

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), and 6058(a) of the Internal Revenue Code (the Code). <p style="text-align: center;">▶ Complete all entries in accordance with the instructions to the Form 5500.</p>	OMB Nos. 1210-0110 1210-0089 2010 This Form is Open to Public Inspection
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Part I	Annual Report Identification Information		
For calendar plan year 2010 or fiscal plan year beginning <u>01/01/2010</u> and ending <u>12/31/2010</u>			
A This return/report is for:	☐ a multiemployer plan;	☐ a multiple-employer plan; or	
	☒ a single-employer plan;	☐ a DFE (specify) ____	
B This return/report is:	☐ the first return/report;	☐ the final return/report;	
	☐ an amended return/report;	☐ a short plan year return/report (less than 12 months).	
C If the plan is a collectively-bargained plan, check here.	☐		
D Check box if filing under:	☒ Form 5558;	☐ automatic extension;	☐ the DFVC program;
	☐ special extension (enter description)		

Part II	Basic Plan Information —enter all requested information		
1a Name of plan <u>CAPELLA HEALTHCARE, INC. 401(K) RETIREMENT PLAN</u>	1b Three-digit plan number (PN) ▶	<u>001</u>	
	1c Effective date of plan	<u>12/01/2005</u>	
2a Plan sponsor's name and address (employer, if for a single-employer plan) (Address should include room or suite no.) <u>CAPELLA HEALTHCARE, INC.</u> <u>TWO CORPORATE CENTRE, SUITE 200</u> <u>FRANKLIN, TN 37067-2662</u>	2b Employer Identification Number (EIN) <u>20-2767829</u>	2c Sponsor's telephone number <u>615-764-3011</u>	2d Business code (see instructions) <u>622000</u>

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	10/17/2011	CAROLYN SCHNEIDER
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE			
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.

Form 5500 (2010)
v.092307.1

3a Plan administrator's name and address (if same as plan sponsor, enter "Same")

CAPELLA HEALTHCARE, INC.

TWO CORPORATE CENTRE, SUITE 200
FRANKLIN, TN 37067-2662**3b** Administrator's EIN

20-2767829

3c Administrator's telephone number

615-764-3011

4 If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report:**a** Sponsor's name**4b** EIN**4c** PN**5** Total number of participants at the beginning of the plan year**5**

5627

6 Number of participants as of the end of the plan year (welfare plans complete only lines **6a**, **6b**, **6c**, and **6d**).**a** Active participants.....**6a**

5061

b Retired or separated participants receiving benefits.....**6b**

5

c Other retired or separated participants entitled to future benefits.....**6c**

513

d Subtotal. Add lines **6a**, **6b**, and **6c**.....**6d**

5579

e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.....**6e**

5

f Total. Add lines **6d** and **6e**.....**6f**

5584

g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....**6g**

3644

h Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested.....**6h**

103

7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item)**7****8a** If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions:

2F 2G 2J 2K 2T 3H

b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristic Codes in the instructions:**9a** Plan funding arrangement (check all that apply)(1) ☐

Insurance

(2) ☐

Code section 412(e)(3) insurance contracts

(3) ☒

Trust

(4) ☐

General assets of the sponsor

9b Plan benefit arrangement (check all that apply)(1) ☐

Insurance

(2) ☐

Code section 412(e)(3) insurance contracts

(3) ☒

Trust

(4) ☐

General assets of the sponsor

10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)**a Pension Schedules**(1) ☒**R** (Retirement Plan Information)(2) ☐**MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary(3) ☐**SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary**b General Schedules**(1) ☒**H** (Financial Information)(2) ☐**I** (Financial Information - Small Plan)(3) ☐**A** (Insurance Information)(4) ☒**C** (Service Provider Information)(5) ☒**D** (DFE/Participating Plan Information)(6) ☐**G** (Financial Transaction Schedules)

SCHEDULE C (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Service Provider Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110
		2010
		This Form is Open to Public Inspection.
For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010		
A Name of plan CAPELLA HEALTHCARE, INC. 401(K) RETIREMENT PLAN	B Three-digit plan number (PN) ▶	001
C Plan sponsor's name as shown on line 2a of Form 5500 CAPELLA HEALTHCARE, INC.	D Employer Identification Number (EIN) 20-2767829	

Part I	Service Provider Information (see instructions)
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You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

1 Information on Persons Receiving Only Eligible Indirect Compensation

a Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions)..... ☒ Yes ☐ No

b If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

DIVERSIFIED INVESTMENT ADVISORS

13-3689044

(b) Enter name and EIN or address of person who provided you disclosure on eligible indirect compensation
--

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2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

DIVERSIFIED INVESTMENT ADVISORS

13-3689044

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
12 15 28 37 38 50 54 59 61 62 63 64 65	RECORD KEEPER	157832	Yes ☒ No ☐	Yes ☒ No ☐	0	Yes ☒ No ☐

(a) Enter name and EIN or address (see instructions)

DIMEO SCHNEIDER & ASSOCIATES, LLC

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
27	INVESTMENT CONSULTANT	101758	Yes ☐ No ☒	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

NATIONAL FINANCIAL SERVICES

04-3523567

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
33	SECURITIES BROKER	0	Yes ☒ No ☐	Yes ☐ No ☒	0	Yes ☒ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

Part I Service Provider Information (continued)

3 If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
DIVERSIFIED INVESTMENT ADVISORS	12 15 28 37 38 50 54 59 61 62 63 64 65	0

(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.
PIMCO 1345 AVENUE OF THE AMERICAS NEW YORK, NY 10105	REVENUE SHARING SEE ATTACHMENT TO LINE 2(H)

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
DIVERSIFIED INVESTMENT ADVISORS	12 15 28 37 38 50 54 59 61 62 63 64 65	0

(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.
AMERICAN FUNDS 5300 ROBIN HOOD ROAD NORFOLK, VA 23513	REVENUE SHARING SEE ATTACHMENT TO LINE 2(H)

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
DIVERSIFIED INVESTMENT ADVISORS	12 15 28 37 38 50 54 59 61 62 63 64 65	0

(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.
DODGE & COX 555 CALIFORNIA STREET 40TH FLOOR SAN FRANCISCO, CA 94104	REVENUE SHARING SEE ATTACHMENT TO LINE 2(H)

Part I Service Provider Information (continued)

3 If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
DIVERSIFIED INVESTMENT ADVISORS	12 15 28 37 38 50 54 59 61 62 63 64 65	0
(d) Enter name and EIN (address) of source of indirect compensation		(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.
EATON VANCE TWO INTERNATIONAL PLACE BOSTON, MA 02110	REVENUE SHARING SEE ATTACHMENT TO LINE 2(H)	
<hr/>		
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
DIVERSIFIED INVESTMENT ADVISORS	12 15 28 37 38 50 54 59 61 62 63 64 65	0
(d) Enter name and EIN (address) of source of indirect compensation		(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.
FIRST AMERICAN PO BOX 882511 SAN DIEGO, CA 92168	REVENUE SHARING SEE ATTACHMENT TO LINE 2(H)	
<hr/>		
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
DIVERSIFIED INVESTMENT ADVISORS	12 15 28 37 38 50 54 59 61 62 63 64 65	0
(d) Enter name and EIN (address) of source of indirect compensation		(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.
VAN KAMPEN FUNDS 1 PARKVIEW PLAZA SUITE 100 OAKBROOK TERRACE, IL 60181	REVENUE SHARING SEE ATTACHMENT TO LINE 2(H)	

Part I Service Provider Information (continued)

3 If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
DIVERSIFIED INVESTMENT ADVISORS	12 15 28 37 38 50 54 59 61 62 63 64 65	0
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
DWS 210 WEST 10TH STREET KANSAS CITY, MO 64105	REVENUE SHARING SEE ATTACHMENT TO LINE 2(H)	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
NATIONAL FINANCIAL SERVICES	33	0
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
PIMCO 1345 AVENUE OF THE AMERICAS NEW YORK, NY 10105	REVENUE SHARING SEE ATTACHMENT TO LINE 2(H)	
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
NATIONAL FINANCIAL SERVICES	33	0
(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
AMERICAN FUNDS 5300 ROBIN HOOD ROAD NORFOLK, VA 23513	REVENUE SHARING SEE ATTACHMENT TO LINE 2(H)	

Part I Service Provider Information (continued)

3 If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
NATIONAL FINANCIAL SERVICES	33	0

(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
DODGE & COX 555 CALIFORNIA STREET 40TH FLOOR SAN FRANCISCO, CA 94104	REVENUE SHARING SEE ATTACHMENT TO LINE 2(H)	

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
NATIONAL FINANCIAL SERVICES	33	0

(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
EATON VANCE TWO INTERNATIONAL PLACE BOSTON, MA 02110	REVENUE SHARING SEE ATTACHMENT TO LINE 2(H)	

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
NATIONAL FINANCIAL SERVICES	33	0

(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.	
FIRST AMERICAN PO BOX 882511 SAN DIEGO, CA 92168	REVENUE SHARING SEE ATTACHMENT TO LINE 2(H)	

Part I Service Provider Information (continued)

3 If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
NATIONAL FINANCIAL SERVICES	33	0
(d) Enter name and EIN (address) of source of indirect compensation		(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.
VAN KAMPEN FUNDS 1 PARKVIEW PLAZA SUITE 100 OAKBROOK TERRACE, IL 60181		REVENUE SHARING SEE ATTACHMENT TO LINE 2(H)
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
NATIONAL FINANCIAL SERVICES	33	0
(d) Enter name and EIN (address) of source of indirect compensation		(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.
DWS 210 WEST 10TH STREET KANSAS CITY, MO 64105		REVENUE SHARING SEE ATTACHMENT TO LINE 2(H)
(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
(d) Enter name and EIN (address) of source of indirect compensation		(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.

Part II Service Providers Who Fail or Refuse to Provide Information

4 Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide

Part III **Termination Information on Accountants and Enrolled Actuaries (see instructions)**
(complete as many entries as needed)

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN:
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN;
c Position:	
d Address:	e Telephone:

Explanation:

a Name:	b EIN;
c Position:	
d Address:	e Telephone:

Explanation:

<div>SCHEDULE D</div> <div>(Form 5500)</div> <div>Department of the Treasury Internal Revenue Service</div> <div>Department of Labor Employee Benefits Security Administration</div>		<div>DFE/Participating Plan Information</div> <div>This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).</div> <div>▶ File as an attachment to Form 5500.</div>		<div>OMB No. 1210-0110</div> <div>2010</div> <div>This Form is Open to Public Inspection.</div>	
For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010					
A Name of plan CAPELLA HEALTHCARE, INC. 401(K) RETIREMENT PLAN				B Three-digit plan number (PN) ▶ 001	
C Plan or DFE sponsor's name as shown on line 2a of Form 5500 CAPELLA HEALTHCARE, INC.				D Employer Identification Number (EIN) 20-2767829	
Part I Information on interests in MTIAs, CCTs, PSAs, and 103-12 IEs (to be completed by plans and DFEs) (Complete as many entries as needed to report all interests in DFEs)					
a Name of MTIA, CCT, PSA, or 103-12 IE: DIVERSIFIED COLLECTIVE TRUST FUNDS					
b Name of sponsor of entity listed in (a): DIVERSIFIED INVESTMENT ADVISORS					
c EIN-PN 13-3689044-001		d Entity code C		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions) 16604488	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MTIA, CCT, PSA, or 103-12 IE at end of year (see instructions)	
a Name of MTIA, CCT, PSA, or 103-12 IE:					
b Name of sponsor of entity listed in (a):					
c EIN-PN		d Entity code		e Dollar value of interest in MT	

a Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
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103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
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103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
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code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)**a** Name of MTIA, CCT, PSA, or 103-12 IE:**b** Name of sponsor of entity listed in (a):**c** EIN-PN**d** Entity
code**e** Dollar value of interest in MTIA, CCT, PSA, or
103-12 IE at end of year (see instructions)

Part II Information on Participating Plans (to be completed by DFEs)

(Complete as many entries as needed to report all participating plans)

a Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN**a** Plan name**b** Name of
plan sponsor**c** EIN-PN

SCHEDULE H (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110
		2010
		This Form is Open to Public Inspection

For calendar plan year 2010 or fiscal plan year beginning **01/01/2010** and ending **12/31/2010**

A Name of plan CAPELLA HEALTHCARE, INC. 401(K) RETIREMENT PLAN	B Three-digit plan number (PN) ►	001
C Plan sponsor's name as shown on line 2a of Form 5500 CAPELLA HEALTHCARE, INC.	D Employer Identification Number (EIN) 20-2767829	

Part I	Asset and Liability Statement
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1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash	1a		
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)		
(2) Participant contributions	1b(2)		
(3) Other.....	1b(3)		
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)	164263	26347
(2) U.S. Government securities.....	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other.....	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property)	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans	1c(8)	903342	803307
(9) Value of interest in common/collective trusts.....	1c(9)	16766587	16604488
(10) Value of interest in pooled separate accounts.....	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds).....	1c(13)	95253306	113527615
(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)		
(15) Other	1c(15)	530393	1305458

1d Employer-related investments:

		(a) Beginning of Year	(b) End of Year
(1) Employer securities	1d(1)		
(2) Employer real property	1d(2)		
e Buildings and other property used in plan operation	1e		
f Total assets (add all amounts in lines 1a through 1e)	1f	113617891	132267215

Liabilities

g Benefit claims payable	1g		
h Operating payables	1h		
i Acquisition indebtedness	1i		
j Other liabilities	1j		
k Total liabilities (add all amounts in lines 1g through 1j)	1k		

Net Assets

l Net assets (subtract line 1k from line 1f)	1l	113617891	132267215
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Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

Income**a Contributions:**

		(a) Amount	(b) Total
(1) Received or receivable in cash from: (A) Employers	2a(1)(A)	3741532	
(B) Participants	2a(1)(B)	10389211	
(C) Others (including rollovers)	2a(1)(C)	379723	
(2) Noncash contributions	2a(2)		
(3) Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)		14510466

b Earnings on investments:**(1) Interest:**

(A) Interest-bearing cash (including money market accounts and certificates of deposit)	2b(1)(A)	15	
(B) U.S. Government securities	2b(1)(B)		
(C) Corporate debt instruments	2b(1)(C)		
(D) Loans (other than to participants)	2b(1)(D)		
(E) Participant loans	2b(1)(E)	50764	
(F) Other	2b(1)(F)		
(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)		50779

(2) Dividends: (A) Preferred stock	2b(2)(A)		
(B) Common stock	2b(2)(B)		
(C) Registered investment company shares (e.g. mutual funds)	2b(2)(C)	2454388	
(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)		2454388

(3) Rents	2b(3)		
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(4) Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)		
(B) Aggregate carrying amount (see instructions)	2b(4)(B)		
(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)		

		(a) Amount	(b) Total
2b (5) Unrealized appreciation (depreciation) of assets: (A) Real estate.....	2b(5)(A)		
(B) Other	2b(5)(B)		
(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)		
(6) Net investment gain (loss) from common/collective trusts	2b(6)		812546
(7) Net investment gain (loss) from pooled separate accounts	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds).....	2b(10)		10210105
c Other income.....	2c		380018
d Total income. Add all income amounts in column (b) and enter total.....	2d		28418302

Expenses

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers	2e(1)	9422074	
(2) To insurance carriers for the provision of benefits	2e(2)		
(3) Other	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3)	2e(4)		9422074
f Corrective distributions (see instructions)	2f		67455
g Certain deemed distributions of participant loans (see instructions).....	2g		19859
h Interest expense.....	2h		
i Administrative expenses: (1) Professional fees	2i(1)		
(2) Contract administrator fees	2i(2)		
(3) Investment advisory and management fees	2i(3)	101758	
(4) Other	2i(4)	157832	
(5) Total administrative expenses. Add lines 2i(1) through (4)	2i(5)		259590
j Total expenses. Add all expense amounts in column (b) and enter total.....	2j		9768978

Net Income and Reconciliation

k Net income (loss). Subtract line 2j from line 2d	2k		18649324
l Transfers of assets:			
(1) To this plan.....	2l(1)		
(2) From this plan	2l(2)		

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☐ Unqualified (2) ☐ Qualified (3) ☒ Disclaimer (4) ☐ Adverse

b Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)? ☒ Yes ☐ No

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: LATTIMORE BLACK MORGAN & CAIN PC

(2) EIN: 62-1199757

d The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

- 4** CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete 4j and 4l. MTIAs also do not complete 4l.

During the plan year:

	Yes	No	Amount
a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.).....	☒	☐	804192
b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.).....	☐	☒	
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)	☐	☒	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.).....	☐	☒	
e Was this plan covered by a fidelity bond?.....	☒	☐	5000000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?	☐	☒	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?	☐	☒	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?	☐	☒	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.).....	☒	☐	
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.).....	☐	☒	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?.....	☐	☒	
l Has the plan failed to provide any benefit when due under the plan?	☐	☒	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.).....	☐	☒	
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.	☐	☒	

- 5a** Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?
If yes, enter the amount of any plan assets that reverted to the employer this year ☐ Yes ☒ No Amount:

- 5b** If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)

5b(2) EIN(s)	5b(3) PN(s)

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110
		2010
		This Form is Open to Public Inspection.

For calendar plan year 2010 or fiscal plan year beginning 01/01/2010 and ending 12/31/2010

A Name of plan <u>CAPELLA HEALTHCARE, INC. 401(K) RETIREMENT PLAN</u>	B Three-digit plan number (PN) ▶ <u>001</u>
C Plan sponsor's name as shown on line 2a of Form 5500 <u>CAPELLA HEALTHCARE, INC.</u>	D Employer Identification Number (EIN) <u>20-2767829</u>

Part I	Distributions
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All references to distributions relate only to payments of benefits during the plan year.

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....	1	<u>0</u>
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): <u>13-3689044</u>		
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.		
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....	3	

Part II	Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part)
----------------	--

4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)?.....	☐ Yes	☐ No	☐ N/A
If the plan is a defined benefit plan, go to line 8.			
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____	If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.		
6 a Enter the minimum required contribution for this plan year	6a		
b Enter the amount contributed by the employer to the plan for this plan year	6b		
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount).....	6c		
If you completed line 6c, skip lines 8 and 9.			
7 Will the minimum funding amount reported on line 6c be met by the funding deadline?	☐ Yes	☐ No	☐ N/A
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?.....	☐ Yes	☐ No	☐ N/A

Part III	Amendments
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9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box(es). If no, check the "No" box.....	☐ Increase	☐ Decrease	☐ Both	☐ No
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Part IV	ESOPs (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.
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10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?.....	☐ Yes	☐ No
11 a Does the ESOP hold any preferred stock?	☐ Yes	☐ No
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.)	☐ Yes	☐ No
12 Does the ESOP hold any stock that is not readily tradable on an established securities market?	☐ Yes	☐ No

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.

Schedule R (Form 5500) 2010
v.092308.1

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month Day Year

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents)

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

- 14** Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

a The current year	14a	
b The plan year immediately preceding the current plan year	14b	
c The second preceding plan year	14c	

- 15** Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

a The corresponding number for the plan year immediately preceding the current plan year	15a	
b The corresponding number for the second preceding plan year	15b	

- 16** Information with respect to any employers who withdrew from the plan during the preceding plan year:

a Enter the number of employers who withdrew during the preceding plan year	16a	
b If item 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers	16b	

- 17** If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

- 18** If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

- 19** If the total number of participants is 1,000 or more, complete items (a) through (c)

- a** Enter the percentage of plan assets held as:
 Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%
- b** Provide the average duration of the combined investment-grade and high-yield debt:
☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more
- c** What duration measure was used to calculate item 19(b)?
☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): _____

**CAPELLA HEALTHCARE, INC.
401(K) RETIREMENT PLAN**

Financial Statements and Supplemental Schedules

December 31, 2010 and 2009

(With Independent Auditors' Report Thereon)



LATTIMORE BLACK MORGAN & CAIN, PC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

CAPELLA HEALTHCARE, INC. 401(K) RETIREMENT PLAN

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LATTIMORE BLACK MORGAN & CAIN, PC
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

Independent Auditors' Report

The Plan Administration Committee
Capella Healthcare, Inc. 401(k) Retirement Plan:

We were engaged to audit the accompanying statements of net assets available for benefits of the Capella Healthcare, Inc. 401(k) Retirement Plan (the "Plan") as of December 31, 2010 and 2009, the related statements of changes of net assets available for benefits for the years then ended, and the supplemental schedules as of and for the year ended December 31, 2010, as listed in the accompanying table of contents. These financial statements and the supplemental schedules are the responsibility of the Plan's management.

As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, the plan administrator instructed us not to perform, and we did not perform, any auditing procedures with respect to the information summarized in Note 3, which was certified by State Street Bank and Trust Company, the trustee of the Plan, except for comparing such information with the related information included in the financial statements and the supplemental schedules. We have been informed by the plan administrator that the trustee holds the Plan's investment assets and executes investment transactions. The plan administrator has obtained a certification from the trustee as of and for the years ended December 31, 2010 and 2009, that the information provided to the plan administrator by the trustee is complete and accurate.

Because of the significance of the information that we did not audit, we are unable to, and do not, express an opinion on the accompanying financial statements and the supplemental schedules taken as a whole. The form and content of the information included in the financial statements and the supplemental schedules, other than that derived from the information certified by the trustee, have been audited by us in accordance with auditing standards generally accepted in the United States of America and, in our opinion, are presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974.

Lattimore Black Morgan & Cain, P.C.

Brentwood, Tennessee
October 13, 2011

CAPELLA HEALTHCARE, INC. 401(K) RETIREMENT PLAN

Statements of Net Assets Available for Benefits

December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets:		
Investments, at fair value:		
Cash reserve account	\$ 26,347	\$ 172,549
Mutual funds	113,527,615	95,253,306
Collective trust fund	16,969,057	16,793,257
Self-directed investments	<u>1,305,458</u>	<u>530,393</u>
Total investments, at fair value	131,828,477	112,749,505
Receivables:		
Plan Sponsor contributions	-	3,745,399
Participant contributions	390,257	123,855
Notes receivable from participants	<u>803,307</u>	<u>903,342</u>
Total receivables	<u>1,193,564</u>	<u>4,772,596</u>
Net assets available for benefits, at fair value	133,022,041	117,522,101
Adjustment from fair value to contract value for interest in collective trust fund relating to fully benefit-responsive investment contract	<u>(364,569)</u>	<u>(26,670)</u>
Net assets available for benefits	<u>\$ 132,657,472</u>	<u>\$ 117,495,431</u>

See accompanying notes to the financial statements.

CAPELLA HEALTHCARE, INC. 401(K) RETIREMENT PLAN

Statements of Changes in Net Assets Available for Benefits

Years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Additions to net assets attributed to:		
Net change resulting from investment activity:		
Net appreciation in fair value of investments	\$ 11,402,669	\$ 16,439,837
Dividends	<u>2,454,388</u>	<u>2,122,677</u>
Total investment income	13,857,057	18,562,514
Less investment expenses	<u>101,758</u>	<u>85,859</u>
Net change resulting from investment activity	<u>13,755,299</u>	<u>18,476,655</u>
Interest income on notes receivable from participants	<u>50,779</u>	<u>73,373</u>
Contributions:		
Plan Sponsor	6,572	3,745,399
Participants	10,636,888	10,393,879
Participant rollovers	<u>379,723</u>	<u>273,210</u>
Total contributions	<u>11,023,183</u>	<u>14,412,488</u>
Transfers from other benefit plans	<u>-</u>	<u>32,508</u>
Total additions	<u>24,829,261</u>	<u>32,995,024</u>
Deductions from net assets attributed to:		
Benefits paid	9,509,388	11,911,309
Administrative expenses	<u>157,832</u>	<u>152,647</u>
Total deductions	<u>9,667,220</u>	<u>12,063,956</u>
Net increase	15,162,041	20,931,068
Net assets available for benefits at beginning of year	<u>117,495,431</u>	<u>96,564,363</u>
Net assets available for benefits at end of year	\$ <u>132,657,472</u>	\$ <u>117,495,431</u>

See accompanying notes to the financial statements.

CAPELLA HEALTHCARE, INC. 401(K) RETIREMENT PLAN

Notes to the Financial Statements

December 31, 2010 and 2009

(1) Description of plan

The following description of the Capella Healthcare, Inc. 401(k) Retirement Plan (the "Plan") provides only general information. Participants should refer to the plan agreement for a more complete description of the Plan's provisions.

(a) General

The Plan is a defined contribution plan which was adopted on December 1, 2005 to provide retirement benefits for employees of Capella Healthcare, Inc. (the "Plan Sponsor"). The Plan covers substantially all employees who have completed six months of service and are at least eighteen years old ("participants"). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

During 2009, net assets of the Community Health Systems, Inc. 401(k) Plan were merged into the Plan. The net assets transferred of \$32,508 were recognized in the accounts of the Plan at their balances as previously carried in the accounts of the Community Health Systems, Inc. 401(k) Plan.

(b) Contributions

Participants may voluntarily make qualified retirement contributions to the Plan which are deductible by the participants for federal income tax purposes under Section 401(k) of the Internal Revenue Code ("IRC"). Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans.

The Plan Sponsor may contribute a discretionary matching amount. During 2009, the Plan Sponsor contributed an amount equal to 100% of the first 2% of each participant's compensation and 25% of the next 4% of each participant's compensation up to 6% of the participant's compensation. In 2010, an additional \$6,572 was remitted to the Plan for contributions relating to the 2009 Plan Sponsor match. In order for participants to be eligible for the discretionary matching contributions, they must complete 1,000 hours of service during the Plan year. Participants must also be employed on the last day of the Plan year to be eligible for the discretionary matching contributions. No discretionary matching contributions were made by the Plan Sponsor during 2010 .

The Plan also provides that the Plan Sponsor may contribute each year a discretionary profit sharing amount, however, such discretionary contributions by the Plan Sponsor are not required. No discretionary profit sharing contributions were made by the Plan Sponsor during 2010 or 2009.

Plan Sponsor and participant contributions may not exceed the maximum amount deductible for federal income tax purposes.

CAPELLA HEALTHCARE, INC. 401(K) RETIREMENT PLAN

Notes to the Financial Statements

December 31, 2010 and 2009

(c) Participant accounts

Each participant's account is credited with the participant's and Plan Sponsor contributions and allocations of investment earnings (losses) and administrative expenses. Allocations are based on participant's compensation or account balances as defined in the plan agreement. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

(d) Vesting

Participants are immediately vested in their elective salary deferral plus actual earnings (losses) thereon. Vesting in the Plan Sponsor's matching and profit sharing contributions is based on years of continuous service. Participants vest pro rata over five years of service.

(e) Notes receivable from participants

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balance. The loans are secured by the balance in the participant's account and bear interest at rates ranging from 4.10% to 9.59%, which are commensurate with local prevailing rates as determined by the plan administrator. Principal and interest are collected ratably through payroll deductions.

(f) Payment of benefits

On termination of service due to death, permanent disability, or retirement, a participant may elect to receive either a lump-sum payment or annual installments over a specified period equal to his or her entire account balance. For termination of service due to other reasons, a participant will be entitled to receive only the vested interest in his or her account as a lump-sum distribution. If the value of a participant's account is less than \$1,000, the total balance is distributed as an automatic lump-sum payment in cash. For participant accounts greater than \$1,000 but less than \$5,000, the value of the participant's account is rolled into an individual retirement account on behalf of the participant, unless the participant elects to receive a lump-sum payment.

(g) Forfeited accounts

Forfeitures are created when participants terminate employment prior to becoming fully vested in the Plan Sponsor contribution portion of their accounts. Such forfeitures may be used to pay the administration expenses of the Plan, to restore benefits previously forfeited, and to reduce the Plan Sponsor's contributions to the Plan. At December 31, 2010 and 2009, forfeited nonvested accounts totaled \$14,427 and \$153,627, respectively. Forfeited nonvested accounts used amounted to \$281,343 and \$199,456 in 2010 and 2009, respectively.

CAPELLA HEALTHCARE, INC. 401(K) RETIREMENT PLAN

Notes to the Financial Statements

December 31, 2010 and 2009

(h) Hardship withdrawals

The Plan permits distributions in the event of a hardship, as defined in the plan agreement. These distributions are taxable and subject to a tax penalty equal to 10% of the hardship distribution amount if the participant is younger than age 59½. Hardship withdrawals are limited to the participant's elective account balance. If a participant receives a hardship withdrawal from the Plan, the participant will be unable to make contributions to the Plan for a period of six months.

(i) Administrative expenses

Certain administrative expenses are paid by the Plan Sponsor; while certain administrative expenses, as well as investment expenses, are paid by the Plan.

(j) Plan termination

Although it has not expressed any intent to do so, the Plan Sponsor has the right under the plan agreement to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of plan termination, participants will become 100% vested in their accounts.

(2) Summary of significant accounting policies

(a) Recently adopted accounting standards

In September 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2010-25, *Reporting Loans to Participants by Defined Contribution Pension Plans* ("ASU 2010-25"). ASU 2010-25 requires participant loans to be measured at their unpaid principal balance plus any accrued but unpaid interest and to be classified as notes receivable from participants. Previously, loans were measured at fair value and classified as investments. The Plan adopted the amendments in ASU 2010-25, which have been applied retrospectively throughout the Plan's financial statements. Participant loans have been reclassified to notes receivable from participants as of December 31, 2009. Interest income for 2009 related to participant loans has been reclassified to interest income from notes receivable from participants.

In January 2010, the FASB issued Accounting Standards Update 2010-06, *Improving Disclosures about Fair Value Measurements* ("ASU 2010-06"). ASU 2010-06 clarifies that disclosures should be presented separately for each class of assets and liabilities measured at fair value and provides guidance on how to determine the appropriate classes of assets and liabilities to be presented. ASU 2010-06 also clarifies the requirement for entities to disclose information about both the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. In addition, ASU 2010-06 introduced new requirements to disclose the amounts (on a gross basis) and reasons for any significant transfers between Levels 1, 2, and 3 of the fair value hierarchy and to present information regarding the purchases, sales, issuances, and settlements of Level 3 assets and liabilities on a gross basis. With the exception of the requirement to present changes in Level 3 measurements on a gross basis, which is delayed until 2011, the guidance in ASU 2010-06 is effective for reporting periods beginning after December 15, 2009.

CAPELLA HEALTHCARE, INC. 401(K) RETIREMENT PLAN

Notes to the Financial Statements

December 31, 2010 and 2009

The Plan adopted ASU 2010-06 for the Plan year ending December 31, 2010. The adoption did not have an effect on the Plan's net assets available for benefits or its changes in net assets available for benefits, as changes are related to the fair value measurement disclosures.

(b) Basis of accounting

The financial statements of the Plan are prepared under the accrual basis of accounting.

Accounting standards require that investments in collective trust funds that include benefit-responsive investment contracts be presented at fair value in the statement of net assets available for benefits and that the amount representing the difference between fair value and contract value of these investments also be presented on the face of the statement of net assets available for benefits. The statement of changes in net assets available for benefits is prepared on a contract value basis.

(c) Investment valuation and income recognition

The Plan's investments are valued at fair value. These investment values are discussed more fully in Note 4.

Purchases and sales of securities are recorded on a trade-date basis. Dividend income is recorded on the ex-dividend date. Interest income is recorded on the accrual basis.

(d) Notes receivable from participants

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Delinquent participant loans are reclassified as distributions based upon the terms of the plan document.

(e) Payment of benefits

Benefits are recorded when paid.

(f) Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets available for benefits and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

(g) Reclassifications

Certain items in the 2009 financial statements have been reclassified to conform to the presentation of the 2010 financial statements. These reclassifications had no effect on net assets available for benefits or changes therein as previously reported.

CAPELLA HEALTHCARE, INC. 401(K) RETIREMENT PLAN

Notes to the Financial Statements

December 31, 2010 and 2009

(h) Events occurring after reporting date

The Plan has evaluated events and transactions that occurred between December 31, 2010 and October 13, 2011, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

(3) Summary of information certified by trustee

The following information was certified as complete and accurate by State Street Bank and Trust Company, the trustee of the Plan, as of and for the years ended December 31, 2010 and 2009.

	<u>2010</u>	<u>2009</u>
Mutual funds and self-directed investments, at fair value	\$ <u>114,859,420</u>	\$ <u>95,956,248</u>
Notes receivable from participants	\$ <u>803,307</u>	\$ <u>903,342</u>
Collective trust fund, at contract value	\$ <u>16,604,488</u>	\$ <u>16,766,587</u>
Net change resulting from investment activity	\$ <u>13,857,057</u>	\$ <u>18,562,514</u>
Interest income on notes receivable from participants	\$ <u>50,779</u>	\$ <u>73,373</u>

(4) Fair value measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

CAPELLA HEALTHCARE, INC. 401(K) RETIREMENT PLAN

Notes to the Financial Statements

December 31, 2010 and 2009

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2010 and 2009.

- (i) *Cash reserve account:* Valued at the net asset value of shares held by the Plan at year end in an active market.
- (ii) *Mutual funds:* Valued at the net asset value of shares held by the Plan at year end in an active market.
- (iii) *Collective trust fund:* The value of the Plan's interest in the collective trust fund is based upon the current value of and net investment gain or loss relating to the units of participation held by the Plan. The value is not a publicly quoted price in an active market. The collective trust fund provides for daily redemption by the Plan at the stated unit value as of the close of business on any business day subject to certain limitations imposed by the trust agreement.
- (iv) *Self-directed investments:* The self-directed investments consist primarily of common stock and mutual funds which are valued at the closing price reported on the active market for common stock held and the net asset value of the mutual fund shares held and money market funds. While the majority of the underlying asset values are based on quoted prices, the net asset value of some of the individually directed accounts are not publicly quoted.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2010 and 2009:

Fair Value Measurements as of December 31, 2010 using the following inputs				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash reserve account	\$ 26,347	\$ -	\$ -	\$ 26,347
Mutual funds:				
Balanced funds	67,735,273	-	-	67,735,273
Fixed income funds	13,660,923	-	-	13,660,923
Growth funds	20,849,106	-	-	20,849,106
Index funds	11,282,313	-	-	11,282,313
Total mutual funds	113,527,615	-	-	113,527,615
Collective trust fund	-	16,969,057	-	16,969,057
Self-directed investments	1,269,050	36,408	-	1,305,458
Total	<u>\$114,823,012</u>	<u>\$ 17,005,465</u>	<u>\$ -</u>	<u>\$131,828,477</u>

CAPELLA HEALTHCARE, INC. 401(K) RETIREMENT PLAN

Notes to the Financial Statements

December 31, 2010 and 2009

Fair Value Measurements as of December 31, 2009 using the following inputs

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash reserve account	\$ 172,549	\$ -	\$ -	\$ 172,549
Mutual funds:				
Balanced funds	55,911,392	-	-	55,911,392
Fixed income funds	12,108,736	-	-	12,108,736
Growth funds	17,218,041	-	-	17,218,041
Index funds	<u>10,015,137</u>	<u>-</u>	<u>-</u>	<u>10,015,137</u>
Total mutual funds	95,253,306	-	-	95,253,306
Collective trust fund	-	16,793,257	-	16,793,257
Self-directed investments	<u>469,759</u>	<u>60,634</u>	<u>-</u>	<u>530,393</u>
Total	<u>\$ 95,895,614</u>	<u>\$ 16,853,891</u>	<u>\$ -</u>	<u>\$ 112,749,505</u>

(5) Investments and investment income

The fair value of investments that represents 5% or more of the Plan's net assets as of December 31, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
PIMCO Total Return Fund	\$ <u>10,300,689</u>	\$ <u>8,757,316</u>
Vanguard 500 Index Fund	\$ <u>9,456,576</u>	\$ <u>8,794,699</u>
Vanguard Target Retirement 2015 Fund	\$ <u>13,303,179</u>	\$ <u>12,010,943</u>
Vanguard Target Retirement 2020 Fund	\$ <u>16,859,634</u>	\$ <u>13,431,962</u>
Vanguard Target Retirement 2025 Fund	\$ <u>10,801,356</u>	\$ <u>8,837,422</u>
Vanguard Target Retirement 2030 Fund	\$ <u>7,366,459</u>	<u>**</u>
Wells Fargo Stable Pooled Fund	\$ <u>16,969,057</u>	\$ <u>16,793,257</u>

** Investment does not represent 5% or more of the Plan's net assets for the respective year.

During 2010 and 2009, substantially all of the net appreciation in the Plan's investments (including net gains and losses on investments bought and sold, as well as held during the year) was attributed to mutual funds.

(6) Nonparticipant-directed investments

Information about the net assets and significant components of the changes in net assets relating to nonparticipant-directed investments as of December 31, 2010 and 2009 and for the years then ended is as follows:

	<u>2010</u>	<u>2009</u>
Net assets:		
Cash reserve account	\$ <u>26,347</u>	\$ <u>172,549</u>

CAPELLA HEALTHCARE, INC. 401(K) RETIREMENT PLAN

Notes to the Financial Statements

December 31, 2010 and 2009

Changes in net assets:

Transfers into fund	\$ 143,412	\$ 326,041
Interest	15	103
Transfers out of fund	<u>(289,629)</u>	<u>(416,366)</u>
	\$ <u>(146,202)</u>	\$ <u>(90,222)</u>

(7) Income tax status

The Plan received a favorable determination letter from the Internal Revenue Service ("IRS") on February 14, 2011, in which the IRS stated that the Plan was in compliance with the applicable requirements of the IRC. The Plan is required to operate in conformity with the IRC to maintain its qualification. The Plan has been amended since receiving the determination letter, however, the plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable provisions of the IRC.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the plan and recognize a tax liability or asset if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2010, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or asset or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The plan administrator believes it is no longer subject to income tax examinations for years prior to 2007.

(8) Untimely remittance of participant contributions and loan repayments

The Plan Sponsor is required by Department of Labor regulation to remit participant contributions and loan repayments as soon as practicable, but by no later than the fifteenth business day following the end of the month in which the amounts were withheld from wages. For certain contributions withheld from certain payrolls during 2010 and 2009, the funds were not remitted timely. Imputed earnings on certain late remittances were remitted to the Plan in 2010. During 2011, the Plan Sponsor intends to remit imputed earnings on the remaining late remittances.

(9) Related party transactions

Certain plan investments were shares of a money market fund managed by State Street Bank and Trust Company, the trustee of the Plan and, therefore, these transactions qualify as party-in-interest transactions. The Plan also holds notes receivable from participants which qualify as party-in-interest transactions. Investment expenses of \$101,758 in 2010 and \$85,859 in 2009 and administrative expenses of \$157,832 in 2010 and \$152,647 in 2009 were paid by the Plan to the investment advisor and third party administrator, respectively.

CAPELLA HEALTHCARE, INC. 401(K) RETIREMENT PLAN

Notes to the Financial Statements

December 31, 2010 and 2009

(10) Reconciliation of financial statements to Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500 as of December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Net assets available for benefits per the financial statements	\$ 132,657,472	\$ 117,495,431
Plan Sponsor contributions receivable	-	(3,745,399)
Participant contributions receivable	(390,257)	(123,855)
Suspense account	<u>-</u>	<u>(8,286)</u>
Net assets available for benefits per the Form 5500	<u>\$ 132,267,215</u>	<u>\$ 113,617,891</u>

The following is a reconciliation of the change in net assets available for benefits per the financial statements to the Form 5500 for the years ended December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Change in net assets available for benefits per the financial statements	\$ 15,162,041	\$ 20,931,068
Change in Plan Sponsor contributions receivable	3,745,399	(268,128)
Change in participant contributions receivable	(266,402)	47,601
Changes in payables to participants	-	(279,604)
Change in suspense account	<u>8,286</u>	<u>(8,286)</u>
Change in net assets available for benefits per the Form 5500	<u>\$ 18,649,324</u>	<u>\$ 20,422,651</u>

(11) Risks and uncertainties

The Plan utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits.

(12) Subsequent event

During 2011, net assets of the DeKalb Community and Stones River Hospitals Retirement Savings Plan were merged into the Plan. The net assets transferred, of approximately \$2,300,000, were recognized in the accounts of the Plan at their balances as previously carried in the accounts of the DeKalb Community and Stones River Hospitals Retirement Savings Plan.

CAPELLA HEALTHCARE, INC. 401(K) RETIREMENT PLAN

EIN 20-2767829, PLAN No. 001

Schedule H, line 4i - Schedule of Assets (Held at End of Year)

December 31, 2010

(a)	(b)	(c)	(d)	(e)
	Identity of issue, borrower, lessor, or similar party	Description of investment, including maturity date, rate of interest, collateral, par or maturity value	Cost	Current value
*	Money market fund - State Street Bank and Trust	Cash Reserve Account	\$ 26,347	\$ 26,347
	Mutual funds:			
	American Funds	Europacific Fund		3,697,480
	Dodge & Cox	International Fund		4,274,603
	DWS	Dreman Small Cap Value Fund		4,973,634
	Eaton Van	Large Cap Value Fund		2,636,545
	Federated	US Treasury Cash Reserves Fund	**	3,360,234
	Nuveen	Real Estate Securities Fund		1,365,586
	PIMCO	Total Return Fund		10,300,689
	Turner	Core Growth Fund		2,345,934
	Vanguard	500 Index Fund		9,456,576
	Vanguard	Mid Cap Index Fund		1,825,737
	Vanguard	Retirement Income Fund	**	555,653
	Vanguard	Small Cap Growth Fund	**	1,555,324
	Vanguard	Target Retirement 2005 Fund	**	2,097,084
	Vanguard	Target Retirement 2010 Fund	**	4,650,960
	Vanguard	Target Retirement 2015 Fund	**	13,303,179
	Vanguard	Target Retirement 2020 Fund	**	16,859,634
	Vanguard	Target Retirement 2025 Fund	**	10,801,356
	Vanguard	Target Retirement 2030 Fund	**	7,366,459
	Vanguard	Target Retirement 2035 Fund	**	6,393,526
	Vanguard	Target Retirement 2040 Fund	**	3,162,812
	Vanguard	Target Retirement 2045 Fund	**	2,283,759
	Vanguard	Target Retirement 2050 Fund	**	<u>260,851</u>
	Total mutual funds			113,527,615
	Collective trust fund - Wells Fargo	Stable Pooled Fund, at contract value	**	16,604,488
*	Notes receivable from participants	Loans to participants with interest rates ranging from 4.10% to 9.59%, various maturity dates through January 2021	-	803,307
	Self-directed investments - Charles Schwab Institutional	Personal Choice Retirement Accounts	**	<u>1,305,458</u>
		Total investments		<u>\$ 132,267,215</u>

* Represents a party-in-interest.

** Not required for participant directed plans.

The above data is based upon information which has been certified as complete and accurate by State Street Bank and Trust Company, the trustee.

CAPELLA HEALTHCARE, INC. 401(K) RETIREMENT PLAN

EIN 20-2767829, PLAN No. 001

Schedule H, line 4a - Schedule of Delinquent Participant Contributions

Year Ended December 31, 2010

	Date Contributions Were Withheld From Pay	Date Remitted by the Plan Sponsor	Participant Contributions Transferred Late to the Plan	Total that Constitute Nonexempt Prohibited Transactions			Total Fully Corrected Under VFCP and PTE 2002-51
				Contributions not Corrected	Contributions Corrected Outside VFCP	Contributions Pending Correction in VFCP	
*	May 31, 2009	June 26, 2009	\$ 62,719	\$ 62,719	\$ -	\$ -	\$ -
*	June 5, 2009	August 14, 2009	409	409	-	-	-
*	June 9, 2009	August 14, 2009	43	43	-	-	-
*	August 31, 2009	October 2, 2009	49,382	49,382	-	-	-
*	September 11, 2009	October 30, 2009	26,574	-	26,574	-	-
*	September 25, 2009	October 23, 2009	972	972	-	-	-
	September 30, 2009	December 23, 2009	22	22	-	-	-
*	October 31, 2009	December 4, 2009	49,640	49,640	-	-	-
*	November 14, 2009	December 18, 2009	310	-	310	-	-
*	December 4, 2009	February 9, 2010	29,553	-	29,553	-	-
	December 31, 2009	July 28, 2010	4,336	4,336	-	-	-
*	March 12, 2010	April 29, 2010	183,436	-	183,436	-	-
*	March 19, 2010	April 29, 2010	145,462	-	145,462	-	-
*	March 26, 2010	April 29, 2010	174,186	-	174,186	-	-
	March 27, 2010	May 3, 2010	6,620	6,620	-	-	-
*	April 30, 2010	May 28, 2010	9,558	9,558	-	-	-
*	September 25, 2010	October 22, 2010	8,660	8,660	-	-	-
	October 15, 2010	February 4, 2011	22,118	22,118	-	-	-

CAPELLA HEALTHCARE, INC. 401(K) RETIREMENT PLAN

EIN 20-2767829, PLAN No. 001

Schedule H, line 4a - Schedule of Delinquent Participant Contributions, continued

Year Ended December 31, 2010

	Date Contributions Were Withheld From Pay	Date Remitted by the Plan Sponsor	Participant Contributions Transferred Late to the Plan	Total that Constitute Nonexempt Prohibited Transactions			Total Fully Corrected Under VFCP and PTE 2002-51
				Contributions not Corrected	Contributions Corrected Outside VFCP	Contributions Pending Correction in VFCP	
*	November 26, 2010	December 22, 2010	\$ 8,411	\$ 8,411	\$ -	\$ -	\$ -
	December 18, 2010	January 28, 2011	19,410	19,410	-	-	-
	December 31, 2010	May 20, 2011	1,971	1,971	-	-	-

* Amount includes late participant loan repayments.

CAPELLA HEALTHCARE, INC. 401(K) RETIREMENT PLAN

EIN 20-2767829, PLAN No. 001

Schedule H, line 4a - Schedule of Delinquent Participant Contributions

Year Ended December 31, 2010

	Date Contributions Were Withheld From Pay	Date Remitted by the Plan Sponsor	Participant Contributions Transferred Late to the Plan	Total that Constitute Nonexempt Prohibited Transactions			Total Fully Corrected Under VFCP and PTE 2002-51
				Contributions not Corrected	Contributions Corrected Outside VFCP	Contributions Pending Correction in VFCP	
*	May 31, 2009	June 26, 2009	\$ 62,719	\$ 62,719	\$ -	\$ -	\$ -
*	June 5, 2009	August 14, 2009	409	409	-	-	-
*	June 9, 2009	August 14, 2009	43	43	-	-	-
*	August 31, 2009	October 2, 2009	49,382	49,382	-	-	-
*	September 11, 2009	October 30, 2009	26,574	-	26,574	-	-
*	September 25, 2009	October 23, 2009	972	972	-	-	-
	September 30, 2009	December 23, 2009	22	22	-	-	-
*	October 31, 2009	December 4, 2009	49,640	49,640	-	-	-
*	November 14, 2009	December 18, 2009	310	-	310	-	-
*	December 4, 2009	February 9, 2010	29,553	-	29,553	-	-
	December 31, 2009	July 28, 2010	4,336	4,336	-	-	-
*	March 12, 2010	April 29, 2010	183,436	-	183,436	-	-
*	March 19, 2010	April 29, 2010	145,462	-	145,462	-	-
*	March 26, 2010	April 29, 2010	174,186	-	174,186	-	-
	March 27, 2010	May 3, 2010	6,620	6,620	-	-	-
*	April 30, 2010	May 28, 2010	9,558	9,558	-	-	-
*	September 25, 2010	October 22, 2010	8,660	8,660	-	-	-
	October 15, 2010	February 4, 2011	22,118	22,118	-	-	-

CAPELLA HEALTHCARE, INC. 401(K) RETIREMENT PLAN

EIN 20-2767829, PLAN No. 001

Schedule H, line 4a - Schedule of Delinquent Participant Contributions, continued

Year Ended December 31, 2010

	Date Contributions Were Withheld From Pay	Date Remitted by the Plan Sponsor	Participant Contributions Transferred Late to the Plan	Total that Constitute Nonexempt Prohibited Transactions			Total Fully Corrected Under VFCP and PTE 2002-51
				Contributions not Corrected	Contributions Corrected Outside VFCP	Contributions Pending Correction in VFCP	
*	November 26, 2010	December 22, 2010	\$ 8,411	\$ 8,411	\$ -	\$ -	\$ -
	December 18, 2010	January 28, 2011	19,410	19,410	-	-	-
	December 31, 2010	May 20, 2011	1,971	1,971	-	-	-

* Amount includes late participant loan repayments.

Schedule C, Line 2(h) Formula Descriptions

Capella Healthcare, Inc. 401(k) Retirement Plan

EIN No.: 20-2767829, Plan No. 001

Plan Year Ending: 12/31/2010

Indirect Compensation in the form of revenue sharing was paid to the following Service Providers:

Diversified Investment Advisors (13-3689044)

National Financial Services (04-3523567)

Mid Atlantic Capital Corporation (25-1409618)

Revenue amounts are shown in annualized basis points of plan assets invested in applicable fund

Fund Family	Fund Name	Start Date	End Date	Revenue to Diversified Investment Advisors	Revenue to National Financial Services
PIMCO	PIMCO TOTAL RETURN,ADMIN CLASS	1/1/2010	12/31/2010	24.175	0.825
AMERICAN FUNDS	AMERICAN EUROPACIFIC, R4 CLASS	1/1/2010	12/31/2010	33.845	1.155
DODGE & COX	DODGE & COX INTERNATIONAL	1/1/2010	12/31/2010	9.670	0.330
EATON VANCE	EATON VANCE LARGE CAP VALUE	1/1/2010	12/31/2010	48.350	1.650
FIRST AMERICAN	NUVEEN REAL EST SEC I	1/1/2010	12/31/2010	24.175	0.825
VAN KAMPEN FUNDS	INVESCO SMALL CAP VALUE A	1/1/2010	12/31/2010	48.350	1.650
DWS	DWS DREMAN SMALL CAP VALUE S	8/3/2010	12/31/2010	33.845	1.155

Capella Healthcare, Inc. 401(k) Retirement Plan
 EIN No.: 20-2767829, Plan No. 001
 Schedule H, Line 4i - Schedule of Assets
 Plan Year Ending: 12/31/2010

(a)	(b) Identity of Issue, Borrower, Lessor or Similar Party	(c) Description of Investment, Including Maturity Date, Rate of Interest, Par or Maturity Value	(e) CURRENT VALUE
*	State Street Bank & Trust Co.	Cash Reserve Account	\$ 26,347
	American Funds	American Funds EuroPacific Growth R4	\$ 3,697,480
	Dodge & Cox	Dodge & Cox International	\$ 4,274,603
	Eaton Vance	Eaton Vance Large Cap Value A	\$ 2,636,545
	Federated	Federated US Treasury Cash Reserve I	\$ 3,360,234
	Nuveen	Nuveen Real Estate Secs I	\$ 1,365,586
	PIMCO	PIMCO Total Return Admin	\$ 10,300,689
	Turner	Turner Core Growth I	\$ 2,345,934
	Vanguard	Vanguard 500 Index Signal	\$ 9,456,576
	Vanguard	Vanguard Mid Cap Index Signal	\$ 1,825,737
	Vanguard	Vanguard Target Retirement Income	\$ 555,653
	Vanguard	Vanguard Small Cap Growth Index Inv	\$ 1,555,324
	Vanguard	Vanguard Target Retirement 2005	\$ 2,097,084
	Vanguard	Vanguard Target Retirement 2010	\$ 4,650,960
	Vanguard	Vanguard Target Retirement 2015	\$ 13,303,179
	Vanguard	Vanguard Target Retirement 2020	\$ 16,859,634
	Vanguard	Vanguard Target Retirement 2025	\$ 10,801,356
	Vanguard	Vanguard Target Retirement 2030	\$ 7,366,459
	Vanguard	Vanguard Target Retirement 2035	\$ 6,393,526
	Vanguard	Vanguard Target Retirement 2040	\$ 3,162,812
	Vanguard	Vanguard Target Retirement 2040	\$ 2,283,759
	Vanguard	Vanguard Target Retirement 2050	\$ 260,851
	DWS	DWS Dreman Small Cap Value S	\$ 4,973,634
		Mutual Fund Total	\$ 113,527,615
*	Diversified Investment Advisors	Stable Pooled Fund	\$ 16,604,488
		Collective Trust Total	\$ 16,604,488
	Charles Schwab Institutional	Personal Choice Retirement Account (Other Funds)	\$ 1,305,458
*	Participants	Notes Receivable with interest rates of 4.10% to 9.59%	\$ 803,307
		TOTAL PLAN ASSETS	\$ 132,267,215

* Indicates Party-In-Interest to the Plan