adversely affect the private letter rulings previously issued by the IRS. The March 30, 1999 ruling and the supplemental rulings are based upon the accuracy of representations as to numerous factual matters and as to certain intentions of HCA, our company and LifePoint. The inaccuracy of any of those representations could cause the IRS to revoke all or part of any of the rulings retroactively.

If the spin-off were to fail to qualify for tax-free treatment, then, in general, additional corporate tax, which would be substantial, would be payable by the consolidated group of which HCA is the common parent. Each member of HCA s consolidated group at the time of the spin-off, including our company, would be jointly and severally liable for this tax liability. In addition, we entered into a tax sharing and indemnification agreement with HCA and LifePoint, which prohibits us from taking actions that could jeopardize the tax treatment of either the spin-off or the restructuring transactions that preceded the spin-off, and requires us to indemnify HCA and LifePoint for any taxes or other losses that result from our actions, which amounts could be substantial. If we are required to make any indemnity payments or otherwise are liable for additional taxes relating to the spin-off, our results of operations could be materially adversely affected.

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Risks Relating to the Notes

The notes are subordinated to our senior indebtedness and are effectively subordinated to any future secured subordinated debt to the extent of the assets securing such debt.

The notes are subordinated in right of payment to all of our current and future senior indebtedness, as defined in the indenture governing the notes. The indenture does not limit the amount of additional indebtedness, including senior indebtedness, we or our subsidiaries can create, incur, assume or guarantee, if we are in compliance with the covenants contained in the indenture. By reason of the subordination of the notes, in the event of insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up of our business, our assets will be available to pay the amounts due on the notes only after all of our senior indebtedness has been paid in full. In addition, upon default in payment with respect to certain of our senior indebtedness or an event of default with respect to this indebtedness, permitting the acceleration thereof, we may be blocked from making payments on the notes pursuant to the indenture. As of September 30, 2003, after giving effect to the offering of the old notes and the use of proceeds therefrom, we would have had approximately $1,172.4 million of senior indebtedness on a consolidated basis.

In accordance with the terms of the indenture, we may incur certain amounts of secured subordinated indebtedness. Any such indebtedness, if incurred, would have priority over the notes as to the assets securing such debt notwithstanding the subordinated ranking thereof.

The notes are not guaranteed by any of our subsidiaries and, as a result, are structurally subordinated to all indebtedness of our subsidiaries. Creditors of our subsidiaries have priority as to our subsidiaries assets.

You do not have any claims as a creditor against our subsidiaries. All indebtedness and other liabilities of our subsidiaries, including, without limitation, guarantees of other indebtedness of ours and trade payables, whether senior, subordinated, secured or unsecured, are effectively senior to your claims against the assets of our subsidiaries. All obligations owed by our subsidiaries would have to be satisfied before any of the assets of our subsidiaries would be available for distribution, upon a liquidation or otherwise, to us. In addition, any future indebtedness that we are permitted to incur under the terms of our credit agreement and the indenture may be incurred by our subsidiaries. As of September 30, 2003, after giving effect to the offering of the old notes and the use of proceeds therefrom, the aggregate amount of debt and other obligations of our subsidiaries, including guarantees of other indebtedness of ours and trade payables, would have been approximately $1.9 billion.

We conduct most of our operations through, and depend on funds from, our subsidiaries.

We are a holding company and hold most of our assets at, and conduct most of our operations through, direct and indirect subsidiaries. As a holding company, our results of operations depend on the results of operations of our subsidiaries. Moreover, we are dependent on dividends or other intercompany transfers of funds from our subsidiaries to meet our debt service and other obligations, including payment of principal and interest on the notes. The ability of our subsidiaries to pay dividends or make other payments or advances to us will depend on their operating results and will be subject to applicable laws and restrictions contained in agreements governing the debt of such subsidiaries. Substantially all of our revenues and net income were generated by our subsidiaries in the year ended December 31, 2002 and the nine months ended September 30, 2003.

Restrictions imposed by our credit agreement may lead to acceleration of secured debt.

Our existing credit agreement includes covenants that will require us to meet certain financial ratios and financial conditions that may require that we take action to reduce debt or to act in a manner contrary to our business objectives and restricts, among other things, our ability to incur additional indebtedness and make acquisitions and capital expenditures beyond a certain level. If we fail to comply with the restrictions contained in the credit agreement, the lenders can declare the entire amount owed thereunder immediately due and payable,

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and prohibit us from making payments of interest and principal on the notes until the default is cured or all such debt is paid or otherwise satisfied in full. If we were unable to repay such borrowings, such lenders could proceed against the collateral securing the credit agreement. If any secured debt is accelerated, our assets may not be sufficient to repay in full such indebtedness and our other indebtedness, including the notes, in which event the interests of the secured debt lenders may conflict with the interests of the holders of the notes.

You may not receive a change in control payment.

In the event of a change in control, we are required to make an offer for cash to repurchase the notes at 101% of the principal amount thereof, plus accrued and unpaid interest, if any, thereof to the repurchase date. However, our credit agreement prohibits the purchase of outstanding notes prior to repayment of the borrowings under the credit agreement and any exercise by the holders of the notes of their right to require us to repurchase the notes may cause an event of default under the credit agreement. In the event a change of control occurs at a time when we are prohibited from repurchasing the notes, we could seek consent of the lenders under the credit agreement to repurchase the notes or could attempt to refinance the borrowings thereunder. If we do not obtain such consent or refinance such borrowings, we will remain prohibited from repurchasing the notes, which would constitute an event of default under the indenture. In addition, we may not have the financial resources necessary to repurchase the notes upon a change in control. See Description of the Notes Certain Covenants Purchase of Notes Upon a Change in Control for a more detailed description of the change in control provision.

You may not be able to sell your exchange notes.

There is no existing trading market for the exchange notes and no such market may develop. The absence of such market adversely affects the liquidity of an investment in such notes. If a market for the exchange notes does develop, future trading prices will depend on many factors, including, among other things, prevailing interest rates and the market for similar securities, general economic conditions and our prospects. We do not intend to apply for listing of the exchange notes on any securities exchange or for quotation through any over-the-counter market.

If you fail to exchange your old notes, they will continue to be restricted securities and may become less liquid.

Old notes which you do not tender or we do not accept will, following this exchange offer, continue to be restricted securities, and you may not offer to sell them except pursuant to an exception from, or in a transaction not subject to, the Securities Act and applicable state securities laws. We will issue exchange notes in exchange for the old notes pursuant to this exchange offer only following the satisfaction of the procedures and conditions set forth in The Exchange Offer Procedures for Tendering. Such procedures and conditions include timely receipt by the exchange agent of such old notes and of a properly completed and duly executed letter of transmittal.

Because we anticipate that most holders of old notes will elect to exchange the old notes, we expect that the liquidity of the market for any old notes remaining after completion of this exchange offer will be substantially limited. Any old notes tendered and exchanged in this exchange offer will reduce the aggregate principal amount at maturity of the old notes outstanding. Following this exchange offer, if you did not tender your old notes you generally will not have any further registration rights, and such old notes will continue to be subject to certain transfer restrictions. Accordingly, the liquidity of the market for such old notes could be adversely affected.

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THE EXCHANGE OFFER

Purpose and Effect of the Exchange Offer

The old notes were originally sold by us in a private offering on November 12, 2003, which we refer to as the issue date, to Merrill Lynch & Co., Merrill Lynch, Pierce Fenner & Smith Incorporated, Banc of America Securities LLC, Citigroup Global Markets Inc., Credit Suisse First Boston LLC, Goldman, Sachs & Co., Credit Lyonnais Securities (USA) Inc., Fleet Securities, Inc., J.P. Morgan Securities Inc., Scotia Capital (USA) Inc., SunTrust Capital Markets, Inc., Wachovia Capital Markets, LLC, Bear, Stearns & Co. Inc., Lehman Brothers Inc., Morgan Stanley & Co. Incorporated, BOSC, Inc. and Stephens Inc., as the initial purchasers, with further distribution permitted only to qualified institutional buyers in reliance on Rule 144A of the Securities Act. In connection with the private offering of the old notes, we and the initial purchasers entered into the registration rights agreement which requires us to:

(1) use our reasonable best efforts to prepare and file a registration statement for the exchange notes not later than 90 days after the issue date covering our offer to exchange all of the old notes for a like principal amount of exchange notes;

(2) use our reasonable best efforts to cause the registration statement to be declared effective not later than 210 days after the issue date; and

(3) use our best efforts promptly, but not later than 5 days after the registration statement becomes effective, to commence this exchange offer and, on or prior to 240 days after the issue date, issue exchange notes for all those old notes properly tendered prior to that time.

We will keep this exchange offer open for at least 30 days after the date notice of this exchange offer is mailed to holders (or longer if required by applicable law). This exchange offer is intended to satisfy our exchange offer obligations under the registration rights agreement.

Based upon existing interpretations of the staff of the Commission described in several no-action letters to other issuers regarding similar exchange offers, we believe that the exchange notes would in general be freely transferable by you after this exchange offer without further registration under the Securities Act. However, if you have any arrangement or understanding with any person to participate in a distribution of the exchange notes, are not acquiring the exchange notes in the ordinary course of your business or are our affiliate within the meaning of Rule 405 of the Securities Act, you:

(1) will not be able to tender your old notes in this exchange offer;

(2) will not be able to rely on the interpretations of the staff of the Commission; and

(3) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any sale or transfer of the old notes, unless such sale or transfer is made pursuant to an exemption from such requirements.

If you wish to exchange your old notes for exchange notes, you will be required to represent in a letter of transmittal that:

(1) any exchange notes received by you will be acquired by you in the ordinary course of your business;

(2) you have no arrangement or understanding with any person to participate in the distribution (within the meaning of the Securities Act) of the exchange notes;

(3) you are not our affiliate as defined under of Rule 405 of the Securities Act,

(4) if you are not a broker-dealer, that you are not engaged in, and do not intend to engage in a distribution of the exchange notes; and

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(5) if you are a broker-dealer that will receive exchange notes for your own account in exchange for old notes that were acquired as a result of market-making or other trading activities (a participating broker-dealer), that you will deliver a prospectus in connection with any resale of such exchange notes.

In the event that you cannot make the requisite representations to us, you cannot rely on the above interpretations by the staff of the Commission and must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction. Unless an exemption from registration is otherwise available, any such resale transaction should be covered by an effective registration statement containing the selling securityholder information required by Item 507 of Regulation S-K under the Securities Act. This prospectus may be used for an offer to resell, resale or other retransfer of exchange notes only as specifically set forth herein.

As noted above, based upon existing interpretations of the staff of the Commission described in several no-action letters to other issuers regarding similar exchange offers, we believe the exchange notes would in general be freely tradeable by you after this exchange offer without further registration under the Securities Act. However, we have not asked the Commission to consider this particular exchange offer in the context of a no-action letter. Therefore, you cannot be sure that the Commission will treat this exchange offer in the same way it has treated other exchange offers in the past. If our belief is wrong, you could incur liabilities under the Securities Act. We do not assume, or indemnify you against, any loss incurred as a result of liabilities under the Securities Act.

We do not intend to apply for listing of the exchange notes on any securities exchange or to seek approval for quotation of the exchange notes through an automated quotation system. Accordingly, there can be no assurance that an active market will develop upon completion of this exchange offer or, if developed, that such market will be sustained or as to the liquidity of any market.

The Commission has taken the position that participating broker-dealers may fulfill their prospectus delivery requirements with respect to resales of the exchange notes with this prospectus. We have agreed in the registration rights agreement that we will make available, during the period required by the Securities Act, a prospectus meeting the requirements of the Securities Act for use by participating broker-dealers and other persons, if any, with similar prospectus delivery requirements for use in connection with any resale of exchange notes. We will use our reasonable best efforts to keep the registration statement, of which this prospectus is a part, effective until the earlier of (i) 180 days after the expiration date of this exchange offer or (ii) the date on which all participating broker-dealers have sold all exchange notes held by them, in order to permit resales of exchange notes acquired by participating broker-dealers in after-market transactions.

In the event that:

(1) we are not permitted to file this exchange offer registration statement or to consummate this exchange offer because this exchange offer is not permitted by applicable law or Commission policy;

(2) this exchange offer is not consummated within 240 days following the issue date,

(3) any holder of old notes notifies us prior to the 20th day following consummation of this exchange offer that:

(a) due to a change in law or Commission policy it is not eligible to participate in this exchange offer;

(b) due to a change in law or Commission policy it may not resell the exchange notes to be acquired by it in this exchange offer to the public without delivering a prospectus and this prospectus is not appropriate or available for such resales by such holder;

(c) it is a broker-dealer and owns old notes acquired directly from us or an affiliate of ours; or

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(4) the holders of the old notes may not resell the exchange notes to be acquired in this exchange offer to the public without restriction under the Securities Act and without restriction under applicable blue sky or state securities laws;

then, in each case, we will, at our cost, instead of, or in the case of clause (3) above, in addition to completing this exchange offer, file and use our reasonable best efforts to cause a registration statement under the Securities Act relating to a shelf registration of the notes for resale by holders, which we refer to as a resale registration, to become effective and to remain effective until the earlier of two years following the effective date of the shelf registration statement or such earlier time as all securities covered by the shelf registration statement have been sold pursuant to the shelf registration statement.

We will, in the event of a resale registration:

(1) provide to the holders of the applicable notes, copies of the prospectus that is a part of the shelf registration statement filed in connection with the resale registration;

(2) notify each holder of the applicable notes, that a shelf registration statement for the applicable notes will be filed and when such registration statement has become effective; and

(3) take certain other actions as are required to permit unrestricted resales of the notes.

A holder that sells its notes pursuant to the resale registration:

(1) will be required to be named as a selling security holder in the related prospectus and to deliver a prospectus to the purchaser;

(2) will be subject to certain of the civil liability provisions under the Securities Act in connection with such sales; and

(3) will be bound by the provisions of the registration rights agreement that are applicable to such holder, including certain indemnification obligations.

The registration rights agreement provides, among other things, that if :

(1) we have not filed any of the registration statements required by the registration rights agreement on or prior to the date specified for such filing;

(2) any of such registration statements is not declared effective on or prior to the date specified for such effectiveness;

(3) this exchange offer is not consummated within 30 business days after the effective date of this exchange offer registration statement; or

(4) the shelf registration statement or this exchange offer registration statement is declared effective but thereafter ceases to be effective, except as specifically permitted therein, without being immediately succeeded by an additional registration which was filed and declared effective (any event described in these clauses (1)-(4) being referred to as a registration default),

then, from the date that a registration default occurs through, but excluding the date when all registration defaults are cured, the interest rate on the old notes will:

(1) increase by .25% per annum for the first 90-day period (or portion thereof) immediately following the occurrence of such registration default; and

(2) thereafter increase by an additional .25% per annum at the beginning of each subsequent 90-day period (or portion thereof) while a registration default is continuing.

The additional interest on any affected old notes may not exceed 1.00% in the aggregate. Following the cure of all registration defaults, the interest rate on the old notes will revert to the original rate. Additional interest will not accrue and be payable as set forth above during any period when a shelf registration statement is permitted to be suspended under the registration rights agreement.

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Following the consummation of this exchange offer, holders of old notes who were eligible to participate in this exchange offer but who did not tender their old notes will not have any further registration rights, and the old notes will continue to be subject to certain restrictions on transfer. Accordingly, the liquidity of the market for the old notes could be adversely affected.

The above summary highlights the material provisions of the registration rights agreement, but does not restate that agreement in its entirety. We urge you to review all of the provisions of the registration rights agreement, because it, and not this summary description, defines your rights as holders to exchange your old notes for exchange notes. A copy of the registration rights agreement has been filed as an exhibit to the registration statement of which this prospectus is a part.

Terms of the Exchange Offer

This prospectus and the accompanying letter of transmittal contain the terms and conditions for this exchange offer. Upon the terms and subject to the conditions set forth in this prospectus and in the accompanying letter of transmittal, we will accept for exchange all old notes which are properly tendered and not withdrawn on or prior to 5:00 p.m., New York City time, on the expiration date. After authentication of the exchange notes by the trustee or an authentication agent, we will issue and deliver $1,000 principal amount of exchange notes in exchange for each $1,000 principal amount of outstanding old notes accepted in this exchange offer. You may tender some or all of your old notes in this exchange offer in denominations of $1,000 and integral multiples thereof.

The exchange notes are identical in all material respects to the old notes, except that:

(1) the offering of the exchange notes has been registered under the Securities Act;

(2) the exchange notes will not be subject to transfer restrictions or registration rights; and

(3) certain provisions relating to the payment of additional interest in connection with a registration default will be eliminated.

The exchange notes will evidence the same debt as the old notes, which they replace, and will be governed by the same indenture.

As of the date of this prospectus, $600,000,000 aggregate principal amount of the old notes is outstanding. In connection with the issuance of the old notes, arrangements were made for the old notes to be issued and transferable in book-entry form through the facilities of the Depositary Trust Company, New York, New York, acting as a depositary, which we refer to as DTC. The exchange notes will also be issuable and transferable in book-entry form through DTC.

This prospectus, together with the accompanying letter of transmittal, is initially being sent to all registered holders of the old notes as of the close of business on , 2004. This exchange offer is not conditioned upon any minimum aggregate principal amount of old notes

being tendered. However, our obligation to accept old notes for exchange pursuant to this exchange offer is subject to certain customary conditions that we describe under Conditions to the Exchange Offer below.

We shall be deemed to have accepted validly tendered old notes when, as and if we have given oral or written notice thereof to the exchange agent. The exchange agent will act as agent for the tendering holders for the purpose of receiving exchange notes from us and delivering exchange notes to such holders.

If any tendered old notes are not accepted for exchange because of an invalid tender or the occurrence of certain other events set forth herein, certificates for any such unaccepted old notes will be returned, at our cost, to the tendering holder thereof as promptly as practicable after the expiration date.

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Holders who tender old notes in this exchange offer will not be required to pay brokerage commissions or fees or, subject to the instructions in the letter of transmittal, transfer taxes with respect to the exchange of old notes pursuant to this exchange offer. We will pay all charges and expenses, other than certain applicable taxes, in connection with this exchange offer. See Solicitation of Tenders; Fees and Expenses below for more detailed information regarding the expenses of this exchange offer.

By executing or otherwise becoming bound by the letter of transmittal, you will be making the representations described under Procedures for Tendering below.

Expiration Date; Extensions; Amendments

The term expiration date shall mean 5:00 p.m., New York City time, on , 2004, unless we, in our sole discretion, extend this exchange offer, in which case the term expiration date shall mean the latest date to which this exchange offer is extended.

We expressly reserve the right, at any time, to extend the period of time during which this exchange offer is open, and thereby delay acceptance of any old notes, by giving oral or written notice of such extension to the exchange agent and notice of such extension by timely public announcement to the holders as described below. During any such extension, all old notes previously tendered will remain subject to this exchange offer and may be accepted for exchange by us. Any old notes not accepted for exchange for any reason will be returned without expense to the tendering holder thereof as promptly as practicable after the expiration or termination of this exchange offer.

We expressly reserve the right to amend or terminate this exchange offer, and not to accept for exchange any old notes that we have not yet accepted for exchange, if any of the conditions set forth herein under Conditions to the Exchange Offer shall have occurred and shall not have been waived by us, if such conditions are permitted to be waived by us.

We will give oral or written notice of any such extension, amendment, termination or non-acceptance described above to holders of the old notes as promptly as practicable. If this exchange offer is amended in a manner determined by us to constitute a material change, we will promptly disclose such amendment in a manner reasonably calculated to inform the holders of the old notes of such amendment and we will extend this exchange offer for a period of up to ten business days, depending upon the significance of the amendment and the manner of disclosure to the registered holders, if this exchange offer would otherwise expire during such period.

Without limiting the manner in which we may choose to make public announcements of any extension, amendment, termination or non-acceptance of this exchange offer, and subject to applicable law, we will have no obligation to publish, advertise or otherwise communicate any such public announcement other than by issuing a timely release to the Dow Jones News Service.

Interest on the Exchange Notes

Interest on the exchange notes will accrue from the last interest payment date on which interest was paid on the old notes surrendered in exchange therefor or, if no interest has been paid on the old notes, from the issue date of the old notes. Interest on the exchange notes will be

payable semiannually on May 15 and November 15 of each year, commencing May 15, 2004.

Conditions to the Exchange Offer

Notwithstanding any other term of this exchange offer, we will not be required to accept for exchange, or to issue exchange notes in exchange for, any old notes, and may terminate or amend this exchange offer as provided herein before the acceptance of such old notes if, in our judgment, any of the following conditions has occurred or exists:

(1) this exchange offer, or the making of any exchange by a holder, violates any applicable interpretation of the staff of the Commission;

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(2) any action or proceeding shall have been instituted or threatened in any court or by or before any governmental agency or body with respect to this exchange offer; or

(3) there has been proposed, adopted or enacted any law, statute, rule or regulation that, in our sole judgment, might materially impair our ability to proceed with this exchange offer.

If we determine that we may terminate this exchange offer for any of the reasons set forth above, we may:

(1) refuse to accept any old notes and return any old notes that have been tendered to the tendering holders thereof;

(2) extend this exchange offer and retain all old notes tendered prior to the expiration date of this exchange offer, subject to the rights of such holders of tendered old notes to withdraw their tendered old notes; or

(3) waive such termination event with respect to this exchange offer and accept all properly tendered old notes that have not been withdrawn. If such waiver constitutes a material change in this exchange offer, we will disclose such change by means of a supplement to this prospectus that will be distributed to each registered holder.

The above conditions are for our sole benefit and may be asserted by us regardless of the circumstances giving rise to such condition. Our failure at any time to exercise the foregoing rights shall not be deemed to be a waiver by us of any such right and each such right shall be deemed an ongoing right which may be asserted at any time and from time to time.

Procedures for Tendering

Book-Entry Interests

The old notes were issued as global securities in fully registered form without interest coupons. Beneficial interests in the global securities, held by direct or indirect participants in DTC, are shown on, and transfers of these interests are effected only through, records maintained in book-entry form by DTC with respect to its participants.

If you hold your old notes in the form of book-entry interests and you wish to tender your old notes for exchange pursuant to this exchange offer, you must transmit to the exchange agent on or prior to the expiration date either:

(1) a written or facsimile copy of a properly completed and duly executed letter of transmittal, including all other documents required by such letter of transmittal, to the exchange agent at the address set forth on the cover page of the letter of transmittal; or

(2) a computer-generated message transmitted by means of DTC s Automated Tender Offer Program system and received by the exchange agent and forming a part of a confirmation of book-entry transfer, in which you acknowledge and agree to be bound by the terms of the letter of transmittal.

In addition, in order to deliver old notes held in the form of book-entry interests:

(1) a timely confirmation of book-entry transfer of such old notes into the exchange agent s account at DTC pursuant to the procedure for book-entry transfers described below under Book-Entry Transfer must be received by the exchange agent prior to the expiration date; or

(2) you must comply with the guaranteed delivery procedures described below.

The method of delivery of old notes and the letter of transmittal for your old notes and all other required documents to the exchange agent is at your election and risk. Instead of delivery by mail, we recommend that you use an overnight or hand delivery service. In all cases, sufficient time should be allowed to assure delivery to the exchange agent before the expiration date. You should not send the letter of transmittal or old notes to us. You may request your broker, dealer, commercial bank, trust company, or nominee to effect the above transactions for you.

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Certificated Old Notes

Only registered holders of certificated old notes, if any, may tender those notes in this exchange offer. If your old notes are certificated notes and you wish to tender those notes for exchange pursuant to this exchange offer, you must transmit to the exchange agent on or prior to the expiration date a written or facsimile copy of a properly completed and duly executed letter of transmittal, including all other required documents, to the address set forth below under Exchange Agent. In addition, in order to validly tender your certificated old notes:

(1) the certificates representing your old notes must be received by the exchange agent prior to the expiration date; or

(2) you must comply with the guaranteed delivery procedures described below.

Procedures Applicable to All Holders

If you tender an old note and you do not withdraw the tender prior to the expiration date, you will have made an agreement with us in accordance with the terms and subject to the conditions set forth in this prospectus and in the letter of transmittal.

If your old notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender your old notes, you should contact the registered holder promptly and instruct the registered holder to tender on your behalf. If you wish to tender on your own behalf, you must, prior to completing and executing the letter of transmittal and delivering your old notes, either make appropriate arrangements to register ownership of the old notes in your name or obtain a properly completed bond power from the registered holder. The transfer of registered ownership may take considerable time.

Signatures on a letter of transmittal or a notice of withdrawal, as the case may be, must be guaranteed by a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc., a commercial bank or trust company having an office or correspondent in the United states or an eligible guarantor institution within the meaning of Rule 17Ad-15 under the Exchange Act, each of which we refer to as an eligible institution, that is a participant in the Securities Transfer Agents Medallion Program, the New York Stock Exchange Medallion Program or the Stock Exchanges Medallion Program, unless:

(1) old notes tendered in this exchange offer are tendered either

(A) by a registered holder who has not completed the box entitled Special Issuance Instructions or Special Delivery Instructions on the holder s letter of transmittal or

(B) for the account of an eligible institution; and

(2) the box entitled Special Issuance Instructions on the letter of transmittal has not been completed.

If the letter of transmittal is signed by a person other than the registered holder of old notes, such old notes must be endorsed or accompanied by appropriate bond powers which authorize such person to tender the old notes on behalf of the registered holder, in either case signed as the name of the registered holder or holders appears on the old notes.

If the letter of transmittal or any old notes or bond powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, those persons should so indicate when signing. Unless we waive this requirement, in this instance you must submit with the letter of transmittal proper evidence satisfactory to us of their authority to act on your behalf.

We will determine, in our sole discretion, all questions regarding the validity, form, eligibility, including time of receipt, acceptance and withdrawal of tendered old notes. This determination will be final and binding. We reserve the absolute right to reject any and all old notes not properly tendered or any old notes our acceptance of which would, in our judgment or the judgment of our counsel, be unlawful. We also reserve the right to waive

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any defects, irregularities or conditions of tender as to particular old notes. Our interpretation of the terms and conditions of this exchange offer, including the instructions in the letter of transmittal, will be final and binding on all parties.

You must cure any defects or irregularities in connection with tenders of your old notes within the time period we will determine unless we waive that defect or irregularity. Although we intend to notify you of defects or irregularities with respect to your tender of old notes, neither we, the exchange agent nor any other person shall be under any duty to give notification of any defect or irregularity with respect to tenders of old notes, nor shall any of them incur any liability for failure to give such notification. Your tender will not be deemed to have been made and your old notes will be returned to you if:

(1) you improperly tender your old notes;

(2) you have not cured any defects or irregularities in your tender; and

(3) we have not waived those defects, irregularities or improper tender.

The exchange agent will return your old notes, unless otherwise provided in the letter of transmittal, as soon as practicable following the expiration of this exchange offer.

In addition, we reserve the right in our sole discretion to:

(1) purchase or make offers for, or offer registered notes for, any old notes that remain outstanding subsequent to the expiration of this exchange offer;

(2) terminate this exchange offer; and

(3) to the extent permitted by applicable law, purchase old notes in the open market, in privately negotiated transactions or otherwise.

The terms of any of these purchases or offers could differ from the terms of this exchange offer.

In all cases, issuance of exchange notes for old notes that are accepted for exchange in this exchange offer will be made only after timely receipt by the exchange agent of certificates for your old notes or a timely book-entry confirmation of your old notes into the exchange agent s account at DTC, a properly completed and duly executed letter of transmittal, or a computer-generated message instead of the letter of transmittal, and all other required documents. If any tendered old notes are not accepted for any reason set forth in the terms and conditions of this exchange offer or

if old notes are submitted for a greater principal amount than you desire to exchange, the unaccepted or non-exchanged old notes, or old notes in substitution for those notes, will be returned without expense to you. In addition, in the case of old notes tendered by book-entry transfer into the exchange agent s account at DTC pursuant to the book-entry transfer procedures described below, the non-exchanged old notes will be credited to your account maintained with DTC, as promptly as practicable after the expiration or termination of this exchange offer.

Each broker-dealer that receives exchange notes for its own account in exchange for old notes, where such old notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes. See Plan of Distribution.

Guaranteed Delivery Procedures

If you are a registered holder of old notes and you wish to tender such old notes but your old notes are not immediately available, or time will not permit your old notes or other required documents to reach the exchange agent before the expiration date, or the procedure for book-entry transfer cannot be completed on a timely basis, you may effect a tender if:

(1) you tender through an eligible institution;

(2) on or prior to 5:00 p.m., New York City time, on the expiration date, the exchange agent receives from an eligible institution a written or facsimile copy of a properly completed and duly executed notice of guaranteed delivery, substantially in the form provided by us; and

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(3) the certificates for all certificated old notes, in proper form for transfer, or a book-entry confirmation, a properly completed and duly executed letter of transmittal or properly transmitted agent s message, and all other documents required by the letter of transmittal, are received by the exchange agent within three New York Stock Exchange trading days after the date of execution of the notice of guaranteed delivery.

The notice of guaranteed delivery may be sent by facsimile transmission, mail or hand delivery. The notice of guaranteed delivery must set forth:

(1) your name and address;

(2) the amount of old notes you are tendering; and

(3) a statement that your tender is being made by the notice of guaranteed delivery and that you guarantee that within three New York Stock Exchange trading days after the execution of the notice of guaranteed delivery, the eligible institution will deliver the following documents to the exchange agent:

(A) the certificates for all certificated old notes being tendered, in proper form for transfer or a book-entry confirmation of tender,

(B) a written or facsimile copy of the letter of transmittal, or a book-entry confirmation instead of the letter of transmittal; and

(C) any other documents required by the letter of transmittal.

Book-Entry Transfer

The exchange agent will establish an account with respect to the book-entry interests at DTC for purposes of this exchange offer promptly after the date of this prospectus. You must deliver your book-entry interest by book-entry transfer to the applicable account maintained by the exchange agent at DTC. Any financial institution that is a participant in DTC s systems may make book-entry delivery of book-entry interests by causing DTC to transfer the book-entry interests into the exchange agent s applicable account at DTC in accordance with DTC s procedures for transfer.

Withdrawal Rights

You may withdraw tenders of your old notes at any time prior to 5:00 p.m., New York City time, on the expiration date.

For your withdrawal to be effective, the exchange agent must receive a written or facsimile transmission notice of withdrawal at its address set forth below under Exchange Agent prior to the expiration date.

The notice of withdrawal must:

(1) specify the name of the person having deposited the old notes to be withdrawn;

(2) identify the old notes to be withdrawn, including the certificate number or numbers and principal amount of such old notes or, in the case of old notes transferred by book-entry transfer, the name and number of the account at DTC to be credited;

(3) be signed by the depositor in the same manner as the original signature on the letter of transmittal by which such old notes were tendered, including any required signature guarantee, or be accompanied by documents of transfer sufficient to permit the trustee with respect to the old notes to register the transfer of such old notes into the name of the Depositor withdrawing the tender; and

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(4) specify the name in which any such old notes are to be registered, if different from that of the Depositor.

We will determine all questions regarding the validity, form and eligibility, including time of receipt, of withdrawal notices. Our determination will be final and binding on all parties. Any old notes withdrawn will be deemed not to have been validly tendered for exchange for purposes of this exchange offer. Any old notes which have been tendered for exchange but which are not exchanged for any reason will be returned to you without cost as soon as practicable after withdrawal, rejection of tender or termination of this exchange offer. Properly withdrawn old notes may be retendered by following one of the procedures described under Procedures for Tendering above at any time on or prior to the expiration date.

Exchange Agent

Citibank, N.A., the trustee under the indenture, has been appointed as exchange agent for this exchange offer. All executed letters of transmittal should be directed to the exchange agent at one of the addresses set forth below. In such capacity, the exchange agent has no fiduciary duties and will be acting solely on the basis of our directions. Questions, requests for assistance and requests for additional copies of this prospectus or of the letter of transmittal should be directed to the exchange agent addressed as follows:

By Courier:

Citibank, N.A.

Citibank Agency and Trust

111 Wall Street, 15th Floor Zone 8

New York, New York 10043

By Mail:

Citibank, N.A.

Citibank Agency and Trust

111 Wall Street, 15th Floor Zone 8

New York, New York 10043

By Hand Delivery:

Citibank, N.A.

Agency and Trust Window

111 Wall Street, 15th Floor

New York, New York 10043

Facsimile for Eligible Institutions:

(212) 657-1020

Attention: Customer Service

To Confirm by Telephone:

(800) 422-2066

Delivery to an address or facsimile number other than those listed above will not constitute a valid delivery.

Solicitation of Tenders; Fees and Expenses

We will pay all expenses of soliciting tenders pursuant to this exchange offer. The principal solicitation pursuant to this exchange offer is being made by mail. Additional solicitations may be made by our officers and regular employees and our affiliates in person, by telegraph, telephone or telecopier.

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We have not retained any dealer-manager in connection with this exchange offer and will not make any payments to broker, dealers or other persons soliciting acceptances of this exchange offer. We will, however, pay the exchange agent reasonable and customary fees for its services and will reimburse the exchange agent for its reasonable out-of-pocket costs and expenses in connection therewith and will indemnify the exchange agent for all losses and claims incurred by it as a result of this exchange offer.

We may also pay brokerage houses and other custodians, nominees and fiduciaries the reasonable out-of-pocket expenses incurred by them in forwarding copies of this prospectus, letters of transmittal and related documents to the beneficial owners of the old notes and in handling or forwarding tenders for exchange.

The expenses to be incurred in connection with this exchange offer, including fees and expenses of the exchange agent and trustee and accounting and legal fees and printing costs, will be paid by us.

We will pay all transfer taxes, if any, applicable to the exchange of old notes pursuant to this exchange offer. However, if certificates representing exchange notes or old notes for principal amounts not tendered or accepted for exchange are to be delivered to, or are to be registered or issued in the name of, any person other than the registered holder of the old notes tendered, or if tendered old notes are registered in the name of any person other than the person signing the letter of transmittal, or if the transfer tax is imposed for any reason other than the exchange of old notes pursuant to this exchange offer, then the amount of any such transfer taxes, whether imposed on the registered holder or any other persons, will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted with the letter of transmittal, the amount of such transfer taxes will be billed by us directly to such tendering holder.

Consequences of Failure to Exchange

As a result of the making of, and upon acceptance for exchange of all validly tendered old notes pursuant to the terms of, this exchange offer, we will have fulfilled a covenant contained in the registration rights agreement. Old notes that are not tendered or are tendered but not accepted will, following the consummation of this exchange offer, continue to be subject to provisions in the indenture regarding the transfer and exchange of the old notes and the existing restrictions on transfer set forth in the legend on the old notes and in the offering memorandum dated November 6, 2003, relating to the old notes. Accordingly, such old notes may be resold only:

(1) to us;

(2) pursuant to a registration statement which has been declared effective under the Securities Act;

(3) in the United States to qualified institutional buyers within the meaning of Rule 144A in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A;

(4) in the United States to Institutional Accredited Investors, as defined in Rule 502(a)(1), (2), (3) or (7) promulgated under the Securities Act, in transactions exempt from the registration requirements of the Securities Act; or

(5) pursuant to any other available exemption from the registration requirements under the Securities Act.

Except as required by the registration rights agreement, we do not intend to register resales of the old notes under the Securities Act. To the extent that old notes are tendered and accepted in this exchange offer, the liquidity of the trading market for untendered old notes could be adversely affected.

Accounting Treatment

The exchange notes will be recorded at the same carrying value as the old notes, as reflected in our accounting records on the date of the exchange. Accordingly, no gain or loss for accounting purposes will be recognized by us as a result of the consummation of this exchange offer. The expenses of this exchange offer will be amortized by us over the term of the exchange notes.

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USE OF PROCEEDS

This exchange offer is intended to satisfy our obligations under the registration rights agreement entered into in connection with the issuance of the old notes. We will not receive any cash proceeds from the issuance of the exchange notes in this exchange offer. In consideration for issuing the exchange notes as contemplated by this prospectus, we will receive the old notes in like principal amount. The old notes surrendered in exchange for exchange notes will be retired and canceled and cannot be reissued. Accordingly, the issuance of the exchange notes will not result in any increase in our indebtedness or capital stock.

CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2003, as adjusted to reflect the offering of the old notes and the use of proceeds therefrom as if they had occurred on that date. This table should be read together with our historical financial statements and the related notes incorporated by reference in this prospectus.

	Historical	As Adjusted
	(Dollars in millions)	
Cash and cash equivalents	$ 140.2	$ 207.6
Long-term debt, including amounts due in one year:		
Term Loan A	180.0	142.4
Term Loan B	538.0	425.6
Revolver (a)		
8 3/4% Senior Notes due 2009	600.0	600.0
Other debt	4.4	4.4
Total Senior Debt	1,322.4	1,172.4
11% Senior Subordinated Notes due 2009	325.0	4.2
Unamortized discount on 11% Senior Subordinated Notes	(5.4)	
The old notes		600.0
Total long-term debt, including amounts due in one year	1,642.0	1,776.6
Stockholders Equity:		
Common stock	0.8	0.8
Additional paid-in capital	1,895.2	1,895.2
Unearned ESOP compensation	(18.1)	(18.1)
Accumulated other comprehensive loss	(3.0)	(3.0)
Accumulated earnings	190.7	151.0
Total stockholders equity	2,065.6	2,025.9
Total Capitalization	$ 3,707.6	$ 3,802.5

(a) $213.8 million available for borrowing; $36.2 million letters of credit outstanding.

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SELECTED HISTORICAL FINANCIAL DATA

We derived our selected historical financial information for the years ended and as of December 31, 1998, 1999, 2000, 2001 and 2002 presented below from our audited financial statements. We derived our selected historical financial information for the nine months ended and as of September 30, 2002 and 2003 presented below from our unaudited financial statements, which are incorporated by reference in this prospectus. In the opinion of our management, the unaudited financial statements from which the data below is derived contain all adjustments necessary to present fairly our financial position and results of operations and are of a normal recurring nature as of the applicable dates and for the applicable periods.

The following selected historical financial information should be read in conjunction with the historical consolidated financial statements and related notes contained in the annual report, and other information, that we have filed with the Commission and that are incorporated by reference in this prospectus. See Available Information for information on where you can obtain copies of information we have filed with the Commission. Historical results are not necessarily indicative of the results to be expected in the future. In addition, interim results may not be indicative of results for the remainder of the year.

	As of and for the Year Ended December 31,					As of and for the Nine Months Ended September 30,	
	1998	1999	2000	2001	2002	2002	2003
	(in millions, except per share and statistical data)						
Summary of Operations							
Revenues	$ 1,588.7	$ 1,329.1	$ 1,235.5	$ 2,669.5	$ 3,541.1	$ 2,622.1	$ 2,890.3
Income (loss) from operations (a)	(85.5)	(95.6)	4.4	6.0	141.5	105.8	95.7
Net income (loss) (a)(b)	(87.1)	(95.6)	4.4	2.8	141.5	105.8	95.7
Basic earnings (loss) per share:							
Income (loss) from operations	$ (2.80)	$ (3.12)	$ 0.14	$ 0.10	$ 1.97	$ 1.48	$ 1.30
Net income (loss)	$ (2.85)	$ (3.12)	$ 0.14	$ 0.04	$ 1.97	$ 1.48	$ 1.30
Shares used in computing basic earnings (loss) per share (in millions)	30.6	30.6	31.7	57.7	71.7	71.3	73.4
Diluted earnings (loss) per share:							
Income (loss) from operations	$ (2.80)	$ (3.12)	$ 0.13	$ 0.10	$ 1.89	$ 1.41	$ 1.27
Net income (loss)	$ (2.85)	$ (3.12)	$ 0.13	$ 0.05	$ 1.89	$ 1.41	$ 1.27
Shares used in computing diluted earnings (loss) per share (in millions)	30.6	30.6	34.1	61.1	75.0	74.9	75.1
Financial Position:							
Assets	$ 1,371.3	$ 1,341.1	$ 1,400.5	$ 4,165.3	$ 4,381.6	$ 4,354.3	$ 4,483.7
Long-term debt, including amounts due within one year	14.3	555.4	590.7	1,773.8	1,692.0	1,708.0	1,642.0
Intercompany balances payable to HCA	613.7						
Working capital	184.9	187.6	191.9	381.0	399.2	415.6	398.1
Capital expenditures	114.9	132.7	94.4	200.6	296.6	225.0	182.9
Stockholders equity	500.7	559.9	573.7	1,731.5	1,954.5	1,906.5	2,065.6
Operating Data:							
Cash flows from operating activities	$ 33.6	$ 155.2	$ 71.6	$ 318.3	$ 358.3	$ 270.5	$ 292.9
Cash flows from investing activities	$ (108.3)	$ (57.7)	$ (171.4)	$ (1,453.1)	$ (261.8)	$ (202.6)	$ (168.2)
Cash flows from financing activities	$ 74.7	$ (26.6)	$ 35.6	$ 1,144.4	$ (44.5)	$ (32.3)	$ (52.8)
Number of hospitals at end of period (c)	39	29	28	46	48	48	48
Number of licensed beds at end of period (d)	5,902	3,722	3,520	7,557	7,827	7,816	7,906
Weighted average licensed beds (e)	5,905	4,745	3,633	6,379	7,684	7,636	7,867
Number of available beds at end of period (f)	5,199	3,280	3,162	6,776	7,119	7,100	7,181
Admissions (g)	169,590	145,889	128,645	233,888	282,777	212,975	216,997

Adjusted admissions (h)	276,771	241,547	220,590	396,256	481,344	363,638	371,360
Average length of stay (days) (i)	4.9	4.5	4.4	4.8	4.9	4.9	4.9
Average daily census (j)	2,263	1,818	1,532	3,060	3,770	3,788	3,862
Occupancy rate (k)	44%	55%	49%	54%	54%	54%	54%
Other data:							
EBITDA (l)	$ 53.6	$ 42.6	$ 157.8	$ 344.6	$ 538.1	$ 402.9	$ 390.0

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(a) Includes charges related to impairment of long-lived assets of $55.1 million ($32.9 million after tax benefit), $69.2 million ($55.8 million after tax benefit), $8.0 million ($4.7 million after tax benefit) and $23.1 million ($21.1 million after tax benefit) for the years ended December 31, 1998, 1999, 2000, and 2001, respectively.

(b) Includes loss from discontinued operations of $1.6 million for the year ended December 31, 1998 and extraordinary loss of $3.2 million for the year ended December 31, 2001.

(c) Number of hospitals excludes facilities under construction. This table does not include any operating statistics for non-consolidating joint ventures and facilities leased to others.

(d) Licensed beds are those beds for which a facility has been granted approval to operate from the applicable state licensing agency, regardless of whether the beds are actually available for patient use.

(e) Represents the average number of licensed beds, weighted based on periods owned.

(f) Available beds are those beds that a facility actually has in use.

(g) Represents the total number of patients admitted (in the facility for a period in excess of 23 hours) to our hospitals and is used by management and certain investors as a general measure of inpatient volume.

(h) Adjusted admissions are used by management and certain investors as a general measure of combined inpatient and outpatient volume. Adjusted admissions are computed by multiplying admissions (inpatient volume) by the sum of gross inpatient revenue and gross outpatient revenue and then dividing the resulting amount by gross inpatient revenue. The adjusted admissions computation adjusts outpatient revenue to the volume measure (admissions) used to measure inpatient volume resulting in a general measure of combined inpatient and outpatient volume.

(i) Represents the average number of days admitted patients stay in our hospitals.

(j) Represents the average number of patients in our hospital beds each day.

(k) Represents the percentage of hospital available beds occupied by patients. Both average daily census and occupancy rate provide measures of the utilization of inpatient rooms.

(l) EBITDA is defined as earnings before depreciation, amortization, interest expense, interest income, income tax provision (benefit), extraordinary loss and loss from discontinued operations. EBITDA is commonly used by our lenders and investors to assess our leverage capacity, debt service ability and liquidity. Many of our debt agreements use EBITDA, or a modification of EBITDA, in financial covenant calculations. EBITDA is used by management to evaluate financial performance and resource allocation for each facility and for us as a whole. EBITDA should not be considered as a measure of financial performance under generally accepted accounting principles, and the items excluded from EBITDA are significant components in understanding and assessing financial performance. EBITDA should not be considered in isolation or as an alternative to net income, cash flows generated by operating, investing or financing activities or other financial statement data presented in the consolidated financial statements as an indicator of financial performance or liquidity. Because EBITDA is not a measurement determined in accordance with generally accepted accounting principles and is thus susceptible to varying calculations, EBITDA as presented may not be comparable to other similarly titled measures of other companies.

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A reconciliation of EBITDA to cash provided by operating activities follows (in millions):

	For the Year Ended December 31,					For the Nine Months Ended September 30,	
	1998	1999	2000	2001	2002	2002	2003
EBITDA	$ 53.6	$ 42.6	$ 157.8	$ 344.6	$ 538.1	$ 402.9	$ 390.0
Interest expense allocated from HCA	(66.2)	(22.5)					
Interest expense	(2.7)	(45.2)	(62.2)	(127.6)	(136.7)	(102.6)	(99.9)
Interest income		2.5	4.9	1.6	1.7	1.3	2.0
Non-cash interest expense		3.3	1.0	10.3	9.0	5.8	6.0
Deferred income tax provision (benefit)	(24.6)	(27.3)	11.8	39.6	83.7	69.8	52.1
Income tax benefit (provision)	39.4	25.5	(12.9)	(42.5)	(94.2)	(69.8)	(63.1)
Provision for doubtful accounts	138.4	129.0	103.6	239.9	272.8	197.2	289.0
ESOP expense		3.7	7.1	9.3	10.8	8.3	6.2
Minority interests	11.0	8.7	9.0	7.2	14.8	11.0	6.9
Equity in (earnings) loss of affiliates	(3.4)	3.1	1.4	(14.5)	(21.7)	(18.6)	(22.9)
Gain on sales of assets		(8.6)	(7.9)	(23.1)	(4.5)	(2.5)	(1.0)
Impairment of long-lived assets	55.1	69.2	8.0	23.1			
Non-cash stock option expense			0.9	5.6	0.4	0.3	0.3
Increase (decrease) in cash from operating assets and liabilities:							
Accounts receivable	(145.9)	(94.1)	(116.9)	(193.2)	(332.7)	(232.8)	(301.8)
Inventories and other assets	(2.1)	14.4	(22.0)	13.3	(23.1)	(23.1)	(17.2)
Accounts payable and other current liabilities	(18.9)	56.3	(19.9)	25.0	18.2	18.0	27.4
Other	(0.1)	(5.4)	7.9	(0.3)	21.7	5.3	18.9
Cash provided by operating activities	$ 33.6	$ 155.2	$ 71.6	$ 318.3	$ 358.3	$ 270.5	$ 292.9

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

This discussion should be read together with our historical financial statements and the related notes incorporated herein by reference.

Overview

On April 27, 2001, we completed our merger with Quorum with our company being the surviving corporation. The purchase price was approximately $2.4 billion. The merger was accounted for under the purchase method of accounting and the results of operations for Quorum are included in our results of operations beginning May 1, 2001.

On May 2, 2001, we sold two of the acute care hospitals acquired in the merger with Quorum for $38.0 million plus $8.2 million for working capital. Additionally, one hospital acquired in the merger with Quorum was designated as held for sale prior to the completion of the merger. The purchase price allocation of this hospital was equal to the sale price of the hospital plus the cash flows for its holding period and the interest expense on the incremental debt incurred for the purchase of the hospital. On August 7, 2001, we sold this hospital. The results of operations of this entity are not included in our results of operations.

In 2001, subsequent to the merger, we recorded charges of approximately $31.8 million associated with coordinating Quorum s accounting policies, practices and estimation processes with those of ours. The estimation processes used prior to and subsequent to the merger were consistent with accounting principles generally accepted in the United States. These charges included an $8.3 million pre-tax reduction to revenue, an $18.5 million pre-tax increase in the provision for doubtful accounts and a $5.0 million additional income tax provision.

During 2002, we opened one new hospital and acquired all of the assets of, and a 60% interest in the operations of, one hospital. During 2001, we acquired the remaining 50% interest in one of our joint ventures and sold one hospital. During 2000, we sold one hospital, ceased operations of two hospitals and purchased two hospitals. We sold our partnership interest in a rehabilitation hospital on March 31, 2000.

The above described events significantly affect the comparability of the results of operations for the years ended December 31, 2002, 2001, and 2000.

In the fourth quarter of 2003, we disposed of our interest in one entity and determined that two hospitals would be designated as held for sale. These entities will be reclassified as discontinued operations in the fourth quarter of 2003. Our results of operations for prior periods will be restated to reflect this reclassification. The amount of the restatement will not be significant to our results of operations.

During the third quarter of 2003, we recorded a $50.6 million increase in our allowance for doubtful accounts to reflect growth in uninsured receivables and deterioration in the collectibility of those receivables. We estimate our allowance for doubtful accounts using historical net write-offs of uncollectible accounts. During the third quarter of 2003, we experienced a significant increase in the amount of historical

write-offs. The increase in historical write-offs led us to believe that the collectibility of our uninsured receivables had deteriorated. During 2003, uninsured receivables have increased approximately $40.0 million, from 38% to 41% of total billed hospital receivables. We believe that a weak job market and rising health care costs have led to the growth in uninsured patients and an increase in insurance co-payments and deductibles. We believe the increase in our allowance for doubtful accounts is reasonable given current business trends and economic conditions. For the next several quarters, we currently anticipate that our provision for doubtful accounts will increase to approximately 10% of revenues from 8.0% to 8.5% of revenues. If the trend of increasing uninsured receivables and deterioration in collectibility continues, then our results of operations and financial position could be further and materially adversely affected.

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Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to third-party payer discounts, bad debts, property and equipment, intangible assets, goodwill, income taxes, general and professional liability risks, and contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition

Our healthcare facilities have entered into agreements with third-party payers, including government programs and managed care health plans, under which our facilities are paid based upon several methodologies including established charges, the cost of providing services, predetermined rates per diagnosis, fixed per diem rates or discounts from established charges. Revenues are recorded at estimated net amounts due from patients, third-party payers and others for healthcare services provided. We have multiple patient accounting systems and, therefore, estimates for contractual allowances are calculated both systematically and manually, depending on the type of payer involved and the patient accounting system used by each individual hospital. In certain systems the contractual payment terms are preloaded into the system and the system calculates the amounts that are realizable. In other systems, the contractual adjustments are determined manually using historical collections on each type of payer. Even for systems that record the realizable values, there are still manual estimates based upon historical collections recorded for payers that are not significant or do not have specific contractual terms. All contractual adjustments, regardless of type of payer or method of calculation, are reviewed and compared to actual experience. Settlements under reimbursement agreements with third-party payers are estimated and recorded in the period the related services are rendered and are adjusted in future periods as adjustments become known or as the service years are no longer subject to audit, review or investigation. Laws and regulations governing the Medicare and Medicaid programs are extremely complex, subject to interpretation and are routinely modified for provider reimbursement. All hospitals participating in the Medicare and Medicaid programs are required to meet certain financial reporting requirements and federal regulations require submission of annual cost reports covering medical costs and expenses associated with the services provided by each hospital to program beneficiaries. Annual cost reports required under the Medicare and Medicaid programs are subject to routine audits, which may result in adjustments to the amounts ultimately determined to be due to us under these reimbursement programs. These audits often require several years to reach the final determination of amounts earned under the programs. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Bad Debt

The largest component of bad debts in our patient accounts receivable is from patient responsibility accounts. These include both amounts due from uninsured patients and co-payments and deductibles for which insured patients are responsible. Each patient s insurance coverage is verified as early as possible before a scheduled admission or procedure, including eligibility, benefits and authorization/pre-certification requirements, for all scheduled accounts so that patients can be notified of their estimated amounts due. Insurance coverage is verified within 24 hours for all urgent and direct admissions. To improve upfront collections, we endeavor to collect the patient responsibility portion of amounts due at or prior to the scheduled admission or procedure. To facilitate the upfront collection process, we have instituted an incentive program for our employees which is based on the amount of upfront cash collections on patient responsibility accounts.

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We maintain allowances for doubtful accounts for estimated losses resulting from payers inability to make payments on accounts. We estimate these allowances based on historical net write-offs of uncollectible accounts. Our policy is to write-off accounts after all collection efforts have failed, typically no longer than one year after date of discharge. If payers ability to pay deteriorates, additional allowances may be required.

Days in accounts receivable increased to 63 days at September 30, 2003 from 59 days at December 31, 2002. This increase resulted primarily from an increase in the amount of uninsured receivables, which are slower payers. Days in accounts receivable decreased to 59 days at December 31, 2002 from 68 days at December 31, 2001. This decrease resulted from increased upfront collections and integration of the facilities acquired in the Quorum merger into our collection methodology. Management s target days in accounts receivable was 60 days at December 31, 2002. Days in accounts receivable is calculated by dividing patient receivables less allowance for doubtful accounts by the most recent three-month period s daily patient revenue excluding prior year cost report settlements less provision for doubtful accounts.

Property, Equipment and Amortizable Intangible Assets

We evaluate the carrying value of long-lived assets, long-lived assets to be disposed of and amortizable intangible assets and recognize impairment losses when the fair value is less than the carrying value. The fair value of assets to be held and used is determined using discounted future cash flows. The fair value of assets held for sale is determined using estimated selling values. When events, circumstances and operating results indicate that the carrying values of certain long-lived assets and amortizable intangible assets might be impaired, we prepare projections of the undiscounted future cash flows expected to result from the use of the assets and their eventual disposition. If the projections indicate that the recorded amounts are not expected to be recoverable, such amounts are reduced to estimated fair value. Indicators of potential impairment are typically beyond the control of management. If market conditions become less favorable than those projected by management, impairments may be required.

Goodwill

We review goodwill for impairment annually or more frequently if certain indicators arise. Goodwill is reviewed at the reporting unit level, which is defined as one level below an operating segment. We estimate fair values of the reporting units using discounted future cash flows. Impairment is recognized if the fair value of the reporting unit is less than the carrying value of the reporting unit. If market conditions become less favorable than those projected by management, impairments may be required.

Income Taxes

We record a valuation allowance to reduce our deferred tax assets to the amount that is more likely than not to be realized. While we have considered several items including ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, in the event we were to determine that the realization of our deferred tax asset in the future is different than our net recorded amount, an adjustment to income would be necessary.

General and Professional Liability Risks

We self-insure portions of our workers compensation, health insurance, and general and professional liability insurance coverage and maintain excess loss policies. The liabilities estimated for these self-insured portions are based on actuarially determined estimates. There are many factors that are used in determining the estimates, including amount and timing of historical payments, severity of individual cases and anticipated volume of services provided. The amounts of any ultimate actual payments for workers compensation and general and professional liability risks may not become known for several years after incurrence. Any factors changing the underlying data used in determining these estimates would result in revisions to the liabilities which could result in an adjustment to income.

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Contingencies

We are subject to claims and suits arising from governmental investigations and other matters in the ordinary course of business. In certain of these actions the claimants may seek punitive damages against us, which are usually not covered by insurance. We are required to assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses. A determination of the amount of recorded liability, if any, for these contingencies is made after careful analysis of each individual issue. The recorded liability may change in the future due to new developments in each matter or changes in approach, such as a change in settlement strategy in dealing with these matters, which could result in an adjustment to income.

Results of Operations

Revenue/Volume Trends

As discussed above, we completed our merger with Quorum on April 27, 2001. The effective date of the transaction for accounting purposes was May 1, 2001. The facilities acquired in the merger increased revenues by $767.3 million for the year ended December 31, 2002 compared to the year ended December 31, 2001.

We have entered into agreements with third-party payers, including government programs and managed care health plans, under which our facilities are paid based upon established charges, the cost of providing services, predetermined rates per diagnosis, fixed per diem rates or discounts from established charges. Our facilities have experienced revenue rate growth due to changes in patient acuity, closure of unprofitable services, favorable pricing trends and contract structure. The increases in pricing trends and contract structure were the result of renegotiating and renewing certain managed care contracts on more favorable terms (to include more stop losses, carve outs and pass throughs). For the nine months ended September 30, 2003, increased volumes for more intensive cases, such as inpatient surgeries, also contributed to revenue rate growth. For the year ended December 31, 2002, improved reimbursement from the government also contributed to revenue rate growth. There can be no assurances that we will continue to receive these levels of revenue increases in the future.

Our patient volumes, on a same facility basis, have decreased slightly for the nine months ended September 30, 2003 compared to the nine months ended September 30, 2002, although volumes increased in the third quarter of 2003 compared to the third quarter of 2002. Volumes have been affected by the general weakness in the overall economy. With healthcare costs increasing, many employers have increased the amounts of deductibles and co-payments required by their employees. The increase in out-of-pocket costs and the uncertainty of continuing employment have led to a decline in elective procedures. If the trend of decreased volumes continues, then our results of operations and cash flows could be adversely affected.

Our revenues continue to be affected by an increasing portion of revenue being derived from fixed payment, higher discount sources, including Medicare, Medicaid and managed care plans. We expect patient volumes from Medicare and Medicaid to continue to increase due to the general aging of the population and expansion of state Medicaid programs. However, under BBA, our reimbursement from Medicare and Medicaid programs has been reduced. Certain of the reductions from BBA have been mitigated by the Refinement Act and have been further mitigated by BIPA. We received additional reimbursement from BIPA of approximately $16.0 million in both 2002 and 2001. Volumes from managed care plans are expected to increase due to insurance companies, government programs other than Medicare and employers purchasing healthcare services for their employees by negotiating discounted amounts that they will pay healthcare providers rather than pay standard prices. Patient revenues related to Medicare and Medicaid patients were 36.6% and 37.7% of total patient revenues for the nine months ended September 30, 2003 and 2002, respectively, and 37.2%, 37.7% and 36.0% of total patient revenues for the years ended December 31, 2002, 2001, and 2000,

respectively. Patient revenues related to managed care plan patients were 41.2% and 38.8% of total patient revenues for the nine months ended September 30, 2003 and 2002, respectively, and 39.3%, 35.9% and 31.0% of total patient revenues for the years ended December 31, 2002, 2001, and 2000, respectively. With an increasing portion of services over the last several years being reimbursed based upon fixed payment amounts where the payment is based upon the diagnosis, regardless of the cost incurred or level of service provided, revenues, earnings and cash flows are being impacted.

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Our revenues have been affected by the trend toward certain services being performed more frequently on an outpatient basis. Growth in outpatient services is expected to continue, although possibly at a slower rate, in the healthcare industry as procedures performed on an inpatient basis are converted to outpatient procedures through continuing advances in pharmaceutical and medical technologies. The redirection of certain procedures to an outpatient basis is also influenced by pressures from payers and patients to perform certain procedures as outpatient care rather than inpatient care. Outpatient revenues were 46% and 45% of patient revenues for the nine months ended September 30, 2003 and 2002, respectively, and remained relatively constant as a percentage of patient revenues for the years ended December 31, 2002, 2001 and 2000, respectively.

Pressures on the rate of increase in Medicare and Medicaid reimbursement, increasing percentages of patient volume being related to patients participating in managed care plans and continuing trends toward more services being performed on an outpatient basis are expected to present ongoing challenges. The challenges presented by these trends are magnified by our inability to control these trends and the associated risks. To maintain and improve our operating margins in future periods, we must increase patient volumes and improve contracts while controlling the costs of providing services. If we are not able to achieve reductions in the cost of providing services through increased operational efficiencies, and the rate of increase in reimbursements and payments decline, results of operations and cash flows will deteriorate.

Our management believes that the proper response to these challenges includes the delivery of a broad range of quality healthcare services to physicians and patients, with operating decisions being primarily made by the local management teams and local physicians with the strategic support of corporate management.

In August 2002, we opened a new acute care hospital in Las Cruces, New Mexico. On July 1, 2002, we acquired all of the assets of, and a 60% interest in the operations of, a hospital in Johnson, Arkansas. The incremental revenues for these facilities were not significant in the nine months ended September 30, 2003 or the year ended December 31, 2002. We sold one hospital during the year ended December 31, 2001. Revenues for this facility were $58.3 million for the year ended December 31, 2001. We sold one hospital and ceased operations of two hospitals during the year ended December 31, 2000. Revenues for these facilities and the facility sold in 2001 were $118.8 million in the year ended December 31, 2000.

In connection with our spin-off from HCA, HCA agreed to indemnify us for any payments which it is required to make in respect of Medicare, Medicaid and Blue Cross cost reports relating to periods ending on or prior to the date of the spin-off, and we agreed to indemnify HCA for and pay to HCA any payments received by us relating to such cost reports. We were responsible for the filing of these cost reports, which are recorded in accounts receivable in the condensed consolidated balance sheets. We have recorded a receivable from HCA relating to the indemnification of $23.2 million which was recorded in other current assets in our condensed consolidated balance sheets. In July 2003, HCA finalized a settlement agreement with the government relating to cost report periods ending before August 1, 2001 which includes the indemnified cost reports. The settlement concluded any indemnification for payment between us and HCA. The receivable from HCA and the related cost report liabilities were reversed in the third quarter of 2003.

Other Trends

As discussed above, we have experienced significant growth in uninsured receivables and deterioration in the collectibility of those receivables which resulted in a $50.6 million increase in our allowance for doubtful accounts in the third quarter of 2003.

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The approximate percentages of billed hospital receivables in summarized aging categories is as follows:

	September 30, 2003	December 31, 2002	December 31, 2001
0 to 60 days	60.2%	58.6%	52.9%
61 to 150 days	24.2%	24.9%	24.7%
151 to 360 days	14.4%	15.3%	17.3%
Over 360 days	1.2%	1.2%	5.1%
Total	100.0%	100.0%	100.0%

The approximate percentages of billed hospital receivables summarized by payer is as follows:

	September 30, 2003	December 31, 2002	December 31, 2001
Insured receivables	59%	62%	62%
Uninsured receivables	41%	38%	38%
Total	100%	100%	100%

If the trend of increasing uninsured receivables and deterioration in collectibility continues, then our results of operations and financial position could be further and materially adversely affected.

Insurance costs across the industry have been increasing substantially. We are facing the same pressures of our insurance costs increasing, although the rate of increase slowed in the third quarter of 2003. We have an extensive insurance program, with the largest component being general and professional liability insurance. Many of the factors contributing to the increasing costs are beyond our control. To help mitigate the increase in premiums, we may increase deductibles in these programs, which would increase the risk assumed by us. We currently record liabilities for our estimated retentions. Our total insurance costs increased approximately $18.6 million, or 32.3%, in the nine months ended September 30, 2003 compared to the nine months ended September 30, 2002 and approximately $11.0 million, or 40%, in the year ended December 31, 2002 compared to the year ended December 31, 2001. During the second quarter of 2003, we recorded a $4.0 million reduction to the estimated liability, primarily related to liabilities associated with claims incurred prior to our merger with Quorum due to settlement of claims at lower amounts than previously estimated. If the trend of increasing costs continues, our results of operations and cash flows could be adversely affected.

One of our hospitals had impairment indicators and was evaluated for potential impairment. Currently, the undiscounted future cash flows expected from the use of the assets and eventual disposition indicate that the recorded amounts are recoverable. The book value of this facility s long-lived assets was approximately $34.0 million at September 30, 2003. If the projections of future cash flows deteriorate, then impairment of these assets may be required.

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Operating Results Summary

Following are comparative summaries of results from operations for the nine months ended September 30, 2003 and 2002 and the years ended December 31, 2002, 2001 and 2000. Dollars are in millions, except per share amounts and ratios.

	Nine Months Ended September 30,			
	2003		2002	
	Amount	Percentage	Amount	Percentage
Revenues	$ 2,890.3	100.0	$ 2,622.1	100.0
Salaries and benefits	1,190.2	41.2	1,097.3	41.9
Reimbursable expenses	41.3	1.4	45.6	1.7
Supplies	450.8	15.6	410.5	15.7
Other operating expenses	539.8	18.7	480.8	18.3
Provision for doubtful accounts	289.0	10.0	197.2	7.5
Depreciation and amortization	133.3	4.6	126.0	4.8
Interest expense, net	97.9	3.4	101.3	3.9
Litigation settlements			(10.4)	(0.4)
ESOP expense	6.2	0.2	8.3	0.3
Gain on sales of assets	(1.0)		(2.5)	(0.1)
	2,747.5	95.1	2,454.1	93.6
Income before minority interests, equity in earnings and income tax provision	142.8	4.9	168.0	6.4
Minority interests in earnings of consolidated entities	(6.9)	(0.2)	(11.0)	(0.4)
Equity in earnings of affiliates	22.9	0.8	18.6	0.7
Income before income tax provision	158.8	5.5	175.6	6.7
Income tax provision	(63.1)	(2.2)	(69.8)	(2.7)
Net income	$ 95.7	3.3	$ 105.8	4.0
Income per common share				
Basic	$ 1.30		$ 1.48	
Diluted	$ 1.27		$ 1.41	
Number of hospitals at end of period (a)				
Owned	45		45	
Managed joint ventures	1		1	
Leased to others	2		2	
Total	48		48	
Licensed beds at end of period (b)	7,906		7,816	
Available beds at end of period (c)	7,181		7,100	
Admissions (d)				
Owned	216,997		212,975	
Managed joint ventures	4,328		4,423	

Total	221,325	217,398
Adjusted admissions (e)	371,360	363,638
Outpatient visits	2,527,251	2,499,426
Inpatient surgeries	82,253	78,180
Outpatient surgeries	215,486	210,565
Total surgeries	297,739	288,745
Average length of stay (f)	4.9	4.9
Outpatient revenue percentage	46%	45%
Inpatient revenue per admission	$ 6,730	$ 6,270
Outpatient revenue per outpatient visit	$ 499	$ 442
Patient revenue per adjusted admission	$ 7,326	$ 6,710

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	Years Ended December 31,					
	2002		2001		2000	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Revenues	$ 3,541.1	100.0	$ 2,669.5	100.0	$ 1,235.5	100.0
Salaries and benefits	1,488.4	42.0	1,128.5	42.3	511.1	41.4
Reimbursable expenses	59.0	1.7	41.6	1.6		
Supplies	546.8	15.4	411.2	15.4	185.6	15.0
Other operating expenses	647.0	18.3	501.7	18.8	259.8	21.0
Provision for doubtful accounts	272.8	7.7	239.9	9.0	103.6	8.4
Depreciation and amortization	167.4	4.7	170.1	6.3	83.2	6.7
Interest expense, net	135.0	3.8	126.0	4.7	57.3	4.6
Litigation settlements	(10.4)	(0.3)				
ESOP expense	10.8	0.3	9.3	0.4	7.1	0.6
Gain on sales of assets	(4.5)	(0.1)	(23.1)	(0.9)	(7.9)	(0.6)
Impairment of long-lived assets			23.1	0.9	8.0	0.7
	3,312.3	93.5	2,628.3	98.5	1,207.8	97.8
Income from operations before minority interests, equity in earnings and income tax provision	228.8	6.5	41.2	1.5	27.7	2.2
Minority interests in earnings of consolidated entities	(14.8)	(0.4)	(7.2)	(0.2)	(9.0)	(0.7)
Equity in earnings (loss) of non-consolidating entities	21.7	0.6	14.5	0.5	(1.4)	(0.1)
Income from operations before income tax provision	235.7	6.7	48.5	1.8	17.3	1.4
Income tax provision	(94.2)	(2.7)	(42.5)	(1.6)	(12.9)	(1.0)
Income from operations	$ 141.5	4.0	$ 6.0	0.2	$ 4.4	0.4
Income from operations per common share						
Basic	$ 1.97		$ 0.10		$ 0.14	
Diluted	$ 1.89		$ 0.10		$ 0.13	
Number of hospitals at end of period (a)						
Owned	45		43		24	
Managed joint ventures	1		1		2	
Leased to others	2		2		2	
Total	48		46		28	
Licensed beds at end of period (b)	7,827		7,557		3,520	
Available beds at end of period (c)	7,119		6,776		3,162	
Admissions (d)						
Owned	282,777		233,888		128,645	
Managed joint ventures	5,791		5,758		11,718	
Total	288,568		239,646		140,363	
Adjusted admissions (e)	481,344		396,256		220,590	

Outpatient visits	3,309,513	2,644,754	1,295,841
Total surgeries	385,814	334,309	209,688
Average length of stay (f)	4.9	4.8	4.4
Outpatient revenue percentage	45%	46%	45%
Inpatient revenue per admission	$ 6,433	$ 5,785	$ 5,069
Outpatient revenue per outpatient visit	$ 448	$ 430	$ 417
Patient revenue per adjusted admission	$ 6,858	$ 6,283	$ 5,408

(a) Number of hospitals excludes facilities under construction. This table does not include any operating statistics for the joint ventures and facilities leased to others, except for admissions.

(b) Licensed beds are those beds for which a facility has been granted approval to operate from the applicable state licensing agency, regardless of whether the beds are actually available for patient use.

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(c) Available beds are those beds a facility actually has in use.
(d) Represents the total number of patients admitted (in the facility for a period in excess of 23 hours) to our facilities and is used by management and certain investors as a general measure of inpatient volume.
(e) Adjusted admissions are used by management and certain investors as a general measure of combined inpatient and outpatient volume. Adjusted admissions are computed by multiplying admissions (inpatient volume) by the sum of gross inpatient revenue and gross outpatient revenue and then dividing the resulting amount by gross inpatient revenue. The adjusted admissions computation adjusts outpatient revenue to the volume measure (admissions) used to measure inpatient volume resulting in a general measure of combined inpatient and outpatient volume.
(f) Represents the average number of days an admitted patient stays in our hospitals.

Nine Months Ended September 30, 2003 and 2002

Net income decreased to $95.7 million in the nine months ended September 30, 2003 from $105.8 million in the nine months ended September 30, 2002. This was due primarily to a $50.6 million increase in the allowance for doubtful accounts discussed previously. The decrease was also due to increases in employee health benefits and insurance costs as a percentage of revenues. In addition, we had increases in estimates in our retirement plan contributions of $1.4 million in 2003 compared to decreases in estimates of $6.6 million in 2002. We also had $10.4 million in litigation settlements in 2002 discussed below. This was partially offset by a 10.2% increase in revenues.

Revenues increased 10.2% to $2,890.3 million in the nine months ended September 30, 2003 compared to $2,622.1 million in the nine months ended September 30, 2002. This includes $16.1 million in favorable prior year cost report settlements during 2003 compared to $6.3 million in favorable prior year cost report settlements in 2002. This was due primarily to a delay in our cost report filings in 2002 because of outpatient prospective payment system implementation issues at CMS. Excluding prior year cost report settlements, patient revenue per adjusted admission increased 8.8% due primarily to favorable pricing trends, changes in contract structure and higher acuity procedures. Managed care contract pricing increased approximately 5% to 7% from renegotiation and renewal of contracts to include pricing increases and more favorable contract structure. Our higher acuity procedures in 2003 compared to 2002 resulted primarily from same facility inpatient surgeries increasing 2.6% in 2003 compared to 2002. These increases were partially offset by overall weakness in same facility patient volumes. Volumes have been affected by the general weakness in the overall economy. With health care costs increasing, many employers have increased the amounts of deductibles and co-payments required by their employees. The increase in out-of-pocket costs and the uncertainty of continuing employment have led to a decline in elective procedures. Same facility admissions and adjusted admissions were relatively constant in 2003 compared to 2002.

Salaries and benefits (which include contract nursing) as a percentage of revenues decreased to 41.2% in the nine months ended September 30, 2003 from 41.9% in the nine months ended September 30, 2002. This was due to a reduction in contract labor of approximately $8.1 million and increased productivity. This was offset by employee health benefit costs increasing approximately $18.0 million, or 16%, in 2003 compared to 2002. In addition, we had increases in estimates in our retirement plan contributions of $1.4 million in 2003 compared to decreases in estimates of $6.6 million in 2002.

Reimbursable expenses as a percentage of revenue decreased to 1.4% in the nine months ended September 30, 2003 from 1.7% in the nine months ended September 30, 2002. Reimbursable expenses relate primarily to salaries and benefits of QHR employees who serve as executives at hospitals managed by QHR. These expenses are also included as a component of revenues. The decrease was due primarily to changes in contract structure for certain contracts whereby the executives at hospitals managed by QHR are no longer QHR employees.

Supplies decreased as a percentage of revenues to 15.6% in the nine months ended September 30, 2003 from 15.7% in the nine months ended September 30, 2002. This was due primarily to the revenue rate increases resulting from favorable pricing trends and changes in contract structure discussed above, although supplies per adjusted admission increased 7.5% due to increased patient acuity.

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Other operating expenses, primarily consisting of contract services, professional fees, repairs and maintenance, rents and leases, utilities, insurance and non-income taxes, increased as a percentage of revenues to 18.7% in the nine months ended September 30, 2003 compared to 18.3% in the nine months ended September 30, 2002. This was due to an increase in insurance costs, primarily malpractice insurance, of approximately $18.6 million or 32.3%. See Results of Operations Other Trends. This change includes a $4.0 million reduction, in the second quarter of 2003, in the estimated general and professional liability primarily related to claims incurred prior to our merger with Quorum due to settlement of claims at lower amounts than previously estimated. This was partially offset by the revenue rate increases, resulting from favorable pricing trends and changes in contract structure discussed above.

Provision for doubtful accounts as a percentage of revenues increased to 10.0% in the nine months ended September 30, 2003 compared to 7.5% in the nine months ended September 30, 2002. We recorded $55.6 million of additional allowance in the nine months ended September 30, 2003. This was due primarily to an increase in uninsured receivables and deterioration in the collectibility of those uninsured receivables, as discussed above. If the trend of increasing uninsured accounts continues, then our results of operations and financial position could be materially adversely affected. The increase was also due to a settlement received on a bankrupt account and recoveries on other non-patient receivables in 2002.

Depreciation and amortization increased to $133.3 million in the nine months ended September 30, 2003 compared to $126.0 million in the nine months ended September 30, 2002. This was due primarily to the opening of a new acute care hospital in Las Cruces, New Mexico in August 2002 and completion of several major renovation projects.

Interest expense, which was offset by $2.0 million and $1.3 million of interest income in the nine months ended September 30, 2003 and 2002, respectively, decreased to $97.9 million in the nine months ended September 30, 2003 compared to $101.3 million in the nine months ended September 30, 2002. This was due to decreases in floating rate debt interest rates and reduction of principal balances from scheduled repayments.

Quorum was involved in a malpractice case in which Quorum s insurance company issued a reservation of rights, which means that the insurance company was providing a current defense, but was reserving a right ultimately not to pay the claim. Accordingly, the potential exposure was recorded as a liability as part of the Quorum purchase price allocation. During the third quarter of 2002, we settled the malpractice case and the insurance company agreed to pay the claim. We reversed the accrual, less remaining legal fees, of $5.9 million in the third quarter of 2002. In June 2002, we received notification that HCA had agreed to reimburse us for a portion of the settlement on a False Claims Act case, settled by Quorum prior to our merger with Quorum. We received this reimbursement in the amount of $4.5 million, in July 2002. Both items were recorded as litigation settlements in the condensed consolidated statements of operations in the nine months ended September 30, 2002.

Gain on sales of assets included a $1.1 million gain on the sale of a parcel of land in the nine months ended September 30, 2003. In the nine months ended September 30, 2002, gain on sales of assets was primarily comprised of a $1.6 million gain on the sale of an investment in a rehabilitation center.

Minority interests decreased to $6.9 million in the nine months ended September 30, 2003 from $11.0 million in the nine months ended September 30, 2002 due to decreases in earnings at certain of our non-wholly owned facilities.

Equity in earnings of affiliates increased to $22.9 million in the nine months ended September 30, 2003 from $18.6 million in the nine months ended September 30, 2002 due to improved earnings at our non-consolidating joint venture in Las Vegas, Nevada.

Income tax provision was $63.1 million in the nine months ended September 30, 2003 compared to $69.8 million in the nine months ended September 30, 2002. Our effective tax rate is affected primarily by nondeductible ESOP expense.

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Years Ended December 31, 2002 and 2001

Income from operations increased to $141.5 million in the year ended December 31, 2002 from $6.0 million in the year ended December 31, 2001. The increase in income from operations was attributable primarily to an increase of $94.3 million in pre-tax income in 2002 from 2001 from the facilities acquired, excluding charges discussed below, in the Quorum acquisition. Pre-tax income from same facility operations increased $47.0 million. Also, we recorded $26.8 million of pre-tax charges associated with coordinating Quorum s accounting policies, practices and estimation processes with ours during 2001. Income from operations also increased $29.7 million due to changes in accounting for goodwill amortization. We also had $10.4 million in income from litigation settlements in 2002 discussed below. During 2001, we incurred $3.8 million of non-cash stock compensation expense relating to stock option vesting acceleration that was incurred due to the acquisition of Quorum and $1.4 million of non-cash stock option expense from options granted to a charitable foundation. This was partially offset by an increase in interest expense of $9.0 million primarily related to the additional indebtedness incurred in the acquisition of Quorum. Corporate overhead increased $12.8 million in 2002 compared to 2001, due primarily to additional staffing and other costs due to the merger.

Revenues increased to $3,541.1 million in the year ended December 31, 2002 from $2,669.5 million in the year ended December 31, 2001. Same facility revenues increased $162.6 million or 11.6% in 2002 compared to 2001. This includes $9.2 million in favorable prior year cost report settlements during 2002 compared to $4.9 million in favorable prior year cost report settlements during 2001. The primary reason for the increase in revenues was due primarily to increases of approximately 6% to 9% from renegotiation and renewal of managed care contracts to include pricing increases and more favorable contract structure in 2002. We anticipate that these increases will be approximately 5% to 6% in 2003. For the year ended December 31, 2002 compared to the year ended December 31, 2001, same facility admissions increased 2.9%, adjusted admissions increased 3.1%, revenue per adjusted admission increased 8.7%, outpatient visits increased 4.8%, outpatient revenue per visit increased 4.8% and surgeries increased 3.0%. Revenues for facilities acquired increased $767.3 million in 2002 compared to 2001 which included $2.1 million in favorable prior year cost report settlements in 2001. Revenues for facilities acquired were reduced in 2001 by $8.3 million in charges associated with coordinating Quorum s accounting policies, procedures and estimation processes with ours. For the year ended December 31, 2002 compared to the year ended December 31, 2001, the acquired facilities admissions increased 52,219, adjusted admissions increased 89,740, outpatient visits increased 651,379, and surgeries increased 56,520. The increase in revenues was partially offset by the facility that was sold. In 2001, this facility had revenues of $58.3 million.

Salaries and benefits (which include contract nursing), as a percentage of revenues, decreased to 42.0% in the year ended December 31, 2002 from 42.3% in the year ended December 31, 2001. Same facility salaries and benefits decreased 0.1% as a percentage of revenue in 2002 compared to 2001. This was due primarily to $5.2 million in non-cash stock option expense recognized in 2001 described above. In addition, we had decreases in estimates in our retirement plan contributions of $5.2 million in 2002 compared to $1.3 million in 2001. This was partially offset by $4.9 million in estimate increases in our health and workers compensation expenses and an increase in the number of full time equivalent employees at the corporate office. Salaries and benefits for the acquired facilities, as a percentage of revenue, were 43.0% in 2002 compared to 43.7% in 2001 due primarily to the revenue reductions in 2001 discussed above. In addition, there were $3.0 million in duplicate overhead costs and stay-on bonuses at the former Quorum corporate office and approximately $1.0 million in severance costs for a reduction in force at QHR in 2001. There was also a decrease in estimates in retirement plan contributions of $3.6 million in 2002. This was partially offset by $12.7 million in estimate increases in health and workers compensation expenses. Included in salaries for the acquired facilities are salaries from owned physician practices, which are higher as a percentage of revenue than traditional hospital operations. Salaries and benefits for the facility sold were $26.5 million in 2001.

Reimbursable expenses were 1.7% as a percentage of revenue in the year ended December 31, 2002 compared to 1.6% for the year ended December 31, 2001 due to the Quorum acquisition. Reimbursable expenses relate primarily to salaries and benefits of QHR employees who serve as executives at hospitals managed by QHR. These expenses are also included as a component of revenues.

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Supplies as a percentage of revenues remained constant at 15.4% in the years ended December 31, 2002 and December 31, 2001, respectively. Same facility supplies increased as a percentage of revenue to 15.7% in 2002 compared to 15.5% in 2001. This was due primarily to increased acuity levels. Supplies for the acquired facilities, as a percentage of revenue, remained relatively constant in 2002 compared to 2001. Supplies for the facility sold were $8.8 million in 2001.

Other operating expenses (primarily consisting of contract services, professional fees, repairs and maintenance, rents and leases, utilities, insurance and non-income taxes) decreased as a percentage of revenues to 18.3% in the year ended December 31, 2002 compared to 18.8% in the year ended December 31, 2001. Same facility other operating expenses decreased 1.2% as a percentage of revenue in 2002 compared to 2001. This was due primarily to revenue increases and was partially offset by approximately a $5.2 million, or 40%, increase in insurance costs, primarily malpractice insurance. See Results of Operations Other Trends. Other operating expenses for the acquired facilities, as a percentage of revenue, were 17.5% in 2002 compared to 16.9% in 2001. This was due to approximately a $5.8 million, or 40%, increase in insurance costs, primarily malpractice insurance and the revenue reduction in 2001 discussed above. See Results of Operations Other Trends. This was partially offset by a $3.0 million reduction of a pre-acquisition liability in the fourth quarter of 2002 as additional information became available on expected settlements. Other operating expenses for the facility sold were $11.7 million in 2001.

Provision for doubtful accounts, as a percentage of revenues, decreased to 7.7% in the year ended December 31, 2002 compared to 9.0% in the year ended December 31, 2001. Same facility provision for doubtful accounts decreased 0.2% as a percentage of revenue in 2002 compared to 2001. This was due, in part, to increased expenses in 2001 relating to emergency room visits, primarily to facilities in Texas, which typically have a higher incidence of uninsured accounts, and improved collections in 2002. This was partially offset by payment delays and account write-offs from system issues at one facility and additional expenses on certain non-patient accounts in 2002. Provision for doubtful accounts for the acquired facilities, as a percentage of revenue, was 6.6% in 2002 compared to 8.4% in 2001. As discussed previously, included in the provision for doubtful accounts were $18.5 million in charges associated with coordinating Quorum s accounting policies, practices and estimation process with ours. Provision for doubtful accounts for the facility sold was $8.1 million in 2001.

Depreciation and amortization decreased as a percentage of revenues to 4.7% in the year ended December 31, 2002 from 6.3% in the year ended December 31, 2001, primarily due to changes in accounting for goodwill amortization and increases in revenues. See Recent Accounting Pronouncements.

Interest expense, which was offset by $1.7 million and $1.6 million of interest income in the years ended December 31, 2002 and 2001, respectively, increased to $135.0 million in the year ended December 31, 2002 from $126.0 million in the year ended December 31, 2001, due to additional debt outstanding, primarily from indebtedness incurred to finance the Quorum acquisition. This was partially offset by decreases in interest rates on our variable rate debt and reductions in debt outstanding.

Quorum was involved in a malpractice case in which Quorum s insurance company issued a reservation of rights, which means that the insurance company was providing a current defense, but was reserving a right ultimately not to pay the claim. Accordingly, the potential exposure was recorded as a liability as part of the Quorum purchase price allocation. During the third quarter of 2002, we settled the malpractice case and the insurance company ultimately agreed to pay the claim. We recorded the settlement, less remaining legal fees, of $5.9 million in the third quarter of 2002. In June 2002, we received notification that HCA had agreed to reimburse us for a portion of a settlement on a False Claims Act case, settled by Quorum prior to our acquisition. We received this reimbursement in the amount of $4.5 million, in July 2002. Both items were recorded in litigation settlements in the consolidated statements of operations in the year ended December 31, 2002.

Gain on sales of assets was $23.1 million during the year ended December 31, 2001, due primarily to the sale of one hospital facility in the fourth quarter of 2001. Gain on sales of assets was $4.5 million during the year ended December 31, 2002.

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Impairments on long-lived assets were $23.1 million in the year ended December 31, 2001. The impairments during 2001 were primarily due to the carrying value of the long-lived assets related to one hospital being reduced to fair value, based on estimated future cash flows.

Minority interests increased to $14.8 million in the year ended December 31, 2002 from $7.2 million in the year ended December 31, 2001 due primarily to the Quorum acquisition.

Equity in earnings of affiliates was $21.7 million in the year ended December 31, 2002 compared to $14.5 million in the year ended December 31, 2001. This was primarily due to the joint ventures acquired in the Quorum acquisition. This was partially offset by a loss on the sale of a hospital in one of the non-consolidating joint ventures, of which our share was $4.8 million.

Income tax provision was $94.2 million in the year ended December 31, 2002 compared to $42.5 million in the year ended December 31, 2001. During 2001, our effective tax rate was significantly increased by the effect of nondeductible goodwill amortization and ESOP expense. As discussed previously, included in the income tax provision in 2001 was $5.0 million in charges associated with coordinating Quorum s accounting policies, practices and estimation processes. Our effective tax rate was reduced significantly in 2002 primarily due to changes in accounting for goodwill amortization.

Years Ended December 31, 2001 and 2000

Income from operations increased to $6.0 million in the year ended December 31, 2001 from $4.4 million in the year ended December 31, 2000. The change was attributable primarily to $122.9 million of pre-tax income from acquisitions, excluding the charges associated with coordinating Quorum s accounting policies, practices, and estimation processes with those of ours. Pre-tax income from same facility operations increased $12.9 million, which included $1.1 million of unfavorable adjustments in the year ended December 31, 2000 at one facility from write-offs of certain expenditures that were previously capitalized. Same facility equity in earnings increased $2.9 million due primarily to $1.1 million of unfavorable adjustments from various changes of estimates and other adjustments during the year ended December 31, 2000. Another factor contributing to the increase was decreased losses on facilities that were sold or closed of $7.5 million. Additionally, we recognized a $22.0 million gain on the sale of one hospital during the year ended December 31, 2001 compared to a $7.9 million gain on sales during the year ended December 31, 2000. The decreased losses were offset by $31.8 million of charges associated with coordinating Quorum s accounting policies, practices and estimation processes with ours and an increase in interest expense of $68.7 million primarily related to the additional indebtedness incurred in the acquisition of Quorum. We had impairments of long-lived assets of $23.1 million in the year ended December 31, 2001 compared to $8.0 million in the year ended December 31, 2000. We incurred $3.8 million of non-cash stock compensation expense relating to stock option vesting acceleration that was incurred due to the acquisition of Quorum and $1.4 million of non-cash stock compensation from options granted to a charitable foundation established by us. Corporate overhead increased $14.2 million in the year ended December 31, 2001 compared to the year ended December 31, 2000 due primarily to additional staffing and other costs due to the merger.

Revenues increased to $2,669.5 million in the year ended December 31, 2001 from $1,235.5 million in the year ended December 31, 2000. Same facility revenues increased $121.1 million or 11.0% in the year ended December 31, 2001 compared to December 31, 2000. For the year ended December 31, 2001 compared to the year ended December 31, 2000, same facility admissions increased 4.7%, adjusted admissions increased 4.0%, revenues per adjusted admission increased 5.8%, outpatient visits increased 1.8%, outpatient revenue per visit increased 7.8% and surgeries increased 3.1%. Another factor in the increase in revenues was $4.9 million in favorable prior year cost report settlements during 2001. Revenues for the year ended December 31, 2000 included $4.8 million in favorable prior year cost report settlements and contractual estimate adjustments and $5.2 million in unfavorable changes of estimate for contractual discounts at one facility. Revenues for facilities acquired were $1,390.5 million in the year ended December 31, 2001, which included $2.1 million in favorable

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prior year cost report settlements. Revenues for facilities acquired were reduced by $8.3 million associated with coordinating Quorum s accounting policies, practices and estimation processes with ours as discussed previously. The acquired facilities had admissions of 109,455, adjusted admissions of 184,285, outpatient visits of 1,456,472 and surgeries of 125,937. The increase in revenues was partially offset by the facilities that were sold or closed. In the year ended December 31, 2001 compared to the year ended December 31, 2000, the sold or closed facilities revenues decreased $58.3 million, which included $3.1 million in favorable prior year cost report settlements and contractual estimates in 2000. The facilities that were sold or closed had admissions of 7,164, adjusted admissions of 11,700, outpatient visits of 48,068 and surgeries of 11,602 in the year ended December 31, 2001. The facilities that were sold or closed had admissions of 14,576, adjusted admissions of 19,856, outpatient visits of 127,154 and surgeries of 19,541, in the year ended December 31, 2000.

Salaries and benefits (which include contract nursing), as a percentage of revenues, increased to 42.3% in the year ended December 31, 2001 from 41.4% in the year ended December 31, 2000. Same facility salaries and benefits increased 0.7% as a percentage of revenue in the year ended December 31, 2001 compared to the year ended December 31, 2000. This was due primarily to $5.6 million of non-cash stock option expense in 2001, an increase in the number of full time equivalent employees primarily at the corporate office and a smaller favorable adjustment relating to our retirement plan contributions of $1.3 million in 2001 compared to $2.8 million in 2000. This was partially offset by productivity increases. Salaries and benefits for the acquired facilities, as a percentage of revenue, were 43.1% in the year ended December 31, 2001. This includes approximately $3.0 million in duplicate overhead costs and stay-on bonuses at the former Quorum corporate office and approximately $1.0 million in severance cost for a reduction in force at QHR. Also included in salaries and benefits for the acquired facilities are salaries from owned physician practices, which are higher as a percentage of revenue than traditional hospital operations. Salaries and benefits for the facilities sold or closed were $27.2 million in the year ended December 31, 2001 compared to $59.4 million in the year ended December 31, 2000, which included approximately $2.6 million of severance costs associated with the closure of two facilities.

Reimbursable expenses were 1.6% as a percentage of revenue in the year ended December 31, 2001. Reimbursable expenses relate primarily to salaries and benefits of QHR employees who serve as executives at hospitals managed by QHR. These expenses are also included as a component of revenues.

Supplies increased as a percentage of revenues to 15.4% in the year ended December 31, 2001 from 15.0% in the year ended December 31, 2000. Same facility supplies increased 0.3% as a percentage of revenue in the year ended December 31, 2001 compared to the year ended December 31, 2000. This was due primarily to higher patient acuity and supply cost increases. Additionally, we had unfavorable adjustments of $1.1 million in the year ended December 31, 2000 at one facility from the write-off of certain expenditures that were previously capitalized. Supplies for the acquired facilities, as a percentage of revenue, were 15.5% in the year ended December 31, 2001. Supplies for the facilities sold or closed were $8.8 million in the year ended December 31, 2001 compared to $17.7 million in the year ended December 31, 2000.

Other operating expenses (primarily consisting of contract services, professional fees, repairs and maintenance, rents and leases, utilities, insurance and non-income taxes) decreased as a percentage of revenues to 18.8% in the year ended December 31, 2001 compared to 21.0% in the year ended December 31, 2000. Same facility other operating expenses decreased 0.2% as a percentage of revenue in the year ended December 31, 2001 compared to the year ended December 31, 2000. This decrease was due primarily to the increase in revenues. This was partially offset by an increase in professional fees at the corporate office. Other operating expenses for the acquired facilities, as a percentage of revenue, were 17.3% in the year ended December 31, 2001. Other operating expenses for the facilities sold or closed were $14.2 million in the year ended December 31, 2001 compared to $30.9 million in the year ended December 31, 2000.

Provision for doubtful accounts, as a percentage of revenues, increased to 9.0% in the year ended December 31, 2001 compared to 8.4% in the year ended December 31, 2000. Same facility provision for doubtful accounts increased 1.4% as a percentage of revenue in the year ended December 31, 2001 compared to the year ended

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December 31, 2000. This was due, in part, to an increase in emergency room visits, primarily in Texas, which typically have a higher incidence of uninsured accounts. We also refined the estimation process of the allowance for doubtful accounts resulting in a $2.0 million reduction in the provision in 2000. Provision for doubtful accounts for the acquired facilities, as a percentage of revenue, was 8.7% in the year ended December 31, 2001. As discussed previously, included in the provision for doubtful accounts were $18.5 million in charges associated with coordinating Quorum s accounting policies, practices and estimation processes with ours. Provision for doubtful accounts for the facilities sold or closed was $6.8 million in the year ended December 31, 2001 compared to $13.7 million in the year ended December 31, 2000.

Depreciation and amortization, as a percentage