AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MARCH 6, 2000

REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

COMMUNITY HEALTH SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	8062	13-3893191
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

155 FRANKLIN ROAD, SUITE 400
BRENTWOOD, TENNESSEE 37027
(615) 373-9600
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

RACHEL A. SEIFERT
155 FRANKLIN ROAD, SUITE 400
BRENTWOOD, TENNESSEE 37027
(615) 373-9600

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

COPIES TO:

JEFFREY BAGNER	MICHAEL W. BLAIR
FRIED, FRANK, HARRIS, SHRIVER & JACOBSON	DEBEVOISE & PLIMPTON
ONE NEW YORK PLAZA	875 THIRD AVENUE
NEW YORK, NEW YORK 10004	NEW YORK, NEW YORK 10022
(212) 859-8000	(212) 909-6000

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO PUBLIC: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. / /

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

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

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

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. / /

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (1)	AMOUNT OF REGISTRATION FEE (2)
COMMON STOCK, $.01 PAR VALUE	$230,000,000	$60,720

(1) A portion of the proposed maximum aggregate offering price represents shares

that are to be offered outside the United States but that may be resold from time to time in the United States. Such shares are not being registered for the purpose of sales outside the United States.

(2) Estimated pursuant to Rule 457(o) solely for the purpose of calculating the registration fee.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

- ---
- ---

EXPLANATORY NOTE

This registration statement contains two separate prospectuses. The first prospectus relates to a public offering in the United States and Canada of an aggregate of shares of common stock. The second prospectus relates to a concurrent offering outside the United States and Canada of an aggregate of shares of common stock. The prospectuses for each of the U.S. offering and the international offering will be identical with the exception of an alternate front cover page, an alternate back cover page, and an alternate "Underwriting" section for the international offering. These alternate pages appear in this registration statement immediately following the complete prospectus for the U.S. offering.

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

SUBJECT TO COMPLETION
PRELIMINARY PROSPECTUS DATED MARCH 6, 2000

PROSPECTUS

SHARES

[LOGO]

COMMON STOCK

This is Community Health Systems, Inc.'s initial public offering. We are selling all of the shares. The U.S. underwriters are offering shares in the U.S. and Canada and the international managers are offering shares outside the U.S. and Canada.

We expect the public offering price to be between $ and $ per share. Currently, no public market exists for the shares. After pricing of the offering, we expect that the shares will trade on the New York Stock Exchange under the symbol "CYH."

INVESTING IN THE COMMON STOCK INVOLVES RISKS WHICH ARE DESCRIBED IN THE "RISK FACTORS" SECTION BEGINNING ON PAGE 9 OF THIS PROSPECTUS.

	PER SHARE	TOTAL
Public offering price	$	$
Underwriting discount	$	$
Proceeds before expenses to Community Health Systems	$	$

The U.S. underwriters may also purchase up to an additional shares from us at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover over-allotments. The international managers may similarly purchase up to an additional shares from us.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about , 2000.

MERRILL LYNCH & CO.

BANC OF AMERICA SECURITIES LLC

CHASE H & Q

CREDIT SUISSE FIRST BOSTON

GOLDMAN, SACHS & CO.

MORGAN STANLEY DEAN WITTER

The date of this prospectus is , 2000.

DESCRIPTION OF INSIDE FRONT COVER ART TO COME

TABLE OF CONTENTS

We were incorporated in Delaware in 1996. Our principal subsidiary was incorporated in Delaware in 1985. Our principal executive offices are located at 155 Franklin Road, Suite 400, Brentwood, Tennessee 37027. Our telephone number at that address is (615) 373-9600. Our World Wide Web site address is www.chs.net. The information in the website is not incorporated into this prospectus by reference and should not be considered a part of this prospectus.

You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized anyone to provide you with information different from that contained in this prospectus. If anyone provides you with different information you should not rely on it. We are offering to sell, and seeking offers to buy, shares of common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus regardless of the time of delivery of this prospectus or of any sale of common stock. Our business, financial condition, results of operations, and prospects may have changed since that date.

PROSPECTUS SUMMARY

THIS SUMMARY HIGHLIGHTS SOME OF THE INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS. THIS SUMMARY IS NOT COMPLETE AND DOES NOT CONTAIN ALL OF THE INFORMATION THAT YOU SHOULD CONSIDER BEFORE INVESTING IN OUR COMMON STOCK. YOU SHOULD READ THE ENTIRE PROSPECTUS CAREFULLY, ESPECIALLY THE RISKS OF INVESTING IN OUR COMMON STOCK DISCUSSED UNDER RISK FACTORS. UNLESS OTHERWISE INDICATED, ALL INFORMATION IN THIS PROSPECTUS GIVES EFFECT TO THE EXCHANGE, REDESIGNATION, AND A -FOR- SPLIT OF OUR COMMON STOCK. THIS RECAPITALIZATION WILL OCCUR IMMEDIATELY BEFORE THE CLOSING OF THE OFFERING. THE "AS ADJUSTED" FINANCIAL INFORMATION IN THIS PROSPECTUS REFLECTS THE RECAPITALIZATION. A DISCUSSION OF ADJUSTED EBITDA IS INCLUDED IN SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA, WHICH MAY BE FOUND LATER IN THE PROSPECTUS.

COMMUNITY HEALTH SYSTEMS

OVERVIEW OF OUR COMPANY

We are the largest non-urban provider of acute healthcare services in the United States in terms of number of facilities and the second largest in terms of revenues and EBITDA. As of December 31, 1999, we owned, leased or operated 46 hospitals, geographically diversified across 20 states, with an aggregate of 4,115 licensed beds. In over 80% of our markets, we are the sole provider of acute care services. In most of our other markets, we are one of two providers of these services. For the fiscal year ended December 31, 1999, we generated $1.08 billion in revenues and $204.2 million in adjusted EBITDA.

We were formed by affiliates of Forstmann Little & Co. to acquire our predecessor company in July 1996. Wayne T. Smith, who has over 30 years of experience in the healthcare industry, joined our company as President in January 1997 and was named Chief Executive Officer in April 1997. Under this new ownership and leadership, we have:

- strengthened the senior management team in all key business areas;
- standardized and centralized our operations across key business areas;
- implemented a disciplined acquisition program;
- expanded and improved the services and facilities at our hospitals;
- recruited additional physicians to our hospitals;
- instituted a company-wide regulatory compliance program; and
- divested certain non-core assets.

As a result of these initiatives, we achieved compound annual revenue growth of 20.6% from 1997 to 1999 and compound annual adjusted EBITDA growth of 29.2% over the same period. Our adjusted EBITDA margins have improved from 16.5% for 1997 to 18.9% for 1999.

Our hospitals typically have 50 to 200 beds and annual revenue ranging from $15 million to $75 million. They are generally located in non-urban markets with populations of 20,000 to 80,000 people and economically diverse employment bases. These facilities, together with their medical staffs, provide a wide range of inpatient and outpatient acute care services and a variety of specialty services.

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

OUR BUSINESS STRATEGY

The key elements of our business strategy are to:

- INCREASE REVENUE AT OUR FACILITIES. We seek to increase revenue at our facilities by providing a broader range of services in a more attractive care setting, as well as by supporting and recruiting physicians. We identify the healthcare needs of the community by analyzing demographic data and patient referral trends. We also work with local hospital boards, management teams, and medical staffs to determine the number and type of additional physicians needed. Our initiatives to increase revenue include:

  u recruiting additional primary care physicians and specialists. Since 1997, we have increased the number of physicians affiliated with us by 320, including 80 in 1997, 84 in 1998, and 156 in 1999;

  u expanding the breadth of services offered at our hospitals through targeted capital expenditures to support the addition of more complex services, including orthopedics, cardiology, OB/GYN, and occupational medicine; and

  u providing the capital to invest in technology and the physical plant at our facilities, particularly in our emergency rooms.

  By taking these actions, we believe that we can increase our share of the healthcare dollars spent by local residents and limit inpatient and outpatient migration to larger urban facilities. Total revenue for hospitals operated by us for a full year increased 7.6% from 1998 to 1999. Total inpatient admissions increased 4.9% over the same period.

- GROW THROUGH SELECTIVE ACQUISITIONS. Each year we intend to selectively acquire two to four hospitals that fit our acquisition criteria. Since 1996, we have acquired 17 hospitals, including four in 1998 and five in 1999. We pursue acquisition candidates that:

  u have a general service area population between 20,000 and 80,000 with a stable or growing population base;

  u are the sole or primary provider of acute care services in the community;

  u are located more than 25 miles from a competing hospital;

  u are not located in an area that is dependent upon a single employer or industry; and

  u have financial performance that we believe will benefit from our management's operating skills.

  We believe that non-urban markets provide us with attractive acquisition opportunities. We estimate that there are currently approximately 400 acute care hospitals that meet our acquisition criteria. These hospitals are primarily not-for-profit or municipally owned. Many of these hospitals have experienced declining financial performance, lack the resources necessary to maintain and improve facilities, have difficulty attracting qualified physicians, and are challenged by the changing healthcare industry. We believe that these circumstances will continue and may encourage owners of these facilities to turn to companies, like ours, that have greater management expertise and financial resources and can enhance the local availability of healthcare. We believe that these conditions, combined with our disciplined approach to acquisitions, position us to negotiate attractive terms for the facilities that we acquire.

After we acquire a hospital, we:

- u improve hospital operations by implementing our standardized and centralized programs and appropriate expense controls as well as by managing staffing levels;

- u recruit additional primary care physicians and specialists;

- u expand the breadth of services offered in the community to increase local market share and reduce inpatient and outpatient migration to larger urban hospitals; and

- u implement appropriate capital expenditure programs to renovate the facility and upgrade equipment.

- REDUCE COSTS. To improve efficiencies and increase margins, we implement cost containment programs which include:

- u standardizing and centralizing our operations, including patient accounting, physician support, materials management and facilities management;

- u optimizing resource allocation by utilizing our company-devised case and resource management program, which assists in improving clinical care and containing expenses;

- u capitalizing on purchasing efficiencies through the use of company-wide standardized purchasing contracts and terminating or renegotiating unfavorable vendor contracts;

- u installing a standardized management information system, resulting in more efficient billing and collection procedures; and

- u managing staffing levels according to patient volumes and acuity levels.

In addition, each of our hospital management teams is supported by our centralized operational, reimbursement, regulatory, and compliance expertise as well as by our senior management team, which has an average of 20 years of experience in the healthcare industry. Adjusted EBITDA margins on a same hospitals basis improved from 18.9% in 1998 to 19.7% in 1999.

- IMPROVE QUALITY. We have implemented various programs to ensure improvement in the quality of care provided. We have developed training programs for all senior hospital management, chief nursing officers, quality directors, physicians, and other clinical staff. We share information among our hospital management teams to implement best practices and assist in complying with regulatory requirements. We have standardized accreditation documentation and requirements. Corporate support is provided to each facility to assist with accreditation reviews. Several of our facilities have received accreditation "with commendation" from the Joint Commission on Accreditation of Healthcare Organizations. All of our hospitals conduct patient, physician, and staff satisfaction surveys to help identify methods of improving the quality of care.

OVERVIEW OF THE INDUSTRY

The U.S. Healthcare Financing Administration estimated that in 1999, total U.S. healthcare expenditures grew by 6.0% to $1.2 trillion. Total U.S. healthcare spending is projected to grow by 7.1% in 2000 and by 6.5% annually from 2001 through 2008. By these estimates, healthcare expenditures will account for approximately $2.2 trillion, or 16.2% of the total U.S. gross domestic product, by 2008.

Hospital services, the market in which we operate, is the largest single category of healthcare at 33.7% of total healthcare spending in 1999, or $401.3 billion. The hospital services category is projected to grow by 5.7% per year through 2008. Growth in hospital healthcare spending is expected to continue due to the aging of the U.S. population and consumer demand for expanded medical services. As hospitals remain the primary setting for healthcare delivery, hospital services is expected to remain the largest category of healthcare spending.

According to the American Hospital Association, there are approximately 5,015 inpatient hospital facilities in the U.S. that are owned by not-for-profit entities, for-profit investors, or state or local governments. Of these hospitals, 44% are located in non-urban areas. We estimate that approximately 400 of these hospitals meet our acquisition criteria. We believe that facilities located in non-urban areas offer the following advantages:

- a lower cost structure, resulting from their geographic location as well as less need for the most highly advanced services;

- limited competition, which generally results in more favorable pricing with commercial payors;

- favorable Medicare payment provisions for "sole community hospitals"; and

- a high level of patient and physician loyalty that fosters cooperative relationships among the local hospital, physicians, employees, and patients.

THE OFFERING

Common stock offered by us:	
U.S. offering	shares
International offering	shares
Total	shares
Common stock to be outstanding after the offering	shares (a)
Use of proceeds	Our net proceeds from the offering are estimated to be approximately $ million. We will use these proceeds to repay approximately $ million of senior debt and approximately $ million of subordinated debt.
Risk factors	See "Risk Factors" and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.
Proposed NYSE symbol	CYH

- ------------------------

(a) Excludes shares of common stock reserved for issuance under our stock option plans. Of these reserved shares, shares are issuable upon exercise of outstanding stock options at an average exercise price of $.

Unless we specifically state otherwise, the information in this prospectus does not take into account the sale of up to shares of common stock which the underwriters have the option to purchase from us to cover over-allotments.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

You should read the summary consolidated financial and other data below in conjunction with our Consolidated Financial Statements and the accompanying notes. The historical financial data for the three years ended December 31, 1999 and as of December 31, 1999 have been derived from our audited Consolidated Financial Statements. You should also read Selected Consolidated Financial and Other Data and the accompanying Management's Discussion and Analysis of Financial Condition and Results of Operations. All of these materials are contained later in this prospectus. The pro forma, as adjusted, consolidated statement of operations data have been adjusted for the recapitalization, the offering, and the use of the estimated net proceeds from the offering to repay a portion of outstanding debt as if these events had occurred on January 1, 1999. The pro forma, as adjusted, consolidated balance sheet data give effect to these events as if they had occurred on December 31, 1999.

	YEAR ENDED DECEMBER 31,			
	1997	1998	1999	PRO FORMA, AS ADJUSTED 1999(a)
	(DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)			
CONSOLIDATED STATEMENT OF OPERATIONS DATA				
Net operating revenues	$ 742,350	$ 854,580	$1,079,953	$1,079,953
Operating expenses (b)	620,112	688,190	875,768	875,768
Depreciation and amortization	43,753	49,861	56,943	56,943
Amortization of goodwill	25,404	26,639	24,708	24,708
Interest, net	89,753	101,191	116,491	
Impairment of long-lived assets	--	164,833	--	--
Provision for excess reimbursement and Year 2000 remediation costs	--	20,209	17,279	17,279
Income (loss) before cumulative effect of a change in accounting principle and income taxes	(36,672)	(196,343)	(11,236)	
Provision for (benefit from) income taxes	(4,501)	(13,405)	5,553	
Income (loss) before cumulative effect of a change in accounting principle	(32,171)	(182,938)	(16,789)	
Cumulative effect of a change in accounting principle, net of taxes	--	(352)	--	
Net income (loss)	$ (32,171)	$ (183,290)	$ (16,789)	$
Basic and diluted income (loss) per common share (Class A and Class B):				
Income (loss) before cumulative effect of a change in accounting principle	$ (70.95)	$ (398.52)	$ (36.08)	$
Cumulative effect of a change in accounting principle	--	(0.77)	--	--
Net income (loss)	$ (70.95)	$ (399.29)	$ (36.08)	$
Weighted-average number of shares outstanding, basic and diluted (c)	453,462	459,046	465,365	

	AS OF DECEMBER 31, 1999	
	ACTUAL	PRO FORMA, AS ADJUSTED
CONSOLIDATED BALANCE SHEET DATA		
Cash and cash equivalents	$ 4,282	$ 4,282
Total assets	1,886,017	1,886,017
Long-term obligations	1,430,099	
Stockholders' equity	229,708	

(FOOTNOTES BEGIN ON FOLLOWING PAGE)

SELECTED OPERATING DATA

The following table sets forth operating statistics for our hospitals for each of the years presented. Statistics for 1997 include a full year of operations for 36 hospitals, including one hospital acquired on January 1, 1997, and a partial period for one hospital acquired during the year. Statistics for 1998 include a full year of operations for 37 hospitals and partial periods for four hospitals acquired during the year. Statistics for 1999 include a full year of operations for 41 hospitals and partial periods for four hospitals acquired, and one hospital constructed and opened, during the year.

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
	(DOLLARS IN THOUSANDS)		
Number of hospitals (d)	37	41	46
Licensed beds (d)(e)	3,288	3,644	4,115
Beds in service (d)(f)	2,543	2,776	3,123
Admissions (g)	88,103	100,114	120,414
Adjusted admissions (h)	153,618	177,075	217,006
Patient days (i)	399,012	416,845	478,658
Average length of stay (days) (j)	4.5	4.2	4.0
Occupancy rate (beds in service) (k)	43.1%	43.3%	44.1%
Net inpatient revenue as a % of total net revenue	57.3%	55.7%	52.7%
Net outpatient revenue as a % of total net revenue	41.5%	42.6%	45.5%
Adjusted EBITDA (l)	$122,238	$ 166,390	$ 204,185
Adjusted EBITDA as a % of net revenue	16.5%	19.5%	18.9%
Net cash flows provided by (used in) operating activities	$21,544	$ 15,719	$ (11,746)
Net cash flows used in investing activities	$(76,651)	$(236,553)	$(155,541)
Net cash flows provided by financing activities	$36,182	$ 219,890	$ 164,850

	YEAR ENDED DECEMBER 31,		PERCENTAGE INCREASE
	1998	1999	(DECREASE)
	(DOLLARS IN THOUSANDS)		
SAME HOSPITALS DATA (m)			
Admissions (g)	100,114	105,053	4.9%
Adjusted admissions (h)	177,075	190,661	7.7%
Patient days (i)	416,845	419,942	0.7%
Average length of stay (days) (j)	4.2	4.0	(4.8%)
Occupancy rate (beds in service) (k)	43.3%	43.5%	
Net revenue	$850,980	$915,811	7.6%
Adjusted EBITDA (l)	$160,611	$180,794	12.6%
Adjusted EBITDA, as a % of net revenue	18.9%	19.7%	

- ------------------------

(a) Reflects the recapitalization, the offering, the application of the estimated net proceeds from the offering to repay debt of $, and the resultant reduction of interest expense of $ as if these events had occurred on January 1, 1999. Also reflects an increase in provision for income taxes resulting from the decrease in interest expense. See "Use of Proceeds."

(b) Operating expenses include salaries and benefits, provision for bad debts, supplies, rent, and other operating expenses, and exclude the items that are excluded for purposes of determining adjusted EBITDA as discussed in footnote (l) on the next page.

(c) See Note 10 to our Consolidated Financial Statements.

(d) At end of period.

(FOOTNOTES CONTINUED ON FOLLOWING PAGE)

(FOOTNOTES CONTINUED FROM PREVIOUS PAGE)

(e) Licensed beds are the number of beds for which a facility has been licensed by the appropriate state agency, regardless of whether the beds are actually available for patient use.

(f) Beds in service are the number of beds that are readily available for patient use.

(g) Admissions represent the number of patients admitted for inpatient treatment.

(h) Adjusted admissions is a general measure of combined inpatient and outpatient volume. Adjusted admissions is computed by multiplying admissions by gross patient revenues and then dividing that number by gross inpatient revenues.

(i) Patient days represent the total number of days of care provided to inpatients.

(j) Average length of stay (days) represents the average number of days inpatients stay in our hospitals.

(k) Percentages are calculated by dividing the average daily number of inpatients by the weighted average of beds in service.

(l) We define adjusted EBITDA as EBITDA adjusted to exclude cumulative effect of a change in accounting principle, impairment of long-lived assets, provision for excess reimbursement and Year 2000 remediation costs, and loss from hospital sales. EBITDA consists of income (loss) before interest, income taxes, depreciation and amortization, and amortization of goodwill. EBITDA and adjusted EBITDA should not be considered as measures of financial performance under generally accepted accounting principles. Items excluded from EBITDA and adjusted EBITDA are significant components in understanding and assessing financial performance. EBITDA and adjusted EBITDA are key measures used by management to evaluate our operations and provide useful information to investors. EBITDA and adjusted EBITDA should not be considered in isolation or as alternatives to net income, cash flows generated by operations, investing or financing activities, or other financial statement data presented in the consolidated financial statements as indicators of financial performance or liquidity. Because EBITDA and adjusted EBITDA are not measurements determined in accordance with generally accepted accounting principles and are thus susceptible to varying calculations, EBITDA and adjusted EBITDA as presented may not be comparable to other similarly titled measures of other companies.

(m) Includes acquired hospitals to the extent they were operated by us during comparable periods in both years.

RISK FACTORS

INVESTING IN OUR COMMON STOCK WILL PROVIDE YOU WITH AN EQUITY OWNERSHIP INTEREST IN COMMUNITY HEALTH SYSTEMS. AS A STOCKHOLDER OF COMMUNITY HEALTH SYSTEMS, YOU MAY BE EXPOSED TO RISKS INHERENT IN OUR BUSINESS AND TO GENERAL ECONOMIC AND MARKET CONDITIONS. THE VALUE OF YOUR INVESTMENT MAY INCREASE OR DECREASE. YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING FACTORS AS WELL AS OTHER INFORMATION CONTAINED IN THIS PROSPECTUS BEFORE DECIDING TO INVEST IN SHARES OF OUR COMMON STOCK.

LIMITS ON PAYMENTS AND HEALTHCARE REFORM MAY REDUCE PROFITABILITY.

A large portion of our revenues come from the Medicare and Medicaid programs. In recent years, federal and state governments made significant changes in the Medicare and Medicaid programs. These changes have decreased the amount of money hospitals receive for their services relating to these programs. The Balanced Budget Act of 1997 contemplated decreases of $115 billion in spending levels for the Medicare and Medicaid programs over five years. However, the Congressional Budget Office subsequently estimated that these decreases will be substantially larger. The Balanced Budget Refinement Act of 1999 restored approximately $16 billion to these programs over five years. A number of states are considering legislation to reduce the amount of money they spend for Medicaid. We believe that large additional reductions in the payments we receive for our services could have a material adverse effect on us.

In recent years, an increasing number of proposals have been introduced in Congress and in some state legislatures to make major changes in the healthcare system. While the rate of increase in the payments we receive for our services may be reduced as a result of future federal and state legislation, it is uncertain at this time what healthcare reform legislation may ultimately be enacted or whether other changes in healthcare programs will occur.

In addition, insurance and managed care companies and other third party payors from whom we receive payment for our services increasingly are attempting to control healthcare costs by requiring that hospitals discount their services. We believe that this trend may continue and may have an adverse effect on us.

EXTENSIVE LAWS AND GOVERNMENT REGULATION COULD ADVERSELY AFFECT US.

The healthcare industry is required to comply with many laws and regulations at the federal, state, and local government levels. These laws and regulations require that hospitals meet various requirements, including those relating to the adequacy of medical care, equipment, personnel, operating policies and procedures, maintenance of adequate records, compliance with building codes, and environmental protection. We believe that our hospitals are in substantial compliance with these laws and regulations. However, if we fail to comply with applicable laws and regulations, we may lose our licenses to operate and our ability to participate in the Medicare, Medicaid, and other federal and state healthcare programs. In the future, these laws and regulations may be enforced differently and may change. We cannot assure you that these events will not adversely affect us by requiring us to make changes in our facilities, equipment, personnel, services, capital expenditure programs, and operating expenses.

The Health Insurance Portability and Accountability Act of 1996 broadened the scope of the fraud and abuse laws by adding several criminal statutes that are not related to receipt of payments from a federal healthcare program. In addition, the Accountability Act created civil penalties for conduct, including upcoding and billing for medically unnecessary goods or services. It establishes new enforcement mechanisms to combat fraud and abuse. These include a bounty system, where a portion of the payments recovered is returned to the government agencies, as well as a whistleblower program. This statute also expanded the categories of persons that may be excluded from participation in federal healthcare programs.

Another law regulating the healthcare industry is a section of the Social Security Act known as the "anti-kickback" or "fraud and abuse" statute. This law prohibits some business practices and relationships under Medicare, Medicaid, and other federal healthcare programs. These practices include the payment, receipt, offer, or solicitation of money in connection with the referral of patients covered by a federal or state healthcare program. We contract with physicians under a variety of financial arrangements, and physicians have ownership interests in some of our facilities. Our financial arrangements include employment contracts, leases, management agreements, and professional services agreements. We also provide financial incentives to recruit physicians to relocate to communities served by our hospitals. These incentives include revenue guarantees and, in some cases, loans. The Department of Health and Human Services has issued "safe harbor" regulations that describe some of the conduct and business relationships permissible under the anti-kickback statute. Although we believe that our financial arrangements with physicians have been structured in light of these "safe harbor" rules, we cannot assure you that the regulatory authorities will not determine otherwise.

The Social Security Act also includes a provision commonly known as the "Stark law." This law prohibits Medicare and Medicaid referrals by physicians to other healthcare providers in which the physicians or their family members have ownership or other compensation arrangements. The federal government has not finalized its regulations which interpret the Stark law. We believe that we have structured our financial arrangements with physicians to comply with the statutory exceptions included in the Stark law. When the government finalizes these regulations, it may interpret the law differently than we have. While the Stark law is not a criminal law, the civil penalties imposed under the statute are potentially severe.

Another trend affecting the healthcare industry is the use of the False Claims Act. This law has been used not only by the U.S. government, but also by individuals who bring actions on behalf of the government under the law's "qui tam" or "whistleblower" provisions. Civil liability under the False Claims Act can be up to three times the damages sustained by the government plus civil penalties for each separate false claim. We are aware of several actions that have been brought against us under the False Claims Act. For a description of these actions, see "Business of Community Health Systems--Legal Proceedings."

In addition, many states have adopted or may adopt similar laws. Some of these laws apply even if the payment for care does not come from the government. While there is little precedent for the interpretation or enforcement of these state laws, we have attempted to structure our financial relationships with physicians and others in light of these laws.

If we are found to have failed to comply with any of these laws, we could suffer criminal and civil penalties and/or exclusion from participating in Medicare, Medicaid, or other government healthcare programs and possible licensure revocation. These penalties or exclusions could have a material adverse effect on us.

THE POSITIONS TAKEN BY AUTHORITIES IN HEALTHCARE INDUSTRY INVESTIGATIONS COULD HAVE A NEGATIVE EFFECT ON OUR BUSINESS.

Significant media and public attention has recently been focused on the hospital industry. In addition to the legislation that has been enacted, both federal and state government agencies have announced heightened coordinated civil and criminal enforcement efforts relating to the healthcare industry, including the hospital segment. The ongoing investigations relate to various referral, cost reporting, and billing practices, laboratory and home healthcare services, and physician ownership and joint ventures involving hospitals.

As part of our hospital operations, we operate laboratories and provide some home healthcare services. We also have significant Medicare and Medicaid billings. We monitor our billing practices and hospital practices to maintain compliance with prevailing industry interpretations of applicable law. However, as applicable laws are complex and constantly evolving, there can be no assurance that the

government investigations will not result in interpretations which are inconsistent with our practices. In public statements surrounding the current investigations, governmental authorities have taken positions on a number of issues, including some for which little official interpretation has previously been available. These include the legality of physician ownership in healthcare facilities in which they perform services and the propriety of including marketing costs in the Medicare cost report of hospital-affiliated home health agencies. Certain of these positions appear to be inconsistent with practices that have been common within the industry and which have not previously been challenged in this manner. Moreover, in various instances, government inquiries that have in the past been conducted as administrative procedures are now being conducted as criminal investigations under the Medicare fraud and abuse laws. We have reviewed the current billing practices of our facilities in light of these investigations and do not believe that our facilities are taking positions that are contrary to the government's positions. There can be no assurance that we or other hospital operators will not be the subject of future investigations or inquiries. The positions taken by authorities in the current investigations or any future investigations of us or other providers could have a material adverse effect on us.

WE HAVE CONTINUING COMPLIANCE OBLIGATIONS UNDER A SETTLEMENT AGREEMENT RESULTING FROM OUR VOLUNTARY DISCLOSURE TO THE U.S. GOVERNMENT.

In December 1997, we approached the Office of Inspector General of the U.S. Department of Health and Human Services and made a voluntary disclosure regarding reimbursements we received from the U.S. government programs from 1993 to 1997. The disclosure related to possible inaccurate inpatient coding practices and policies. We have executed a settlement agreement with the Department of Justice and the Inspector General under the terms of which we will pay approximately $31 million to the appropriate governmental agencies in exchange for a release of civil claims relating to these reimbursements. The settlement agreement has not yet been executed by the applicable state Medicaid programs. However, the Department of Justice has advised us that all parties to the settlement agreement have agreed to its terms and are expected to execute the settlement agreement by March 31, 2000.

As part of this settlement, we entered into a corporate compliance agreement with the Inspector General. Complying with our corporate compliance agreement will require additional efforts and costs. We can not quantify these costs at this time, but we believe they will not be significant. Our failure to comply with the terms of the compliance agreement could subject us to civil and criminal penalties, including significant fines. In addition, failure to comply with the material terms of the compliance agreement could lead to suspension or disbarment from further participation in the federal and state healthcare programs, including Medicare and Medicaid. Any suspension or disbarment would have a material adverse effect on us. See "Business of Community Health Systems--Compliance Program."

DIFFICULTIES IN COMPLETING ACQUISITIONS AND INTEGRATING ACQUIRED HOSPITALS INTO OUR OPERATIONS COULD ADVERSELY AFFECT OUR BUSINESS.

An important part of our business strategy is to acquire additional acute care hospitals in non-urban markets. However, not-for-profit hospital systems and other for-profit hospital companies generally attempt to acquire the same type of hospitals as we do. Some of these other purchasers have greater financial resources than we do. In addition, some hospitals are sold through an auction process, which may result in higher purchase prices than we believe are reasonable. Therefore, we cannot assure you that hospital acquisitions can be accomplished on terms favorable to us or that the necessary financing for these acquisitions can be obtained. In addition, new acquisitions may result in more debt.

Some of the hospitals we have acquired had operating losses prior to our acquisition. There can be no assurance that we will be able to operate profitably any hospital or other facility we may acquire, effectively integrate the operations of any acquisitions, or otherwise achieve the intended benefit of our

growth strategy. The failure to achieve results consistent with our growth strategy could have a negative impact on our financial performance.

We are currently evaluating proposals to acquire additional hospitals. These proposals are at various stages of consideration, and we have entered into and may enter into letters of intent or other agreements at any time relating to these proposals. However, we cannot predict when we may acquire these hospitals or if any of these acquisitions will be completed.

Hospitals that we acquire may have unknown or contingent liabilities, including liabilities for failure to comply with healthcare laws and regulations. Although we seek indemnification from prospective sellers covering these matters, we cannot assure you that we will not become liable for past activities of acquired hospitals or that any of those liabilities will not be material.

Many states, including some where we have hospitals and others where we may in the future acquire hospitals, have adopted legislation regarding the sale or other disposition of hospitals operated by not-for-profit entities. In other states that do not have specific legislation, the attorneys general have demonstrated an interest in these transactions under their general obligations to protect charitable assets from waste. These legislative and administrative efforts are primarily focused on the appropriate valuation of the assets divested and the use of the proceeds of the sale by the non-profit seller. While these review and, in some instances, approval processes can add additional time to the closing of a hospital acquisition, we have not had any significant difficulties or delays in completing acquisitions. There can be no assurance, however, that future actions on the state level will not seriously delay or even prevent our ability to acquire hospitals. If these activities are widespread, they could have a negative impact on our ability to acquire additional hospitals.

Some states require prior approval for the construction or acquisition of healthcare facilities and for the expansion of healthcare facilities and services. In giving approval, these states consider the need for additional or expanded healthcare facilities or services. State agencies with jurisdiction over healthcare facilities may be required to issue certificates of need, known as CONs, for capital expenditures exceeding a prescribed amount, changes in bed capacity or services, and certain other matters. Several states, including 11 in which we operate, require CONs. Other states in which we operate may adopt similar legislation. We cannot assure you that we will be able to obtain the required CONs or other prior approvals for additional or expanded facilities in the future or that the failure to obtain any required prior approval will not have a material adverse effect on us.

WE HAVE SUBSTANTIAL INDEBTEDNESS AND MAY REQUIRE ADDITIONAL CAPITAL TO CONTINUE ACQUISITIONS.

Our acquisition program requires substantial capital resources. In addition, the operations of our existing hospitals require ongoing capital expenditures for renovation, expansion, and the addition of costly medical equipment and technology utilized in the hospitals. We have incurred indebtedness and may issue debt or equity securities to fund these expenditures. There can be no assurance that sufficient financing will be available on terms satisfactory to us.

As of December 31, 1999, our total long-term debt was approximately $1.4 billion or 86% of our total capitalization. At that time, we had an additional $47 million of available credit under our revolving credit facility and $144 million of available credit under our acquisition loan facility. After giving effect to the use of the net proceeds of the offering, our total long term debt on a pro forma basis as of that date would have been approximately $ million, or % of our total capitalization. Also, we could have incurred an additional $ million of borrowings under our credit facility and $ million of borrowings under our acquisition loan facility. These facilities will be available to us through December 2002. At that time, we will seek replacement loan facilities.

The degree to which we are leveraged could have important consequences to holders of the common stock, including the following:

- our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes may be impaired;

- a substantial portion of our cash flow from operations must be dedicated to the payment of principal and interest on our indebtedness, reducing the funds available for our operations;

- a portion of our borrowings are at variable rates of interest, which makes us vulnerable to increases in interest rates; and

- our indebtedness contains numerous financial and other restrictive covenants, including restrictions on paying dividends, incurring additional indebtedness, and selling assets.

COMPETITION CAN NEGATIVELY AFFECT OUR OPERATIONS.

The hospital industry is highly competitive. In addition to the competition we face for acquisitions and physicians, we must also compete with other hospitals and healthcare providers for patients. The competition among hospitals and other healthcare providers for patients has intensified in recent years. Our hospitals are located in non-urban service areas. Most of our hospitals face no direct competition because there are no other hospitals in their primary service areas. However, these hospitals do face competition from hospitals outside of their primary service area, including tertiary care hospitals in urban areas. These tertiary care facilities, which provide higher acuity level services, are generally located in excess of 25 miles from our facilities. Patients in our primary service areas may travel to these other hospitals for a variety of reasons, including the need for services we do not offer or physician referrals.

Some of our hospitals operate in primary service areas where they compete with one other hospital. One of our hospitals competes with more than one other hospital in its primary service area. Some of these competing hospitals use equipment and services more specialized than those available at our hospitals. In addition, some of the hospitals that compete with us are owned by tax-supported governmental agencies or not-for-profit entities supported by endowments and charitable contributions. These hospitals can make capital expenditures without paying sales, property and income taxes. We also face competition from other specialized care providers, including outpatient surgery, orthopedic, oncology, and diagnostic centers.

We expect that these competitive trends will continue. Our inability to compete effectively with other hospitals and other healthcare providers could have a material adverse effect on us. See "Business of Community Health Systems--Competition."

LOSS OF PHYSICIANS OR OTHER KEY PERSONNEL COULD ADVERSELY AFFECT OUR BUSINESS.

Since physicians generally make the decision as to whether patients are admitted to hospitals, the success of our hospitals depends upon the number and quality of physicians on our medical staffs, the admission practices of these physicians, and the maintenance of good relations between us and our physicians. Hospital physicians are generally not our employees and most of them can admit patients at other hospitals. It can be difficult to recruit physicians to practice in non-urban communities. The inability to attract and retain sufficient qualified physicians or to maintain good relations with the physicians on our staffs could adversely affect our business. Our operations could also be adversely affected by any shortage of nurses and other healthcare professionals.

We are also dependent upon the continued services and management experience of our executive officers. If our executive officers were to resign their positions or otherwise be unable to serve, our operating results could be adversely affected. In addition, our success depends on our ability to attract and retain managers at hospitals, on the ability of our officers and key employees to manage growth successfully, and on our ability to attract and retain skilled employees.

PROFESSIONAL LIABILITY RISKS COULD ADVERSELY AFFECT OUR RESULTS OF OPERATIONS AND CASH FLOW AND LIABILITY INSURANCE COULD BE UNAVAILABLE.

In recent years, physicians, hospitals, and other healthcare providers have become subject to an increasing number of legal actions alleging malpractice, product liability, or related legal theories. Many of these actions involve large claims and significant defense costs. To protect us from the cost of these claims, we generally maintain professional malpractice liability insurance and general liability insurance coverage in amounts and with deductibles that we believe to be appropriate for our operations. There can be no assurance that our insurance coverage will cover all claims against us or continue to be available at a reasonable cost for us to maintain adequate levels of insurance.

WE HAVE SIGNIFICANT GOODWILL FOR ACCOUNTING PURPOSES.

Our acquisitions have resulted in significant increases in goodwill for accounting purposes. At December 31, 1999, we had goodwill of $877.9 million, which is being amortized over 40 years. On an ongoing basis, we make an evaluation, based on projected undiscounted cash flows, to determine whether events and circumstances indicate that all or a portion of the carrying value of goodwill for accounting purposes may no longer be recoverable, in which case an additional charge to earnings may be necessary. In 1998, in connection with our periodic review process, we determined that projected undiscounted cash flows from seven of our hospitals were below the carrying value of long-lived assets associated with these hospitals. In accordance with generally accepted accounting principles, we adjusted the carrying value of the assets of these hospitals to their estimated fair value through an impairment charge of $164.8 million. Of this charge, $134.3 million was related to goodwill. Any future determination requiring a significant write-off of a portion of unamortized goodwill for accounting purposes could result in a material non-cash charge. See note 3 in the Notes to our Consolidated Financial Statements.

INVESTORS WILL EXPERIENCE IMMEDIATE AND SUBSTANTIAL DILUTION.

The initial public offering price of $ per share exceeds the net tangible book deficit per share of the common stock after the offering by $ per share. Purchasers of the common stock in the offering will experience immediate and substantial dilution in the amount of $ per share, and present stockholders will experience an immediate and substantial decrease in net tangible book deficit in the amount of $ per share of common stock. Our net tangible book deficit at December 31, 1999 was $ million, or $ per share of common stock, as adjusted for the recapitalization.

OUR STOCK PRICE MAY FLUCTUATE AFTER THE OFFERING AND YOU COULD LOSE A SIGNIFICANT PART OF YOUR INVESTMENT.

Prior to the offering, there has been no public market for our common stock. We intend to list our common stock on the NYSE. We do not know if an active trading market will develop for our common stock or how the common stock will trade in the future. The initial public offering price will be determined through negotiations between the underwriters and us. You may not be able to resell your shares at or above the initial public offering price due to fluctuations in the market price of our common stock. These fluctuations may result from a number of factors, including:

- the perceived prospects of our company;
- changes in our operating results;
- differences between our actual financial and operating results and those expected by investors and analysts;
- changes in analysts' recommendations or projections; and
- changes in the condition of the healthcare industry.

In addition, the stock market in general has experienced extreme volatility that often has been unrelated to the operating performance of particular companies. These broad market and industry fluctuations may adversely affect the trading price of our common stock, regardless of our actual operating performance.

WE ARE CONTROLLED BY FORSTMANN LITTLE AND OUR MANAGEMENT, WHOSE INTERESTS MAY CONFLICT WITH THOSE OF OTHER STOCKHOLDERS.

Following the offering, the Forstmann Little partnerships and our management will together own approximately % of our outstanding common stock. Accordingly, they will be able to:

- elect our entire board of directors;

- control our management and policies; and

- determine, without the consent of our other stockholders, the outcome of any corporate transaction or other matter submitted to our stockholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets.

The Forstmann Little partnerships and our management will also be able to prevent or cause a change in control of us and will be able to amend our certificate of incorporation and by-laws at any time. Their interests may conflict with the interests of the other holders of common stock.

EXISTING STOCKHOLDERS MAY SELL THEIR COMMON STOCK, WHICH COULD ADVERSELY AFFECT THE MARKET PRICE OF OUR COMMON STOCK.

Sales of a substantial number of shares of common stock into the public market after the offering, or the perception that these sales could occur, could have a material adverse effect on our stock price. As of , 2000 and giving effect to the recapitalization and the offering, there were shares of common stock outstanding. We have granted to the Forstmann Little partnerships six demand rights to cause us to file, at our expense, a registration statement under the Securities Act covering resales of their shares. These shares, along with shares held by others who can participate in the registrations, will represent % of our outstanding common stock after the offering. The Forstmann Little partnerships have no present intent to exercise their demand registration rights, although they retain the right to do so. These shares may also be sold under Rule 144 of the Securities Act, depending on their holding period and subject to significant restrictions in the case of shares held by persons deemed to be our affiliates.

PROVISIONS IN OUR CORPORATE DOCUMENTS AND DELAWARE LAW COULD DELAY OR PREVENT A CHANGE IN CONTROL OF OUR COMPANY.

Our certificate of incorporation and by-laws may discourage, delay, or prevent a merger or acquisition involving us that our stockholders may consider favorable by:

- authorizing the issuance of preferred stock, the terms of which may be determined at the sole discretion of the board of directors;

- providing for a classified board of directors, with staggered three-year terms; and

- establishing advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted on by stockholders at meetings.

Delaware law may also discourage, delay or prevent someone from acquiring or merging with us. For a description you should read "Description of Capital Stock."

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

THIS PROSPECTUS INCLUDES FORWARD-LOOKING STATEMENTS WHICH COULD DIFFER FROM ACTUAL FUTURE RESULTS.

Some of the matters discussed in this prospectus include forward-looking statements. Statements that are predictive in nature, that depend upon or refer to future events or conditions or that include words such as "expects," "anticipates," "intends," "plans," "believes," "estimates," "thinks," and similar expressions are forward-looking statements. These statements involve known and unknown risks, uncertainties, and other factors that may cause our actual results and performance to be materially different from any future results or performance expressed or implied by these forward-looking statements. These factors include, in addition to the factors described above, the following:

- general economic and business conditions, both nationally and in the regions in which we operate;
- demographic changes;
- existing governmental regulations and changes in, or the failure to comply with, governmental regulations;
- legislative proposals for healthcare reform;
- the ability, where appropriate, to enter into managed care provider arrangements and the terms of these arrangements;
- changes in Medicare and Medicaid payment levels;
- liability and other claims asserted against us;
- competition;
- our ability to attract and retain qualified personnel, including physicians;
- trends toward treatment of patients in lower acuity healthcare settings;
- changes in medical or other technology;
- changes in generally accepted accounting principles; and
- the availability and terms of capital to fund additional acquisitions or replacement facilities.

Although we believe that these statements are based upon reasonable assumptions, we can give no assurance that our goals will be achieved. Given these uncertainties, prospective investors are cautioned not to place undue reliance on these forward-looking statements. These forward-looking statements are made as of the date of this prospectus. We assume no obligation to update or revise them or provide reasons why actual results may differ.

USE OF PROCEEDS

Our net proceeds from the offering, after deducting estimated expenses and underwriting discounts and commissions of $ million, are estimated to be approximately $ million. We will use these proceeds to:

- repay approximately $ million of senior debt under our revolving credit facility and $ million of senior debt under our acquisition loan facility. These facilities are included in our credit agreement with The Chase Manhattan Bank and other lenders and expire December 31, 2002. As of December 31, 1999, the effective interest rate for $ of these facilities was %. The balance of these facilities had an effective interest rate of %; and
- repay approximately $ million of debt under our series subordinated debentures. These debentures are held by the limited partners of one of the two Forstmann Little partnerships which own our common stock. The subordinated debentures being repaid mature on and bear interest at an annual rate of 7 1/2%.

Any net proceeds received by us from the exercise by the underwriters of their over-allotment option will be used to repay debt under the series subordinated debentures. These subordinated debentures mature on and bear interest at an annual rate of 7 1/2%.

We expect to borrow under the revolving credit facility as needed to fund our working capital needs and for general corporate purposes. We also expect to borrow under the acquisition loan facility as needed to fund the acquisition of additional hospitals. See "Business of Community Health Systems--Our Business Strategy--Grow Through Selective Acquisitions."

See "Management--Relationships and Transactions between Community Health Systems and its Officers, Directors and 5% Beneficial Owners and their Family Members" and "Description of Indebtedness."

DIVIDEND POLICY

We have not paid any cash dividends in the past, and we do not intend to pay any cash dividends for the foreseeable future. We intend to retain earnings, if any, for the future operation and expansion of our business. Any determination to pay dividends in the future will be dependent upon results of operations, financial condition, contractual restrictions, restrictions imposed by applicable law, and other factors deemed relevant by the Board of Directors. Our existing indebtedness restricts our ability to pay dividends and make distributions to stockholders.

CAPITALIZATION

The following table sets forth our debt and capitalization as of December 31, 1999, on an actual basis as adjusted for the recapitalization, and on a pro forma, as adjusted, basis. The pro forma, as adjusted, data reflect the recapitalization, the offering, and the use of the estimated net proceeds from the offering to repay a portion of the outstanding debt.

In addition, the following table should be read in conjunction with Selected Consolidated Financial and Other Data, our Consolidated Financial Statements and the accompanying notes, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Description of Indebtedness which are contained later in this prospectus.

	AS OF DECEMBER 31, 1999	
	ACTUAL, AS ADJUSTED (a)	PRO FORMA, AS ADJUSTED
	(IN THOUSANDS)	
LONG-TERM DEBT:		
Credit facilities:		
Revolving credit loans	$ 109,750	$
Acquisition loans	138,551	
Term loans	624,345	
Subordinated debentures	500,000	
Taxable bonds	29,700	
Tax-exempt bonds	8,000	
Capital lease obligations and other debt	24,287	
Total debt	1,434,633	
Less current maturities	(27,029)	
Total long-term debt	1,407,604(b)	
STOCKHOLDERS' EQUITY:		
Preferred stock, $.01 par value per share, shares authorized, none issued	--	
Common stock, $.01 par value per share, shares authorized; shares issued and outstanding	5	
Additional paid-in capital, net of treasury stock	477,211	
Accumulated deficit	(245,352)	
Notes receivable for common stock	(1,997)	
Unearned stock compensation	(159)	
Total stockholders' equity	229,708	
Total capitalization	$1,637,312	$

- ---

(a) The recapitalization includes the exchange of Class B common stock for Class A common stock, the exchange of options to acquire Class C common stock for options to acquire Class A common stock, the redesignation of Class A common stock as common stock, and a -for- split of our common stock. It will have no effect on our long-term debt.

(b) We also had letters of credit issued, primarily in support of our taxable and tax-exempt bonds, of approximately $43 million, reducing to $40 million by December 31, 2000.

DILUTION

At December 31, 1999, after giving effect to the recapitalization, we had a net tangible book deficit of $683 million or $ per share. Net tangible book deficit is the difference between our total tangible assets and our total liabilities. The adjusted net tangible book deficit per share is determined by dividing our tangible net book deficit by the total number of shares of common stock outstanding. After giving effect to the sale of the shares of common stock offered by us in the offering at $ per share, the mid-point of the range of the initial public offering prices set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and offering expenses payable by us, our adjusted net tangible book deficit would have been approximately $, or $ per share of common stock. This represents an immediate decrease in net tangible book deficit of $ per share to existing stockholders and an immediate dilution of $ per share to new investors purchasing shares of common stock in the offering. The following table illustrates this dilution on a per share basis:

Assumed initial public offering price per share		$
Adjusted net tangible book deficit per share before the offering	$	
Increase in adjusted net tangible book value per share attributable to new investors		
Pro forma net tangible book deficit per share after the offering		
Dilution per share to new investors		$

The following table sets forth, on a pro forma basis as of December 31, 1999, the number of shares of common stock owned by existing stockholders and to be owned by new investors, the total consideration paid and the average price per share paid by our existing stockholders and to be paid by new investors in the offering at $, the mid-point of the range of the initial public offering prices set forth on the cover page of this prospectus, and before deduction of estimated underwriting discounts and commissions:

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE
	NUMBER	PERCENT	AMOUNT	PERCENT	PER SHARE
Existing stockholders		%	$	%	$
New investors		%	$	%	
Total		%	$	%	

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

You should read the selected consolidated historical financial and other data below in conjunction with our Consolidated Financial Statements and the accompanying notes. You should also read Management's Discussion and Analysis of Financial Condition and Results of Operations. All of these materials are contained later in this prospectus. The consolidated historical financial data as of December 31, 1998 and 1999 and for the three years ended December 31, 1999 have been derived from our Consolidated Financial Statements. The pro forma data have been adjusted for the recapitalization, the offering, and the use of the estimated net proceeds from the offering to repay a portion of outstanding debt as if these events had occurred on January 1, 1999 with respect to the consolidated statement of operations data and December 31, 1999 with respect to consolidated balance sheet data. The selected consolidated financial and other data as of December 31, 1996 and 1997 for the period from July 1 through December 31, 1996 have been derived from our unaudited consolidated financial statements, which are not contained in this prospectus. The selected consolidated financial and other data at December 31, 1995 and June 30, 1996 and for the year ended December 31, 1995 and the period from January 1, 1996 through June 30, 1996 have been derived from the unaudited consolidated financial statements of our predecessor company, which are not contained in this prospectus.

	PREDECESSOR (a)			YEAR ENDED DECEMBER 31,			
	YEAR ENDED DECEMBER 31, 1995(b)	PERIOD FROM JANUARY 1 THROUGH JUNE 30, 1996(c)	PERIOD FROM JULY 1 THROUGH DECEMBER 31, 1996(d)	1997	1998	1999	PRO FORMA, AS ADJUSTED 1999(e)
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)						
CONSOLIDATED STATEMENT OF OPERATIONS DATA							
Net operating revenues	$547,926	$ 294,166	$ 327,922	$ 742,350	$ 854,580	$1,079,953	$1,079,953
Operating expenses (f)	453,173	291,712(g)	270,319	620,112	688,190	875,768	875,768
Depreciation and amortization	35,944	17,558	18,858	43,753	49,861	56,943	56,943
Amortization of goodwill	223	164	11,627	25,404	26,639	24,708	24,708
Interest, net	18,790	8,930	38,964	89,753	101,191	116,491	
Impairment of long-lived assets and relocation costs	25,400	15,655	--	--	164,833	--	--
Provision for excess reimbursement and Year 2000 remediation costs	--	--	--	--	20,209	17,279	17,279
Loss from hospital sales	--	3,146	--	--	--	--	--
Income (loss) before cumulative effect of a change in accounting principle and income taxes	14,396	(42,999)	(11,846)	(36,672)	(196,343)	(11,236)	
Provision for (benefit from) income taxes	4,443	(15,747)	1,256	(4,501)	(13,405)	5,553	
Income (loss) before cumulative effect of a change in accounting principle	9,953	(27,252)	(13,102)	(32,171)	(182,938)	(16,789)	
Cumulative effect of a change in accounting principle, net of taxes	--	--	--	--	(352)	--	--
Net income (loss)	$ 9,953	$ (27,252)	$ (13,102)	$ (32,171)	$ (183,290)	$ (16,789)	$ --
Basic and diluted income (loss) per common share (Class A and Class B):							
Income (loss) before cumulative effect of a change in accounting principle			$ (29.17)	$ (70.95)	$ (398.52)	$ (36.08)	
Cumulative effect of a change in accounting principle			--	--	(0.77)	--	
Net income (loss)			$ (29.17)	$ (70.95)	$ (399.29)	$ (36.08)	$
Weighted-average number of shares outstanding,							

basic and diluted (h).....			449,123	453,462	459,046	465,365	
CONSOLIDATED BALANCE SHEET DATA (AS OF END OF PERIOD OR YEAR)							
Cash and cash equivalents.....	$ 14,282	$ 10,410	$ 26,588	$ 7,663	$ 6,719	$ 4,282	$ 4,282
Total assets.....	547,910	506,323	1,604,706	1,629,804	1,727,161	1,886,017	1,886,017
Long-term obligations...	227,088	246,216	1,009,698	1,053,450	1,273,502	1,430,099	
Stockholders' equity....	215,012	187,760	465,673	433,625	246,826	229,708	

(CONTINUED ON FOLLOWING PAGE)

	PREDECESSOR (a)					
	YEAR ENDED DECEMBER 31, 1995(b)	PERIOD FROM JANUARY 1 THROUGH JUNE 30, 1996(c)	PERIOD FROM JULY 1 THROUGH DECEMBER 31, 1996(d)	YEAR ENDED DECEMBER 31, 1997	1998	1999
			(DOLLARS IN THOUSANDS)			
SELECTED OPERATING DATA						
Number of hospitals (i)	36	29	35	37	41	46
Licensed beds (i)(j)	3,298	2,641	3,222	3,288	3,644	4,115
Beds in service (i)(k)	2,519	2,005	2,311	2,543	2,776	3,123
Admissions (l)	76,347	34,876	40,246	88,103	100,114	120,414
Adjusted admissions (m)	118,042	56,136	68,059	153,618	177,075	217,006
Patient days (n)	404,453	168,995	183,809	399,012	416,845	478,658
Average length of stay (days) (o)	5.3	4.8	4.6	4.5	4.2	4.0
Occupancy rate (beds in service) (p)	44.0%	46.3%	43.2%	43.1%	43.3%	44.1%
Net inpatient revenue as a % of total net revenue	63.0%	61.1%	58.3%	57.3%	55.7%	52.7%
Net outpatient revenue as a % of total net revenue	35.4%	37.5%	40.4%	41.5%	42.6%	45.5%
Adjusted EBITDA (q)	$ 94,753	$ 2,454(g)	$ 57,603	$ 122,238	$ 166,390	$ 204,185
Adjusted EBITDA as a % of net revenue	17.3%	0.8%	17.6%	16.5%	19.5%	18.9%
Net cash flows provided by (used in) operating activities	$ 47,899	$ 30,081	$ 2,953	$ 21,544	$ 15,719	$ (11,746)
Net cash flows used in investing activities	$(71,414)	$ (25,067)	$(1,259,268)	$ (76,651)	$ (236,553)	$ (155,541)
Net cash flows provided by (used in) financing activities	$ 5,659	$ (8,886)	$ 1,282,903	$ 36,182	$ 219,890	$ 164,850

- ---

(a) Effective in July 1996, all of the outstanding common stock of our principal subsidiary, CHS/Community Health Systems, Inc., was acquired by us. The predecessor company had a substantially different capital structure compared to ours. Because of the limited usefulness of the earnings per share information for the predecessor company, these amounts have been excluded.

(b) Includes nine hospitals divested or held for divestiture in 1996.

(c) Includes two acquisitions.

(d) Includes six acquisitions.

(e) Reflects the recapitalization, the offering, the application of the estimated net proceeds from the offering to repay debt of $ and the resultant reduction of interest expense of $ as if these events had occurred on January 1, 1999. Also reflects an increase in provision for income taxes resulting from the decrease in interest expense. See "Use of Proceeds."

(f) Operating expenses include salaries and benefits, provision for bad debts, supplies, rent, and other operating expenses, and exclude the items that are excluded for purposes of determining adjusted EBITDA as discussed in footnote (q) below.

(g) Includes $47.5 million of expense resulting from the cancellation of stock options associated with the acquisition of our principal subsidiary as discussed in footnote (a).

(h) See Note 10 to the Consolidated Financial Statements.

(i) At end of period.

(j) Licensed beds are the number of beds for which a hospital has been licensed by the appropriate state agency regardless of whether the beds are actually available for patient use.

(k) Beds in service are the number of beds that are readily available for patient use.

(l) Admissions represent the number of patients admitted for inpatient treatment.

(m) Adjusted admissions is a general measure of combined inpatient and outpatient volume. Adjusted admissions is computed by multiplying admissions by gross patient revenues and then dividing that number by gross inpatient revenues.

(n) Patient days represent the total number of days of care provided to inpatients.

(o) Average length of stay (days) represents the average number of days

inpatients stay in our hospitals.

(p) Percentages are calculated by dividing the daily average number of inpatients by the weighted average of beds in service.

(q) We define adjusted EBITDA as EBITDA adjusted to exclude cumulative effect of a change in accounting principle, impairment of long-lived assets and relocation costs, provision for excess reimbursement and Year 2000 remediation costs, and loss from hospital sales. EBITDA consists of income (loss) before interest, income taxes, depreciation and amortization, and amortization of goodwill. EBITDA and adjusted EBITDA should not be considered as measures of financial performance under generally accepted accounting principles. Items excluded from EBITDA and adjusted EBITDA are significant components in understanding and assessing financial performance. EBITDA and adjusted EBITDA are key measures used by management to evaluate our operations and provide useful information to investors. EBITDA and adjusted EBITDA should not be considered in isolation or as alternatives to net income, cash flows generated by operations, investing or financing activities, or other financial statement data presented in the consolidated financial statements as indicators of financial performance or liquidity. Because EBITDA and adjusted EBITDA are not measurements determined in accordance with generally accepted accounting principles and are thus susceptible to varying calculations, EBITDA and adjusted EBITDA as presented may not be comparable to other similarly titled measures of other companies.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion should be read together with our Consolidated Financial Statements and the accompanying notes and Selected Consolidated Financial and Other Data included elsewhere in this prospectus.

OVERVIEW

We are the largest non-urban provider of acute care services in the United States in terms of number of facilities and the second largest in terms of revenues and EBITDA. As of December 31, 1999, we owned, leased or operated 46 acute care hospitals, geographically diversified across 20 states, with an aggregate of 4,115 licensed beds. In over 80% of our markets, we are the sole provider of acute care services. In most of our other markets, we are one of two providers of acute care services. For the fiscal year ended December 31, 1999, we generated $1.08 billion in net operating revenues and $204.2 million in adjusted EBITDA. We achieved compound annual revenue growth of 20.6% from 1997 to 1999 and compound annual adjusted EBITDA, growth of 29.2% over the same period.

ACQUISITIONS

During 1999, we acquired, through two purchase and two capital lease transactions, most of the assets, including working capital, of four hospitals. The consideration for the four hospitals totaled $77.8 million. This consideration consisted of $59.7 million in cash, which was borrowed under our acquisition loan facilities, and assumed liabilities of $18.1 million. The entire lease obligation relating to each lease transaction was prepaid. The prepayment was included as part of the cash consideration. We also opened one additional hospital, after completion of construction, at a cost of $15.3 million. This owned hospital replaced a hospital that we managed.

During 1998, we acquired, through two purchase and two capital lease transactions, most of the assets, including working capital, of four hospitals. The consideration for the four hospitals totaled $218.6 million. This consideration consisted of $169.8 million in cash, which was borrowed under our acquisition loan facilities, and assumed liabilities of $48.8 million. The entire lease obligation relating to each lease transaction was prepaid. The prepayment was included as part of the cash consideration. Also, effective December 1, 1998, we entered into an operating agreement relating to a 38 licensed bed hospital. We also purchased the working capital accounts of that hospital. The cash payment made for this hospital was $2.8 million. Pursuant to this operating agreement, upon specified conditions being met, we will be obligated to construct a replacement hospital and to purchase for $0.9 million the remaining assets of the hospital. Upon completion, all rights of ownership and operation will transfer to us.

During 1997, we exercised a purchase option under an operating lease and acquired two hospitals through capital lease transactions. The consideration for these three hospitals totaled $46.1 million, including working capital. This consideration consisted of $36.3 million in cash, which was borrowed under our acquisition loan facilities, and assumed liabilities of $9.8 million. The entire lease obligation relating to each lease transaction was prepaid. The prepayment was included as part of the cash consideration.

In the future, we intend to selectively acquire two to four hospitals in our target markets annually. Because of the financial impact of acquisitions, it is difficult to make meaningful comparisons between our financial statements for the periods presented. Because EBITDA margins at hospitals we acquire are, at the time of acquisition, lower than those of our existing hospitals, acquisitions can negatively affect our EBITDA margins on a consolidated basis.

SOURCES OF REVENUE

Net operating revenues include amounts estimated by management to be reimbursable by Medicare under the prospective payment system and by Medicare and Medicaid programs under the provisions of cost-reimbursement and other payment formulae. Amounts received by us for treatment of patients covered by such programs are generally less than our standard billing rates. The differences between the estimated program reimbursement rates and our standard billing rates are accounted for as contractual adjustments, which are deducted from gross revenues to arrive at net operating revenues. Final settlements under certain of these programs are subject to adjustment based on administrative review and audit by third parties. Net operating revenues also include amounts for which we expect to be reimbursed by other payors under the applicable payment formulae. Net operating revenues are recognized when services are provided. Adjustments to the estimated billings are recorded as final settlements are determined. Services rendered to patients covered by the Medicare and Medicaid programs represented the following percentage of our net operating revenues: 55% in 1997, 49% in 1998, and 48% in 1999.

The percentage of revenues received from the Medicare program is expected to increase due to the general aging of the population. The payment rates under the Medicare program for inpatients are based on a prospective payment system, based upon the diagnosis of a patient. While these rates are indexed for inflation annually, the increases have historically been less than actual inflation. Reductions in the rate of increase in Medicare and Medicaid reimbursement may have an adverse impact on our net operating revenue growth. In addition, Medicaid programs, insurance companies, and employers are actively negotiating the amounts paid to hospitals as opposed to their standard rates. The trend toward increased enrollment in managed care may adversely affect our net operating revenue growth.

In 1997, we initiated a voluntary review of inpatient medical records in order to determine the extent to which we may have claimed reimbursement in excess of what we should have claimed for services rendered under certain government programs for the years 1993 through 1997. We have executed a settlement agreement with the appropriate federal governmental agencies relating to an overpayment liability for an aggregate amount of $31 million. The settlement agreement has not yet been executed by the applicable state Medicaid programs. However, the Department of Justice has advised us that all parties to the settlement agreement have agreed to its terms and are expected to execute the settlement agreement by March 31, 2000. We have recorded as a charge to income, under the caption Provision for Excess Reimbursement, $20 million in 1998 and $14 million in 1999. Through our compliance program and other external initiatives, we may periodically detect instances of overpayment by governmental payors.

RESULTS OF OPERATIONS

Our hospitals offer a variety of services involving a broad range of inpatient and outpatient medical and surgical services. These include orthopedics, cardiology, OB/GYN, occupational medicine, rehabilitation treatment, home health, and skilled nursing. The strongest demand for hospital services generally occurs during January through April and the weakest demand for these services occurs during the summer months. Accordingly, eliminating the effect of new acquisitions, our net operating revenues and earnings are generally highest during the first quarter and lowest during the third quarter.

The following tables summarize, for the periods indicated, selected operating data.

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
	(EXPRESSED AS A PERCENTAGE OF NET OPERATING REVENUES)		
Net operating revenues	100.0	100.0	100.0
Operating expenses (a)	(83.5)	(80.5)	(81.1)
Adjusted EBITDA (b)	16.5	19.5	18.9
Depreciation and amortization	(5.9)	(5.8)	(5.3)
Amortization of goodwill	(3.4)	(3.1)	(2.3)
Interest, net	(12.1)	(11.8)	(10.8)
Impairment of long-lived assets	--	(19.3)	--
Provision for excess reimbursement and Year 2000 remediation costs	--	(2.4)	(1.6)
Loss before cumulative effect of a change in accounting principle and income taxes	(4.9)	(22.9)	(1.1)
Provision for (benefit from) income taxes	(0.6)	(1.5)	.5
Loss before cumulative effect of a change in accounting principle	(4.3)	(21.4)	(1.6)

	YEAR ENDED DECEMBER 31,	
	1998	1999
	(EXPRESSED IN PERCENTAGES)	
PERCENTAGE CHANGE FROM PRIOR YEAR:		
Net operating revenues	15.1	26.4
Admissions	13.6	20.3
Adjusted admissions (c)	15.3	22.6
Average length of stay	(6.7)	(4.8)
Adjusted EBITDA	36.1	22.7
SAME HOSPITALS PERCENTAGE CHANGE FROM PRIOR YEAR (d):		
Net operating revenues	2.5	7.6
Admissions	4.3	4.9
Adjusted admissions	6.4	7.7
Adjusted EBITDA	11.7	12.6

- ----------

(a) Operating expenses include salaries and benefits, provision for bad debts, supplies, rent, and other operating expenses, and exclude the items that are excluded for purposes of determining adjusted EBITDA as discussed in footnote (b) below.

(b) We define adjusted EBITDA as EBITDA adjusted to exclude cumulative effect of a change in accounting principle, impairment of long-lived assets, provision for excess reimbursement and Year 2000 remediation costs, and loss from hospital sales. EBITDA consists of income (loss) before interest, income taxes, depreciation and amortization, and amortization of goodwill. EBITDA and adjusted EBITDA should not be considered as measures of financial performance under generally accepted accounting principles. Items excluded from EBITDA and adjusted EBITDA are significant components in understanding and assessing financial performance. EBITDA and adjusted EBITDA are key measures used by management to evaluate our operations and provide useful information to investors. EBITDA and adjusted EBITDA should not be considered in isolation or as alternatives to net income, cash flows generated by operations, investing or financing activities, or other financial statement data presented in the consolidated financial

(FOOTNOTES CONTINUED ON FOLLOWING PAGE)

(FOOTNOTES CONTINUED FROM PREVIOUS PAGE)

statements as indicators of financial performance or liquidity. Because EBITDA and adjusted EBITDA are not measurements determined in accordance with generally accepted accounting principles and are thus susceptible to varying calculations, EBITDA and adjusted EBITDA as presented may not be comparable to other similarly titled measures of other companies.

(c) Adjusted admissions is a general measure of combined inpatient and outpatient volume. Adjusted admissions is computed by multiplying admissions by gross patient revenues and then dividing that number by gross inpatient revenues.

(d) Includes acquired hospitals to the extent they were operated by us during comparable periods in both years.

YEAR ENDED DECEMBER 31, 1999 COMPARED TO YEAR ENDED DECEMBER 31, 1998

Net operating revenues increased by 26.4% to $1,080.0 million in 1999 from $854.6 million in 1998. Of the $225.4 million increase in net operating revenues, $160.6 million was contributed by the nine hospitals we acquired, including one constructed, in 1998 and 1999, and $64.8 million was attributable to hospitals we owned throughout both periods. The $64.8 million, or 7.6%, increase in same hospitals net operating revenues was primarily attributable to inpatient and outpatient volume increases, partially offset by a decrease in reimbursement. In 1999, we experienced $23 million of reductions from the Balanced Budget Act of 1997. We have experienced lower payments from a number of payors, resulting primarily from:

- reductions mandated by the Balanced Budget Act of 1997, particularly in the areas of reimbursement for Medicare outpatient, capital, bad debts, home health, and skilled nursing;

- reductions in various states' Medicaid programs; and

- reductions in length of stay for patients not reimbursed on an admission basis.

Inpatient admissions increased by 20.3%, adjusted admissions increased by 22.6%, and average length of stay decreased by 4.8%. On a same hospitals basis, inpatient admissions increased by 4.9% and adjusted admissions increased by 7.7%. The increase in same hospitals inpatient admissions and adjusted admissions was due primarily to an increase in services offered, physician relationship development efforts, and the addition of physicians through our focused recruitment program. Outpatient growth is reflective of the continued trend toward a preference for outpatient procedures, where appropriate, by patients, physicians, and payors.

Operating expenses, as a percentage of net operating revenues, increased from 80.5% in 1998 to 81.1% in 1999 due to higher operating expenses and lower initial adjusted EBITDA margins associated with acquired hospitals. Adjusted EBITDA margin decreased from 19.5% in 1998 to 18.9% in 1999. Operating expenses include salaries and benefits, provision for bad debts, supplies, rent, and other operating expenses. Salaries and benefits, as a percentage of net operating revenues, increased to 38.8% in 1999 from 38.4% in 1998, due to acquisitions of hospitals in 1998 and 1999 having higher salaries and benefits as a percentage of net operating revenues than our 1998 results. Provision for bad debts, as a percentage of net operating revenues, increased to 8.8% in 1999 from 8.1% in 1998 due to an increase in self-pay revenues and payor remittance slowdowns in part caused by Year 2000 conversions. Supplies, as a percentage of net operating revenues, decreased to 11.7% in 1999 from 11.8% in 1998. Rent and other operating expenses, as a percentage of net operating revenues, decreased to 21.7% in 1999 from 22.3% in 1998.

On a same hospitals basis, operating expenses as a percentage of net operating revenues decreased from 81.1% in 1998 to 80.3% in 1999 and adjusted EBITDA margin increased from 18.9% in 1998 to

19.7% in 1999. These efficiency and productivity gains resulted from the achievement of target staffing ratios and improved compliance with national purchasing contracts. Operating expenses improved as a percentage of net operating revenues in every major category except provision for bad debts.

Depreciation and amortization increased by $7 million from $49.9 million in 1998 to $56.9 million in 1999. The nine hospitals acquired in 1998 and 1999 accounted for $7.1 million of the increase, with the remaining $3.3 million of the increase being related to facility renovations and purchases of equipment. These increases were offset by a $3.4 million reduction in depreciation and amortization related to the 1998 impairment write-off of certain assets.

Amortization of goodwill decreased by $1.9 million from $26.6 million in 1998 to $24.7 million in 1999. The nine hospitals acquired in 1998 and 1999 resulted in a $1.7 million increase in 1999, which was offset by a $3.6 million reduction in amortization of goodwill in 1999 and 1998 related to the 1998 impairment charge.

Interest, net increased by $15.3 million from $101.2 million in 1998 to $116.5 million in 1999. The nine hospitals acquired in 1998 and 1999 accounted for $10.2 million of the increase, with the remaining $5.1 million of the increase being related to borrowings under our credit agreement to finance capital expenditures.

Loss before cumulative effect of a change in accounting principle and income taxes for 1999 was $11.2 million compared to a loss of $196.3 million in 1998. A majority of this variance was due to a $164.8 million charge for impairment of long-lived assets recorded in 1998. In December 1998, in connection with our periodic review process, we determined that as a result of adverse changes in physician relationships, undiscounted cash flows from seven of our hospitals were below the carrying value of long-lived assets associated with those hospitals. Therefore, in accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," we adjusted the carrying value of the related long-lived assets, primarily goodwill, to their estimated fair value. The estimated fair values of these hospitals were based on specific market appraisals.

The provision for income taxes in 1999 was $5.6 million compared to a benefit of $13.4 million in 1998. Due to the non-deductible nature of certain goodwill amortization and the goodwill portion of the 1998 impairment charge, the resulting effective tax rate is in excess of the statutory rate.

Including the impairment of long-lived assets, provision for excess reimbursement, Year 2000 remediation costs, and cumulative effect of a change in accounting principle charges, net loss for 1999 was $16.8 million as to compared to $183.3 million net loss in 1998.

YEAR ENDED DECEMBER 31, 1998 COMPARED TO YEAR ENDED DECEMBER 31, 1997

Net operating revenues increased by 15.1% to $854.6 million in 1998 from $742.4 million in 1997. Of the $112.2 million increase, $93.3 million was contributed by the six hospitals we acquired in 1997 and 1998 and $18.9 million was attributable to the hospitals we owned throughout both periods. The $18.9 million, or 2.5%, increase in same hospital net operating revenues was primarily attributable to inpatient and outpatient volume increases, partially offset by a decrease in reimbursement. In 1998, we experienced $14 million of reductions from the Balanced Budget Act of 1997. We have experienced lower payments from a number of payors, resulting primarily from:

- reductions mandated by the Balanced Budget Act of 1997, particularly in the areas of reimbursement for Medicare outpatient, capital, bad debts, and home health;

- reductions in various states' Medicaid programs;

- reductions in length of stay for patients not reimbursed on an admission basis; and

- a reduction in Medicare case-mix index.

Inpatient admissions increased by 13.6%, adjusted admissions increased by 15.3%, and average length of stay decreased by 6.7%. On a same hospitals basis, inpatient admissions increased by 4.3% and adjusted admissions increased by 6.4%. The increase in same hospitals inpatient admissions and adjusted admissions was due primarily to an increase in services offered as a result of our capital expenditure program, physician relationship development efforts, and the addition of physicians through recruitment. Outpatient growth is reflective of the continued trend toward a preference for outpatient procedures, where appropriate, by patients, physicians, and payors.

Operating expenses, as a percentage of net operating revenues, decreased from 83.5% in 1997 to 80.5% in 1998. Adjusted EBITDA margin increased to 19.5% in 1998 from 16.5% in 1997. Salaries and benefits, as a percentage of net operating revenues, decreased to 38.4% in 1998 from 40.0% in 1997. Provision for bad debts, as a percentage of net operating revenues, increased to 8.1% in 1998 from 7.7% in 1997 due to an increase in self pay revenues. Supplies, as a percentage of net operating revenues, decreased to 11.8% in 1998 from 12.2% in 1997. Rent and other operating expenses, as a percentage of net operating revenues, decreased to 22.3% in 1998 from 23.7% in 1997.

On a same hospitals basis, operating expenses as a percentage of net operating revenues decreased from 82.4% in 1997 to 80.9% in 1998 and adjusted EBITDA margin increased from 17.6% in 1997 to 19.1% in 1998. These efficiency and productivity gains resulted in part from the achievement of target staffing ratios. Operating expenses improved as a percentage of net operating revenues in every major category except provision for bad debts.

Depreciation and amortization increased by $6.1 million from $43.8 million in 1997 to $49.9 million in 1998. The six hospitals acquired in 1997 and 1998 accounted for $4.2 million of the increase, with the remaining $1.9 million of the increase being related to facility renovations and purchases of equipment.

Amortization of goodwill increased by $1.2 million from $25.4 million in 1997 to $26.6 million in 1998. The six hospitals acquired in 1997 and 1998 accounted for this increase.

Interest, net increased by $11.4 million from $89.8 million in 1997 to $101.2 million in 1998. The six hospitals acquired in 1997 and 1998 accounted for $8 million of the increase, with the remaining increase of $3.4 million related to borrowings under our credit agreement to finance capital expenditures.

Loss before cumulative effect of a change in accounting principle and income taxes for 1998 was $196.3 million compared to a loss of $36.7 million in 1997. A majority of this increase was due to a $164.8 million charge for impairment of long-lived assets recorded in 1998.

The provision for income taxes in 1998 was a benefit of $13.4 million compared to a benefit of $4.5 million in 1997. Due to the non-deductible nature of goodwill amortization and the goodwill portion of the 1998 impairment charge, the resulting effective tax rate is in excess of the statutory rate.

Including the impairment of long-lived assets, provision for excess reimbursement, Year 2000 remediation costs, and cumulative effect of a change in accounting principle charges, net loss for 1998 was $183.3 million as compared to $32.2 million net loss in 1997.

LIQUIDITY AND CAPITAL RESOURCES

1999 COMPARED TO 1998

Net cash provided by operating activities decreased by $27.4 million, from $15.7 million during 1998 to a use of $11.7 million during 1999 due primarily to an increase in accounts receivable at both same hospitals and newly-acquired hospitals. The use of cash in investing activities decreased from $236.6 million in 1998 to $155.5 million in 1999. The $81.1 million decrease was due primarily to a decrease in cash used to finance hospital acquisitions of $112.9 million during 1999. This decrease was offset by a $31.8 million increase in cash used to finance capital expenditures during 1999, including approximately $15.0 million of Year 2000 expenditures. The 1998 use of cash to acquire facilities, included four hospitals, two of which were larger facilities. Net cash provided by financing activities decreased from $219.9 million in 1998 to $164.9 million in 1999. Excluding the refinancing of our credit facility, borrowings in 1999 would have been $186.3 million and repayments would have been $20.9 million. This represents a $56.2 million decrease compared to $242.5 million borrowed in 1998 and repayments of long-term indebtedness of $20.9 million in 1999 compared to repayments of $18.8 million in 1998. The $56.2 million decrease in borrowings related to a lesser amount spent on acquisition of facilities, partially offset by increased capital expenditures and an increase in the accounts receivable balance.

1998 COMPARED TO 1997

Net cash provided by operating activities decreased by $5.8 million from $21.5 million during 1997 to $15.7 million during 1998, due primarily to an increase in accounts receivable at both same hospitals and newly-acquired hospitals. The use of cash in investing activities increased from $76.7 million in 1997 to $236.5 million in 1998. The $159.8 million increase was primarily attributable to the four hospitals acquired in 1998, including two larger facilities, as compared to two hospitals acquired in 1997. Net cash provided by financing activities increased by $183.7 million to $219.9 million in 1998, as compared to $36.2 million in 1997. The increase was due primarily to the purchase of four hospitals in 1998.

CAPITAL EXPENDITURES

Our capital expenditures for 1999 totaled $64.8 million compared to $51.3 million in 1998 and $48.8 million in 1997. Our capital expenditures for 1999 excludes $15.3 million of costs associated with the opening and construction of one additional hospital. The increase in capital expenditures in 1999 was due primarily to an increase in purchases of medical equipment and information systems upgrades related to Year 2000 compliance. The increase in capital expenditures during 1998 as compared to 1997 was primarily attributable to an increase in purchases of medical equipment and facility improvements.

As an obligation under certain hospital purchase agreements, we are required to construct three hospitals through 2004 with an aggregate estimated construction cost of approximately $85 million. We expect total capital expenditures of approximately $70 million in 2000, including $55 million for renovation and equipment purchases and $15 million for construction of replacement hospitals.

CAPITAL RESOURCES

Net working capital was $65.2 million at December 31, 1999 compared to $3.4 million at December 31, 1998. The $61.8 million increase was primarily attributable to an increase in patient accounts receivable due to a combination of growth in same hospitals revenues during 1999 and the addition of five hospitals in 1999.

During March 1999, we amended our credit agreement. The amended credit agreement provides for $644 million in term debt with quarterly amortization and staggered maturities in 2000, 2001, 2002,

2003, 2004 and 2005. This agreement also provides for $482.5 million of revolving facility debt for working capital and acquisitions and matures on December 31, 2002. Borrowings under the facility bear interest at either LIBOR or prime rate plus various applicable margins which are based upon financial covenant ratio tests. As of December 31, 1999, under our credit agreement, our weighted average interest rate was 9.29%. As of December 31, 1999, we had availability to borrow an additional $47 million under the working capital revolving facility and an additional $144 million under the acquisition loan revolving facility.

We are required to pay a quarterly commitment fee at a rate which ranges from .375% to .500% based on specified financial performance criteria. This fee applies to unused commitments under the revolving credit facility and the acquisition loan facility.

The terms of the credit agreement include various restrictive covenants. These covenants include restrictions on additional indebtedness, investments, asset sales, capital expenditures, dividends, sale and leasebacks, contingent obligations, transactions with affiliates, and fundamental changes. The covenants also require maintenance of various ratios regarding senior indebtedness, senior interest, and fixed charges.

We believe that internally generated cash flows and borrowings under our revolving credit facility will be sufficient to finance acquisitions, capital expenditures and working capital requirements through the 12 months following the date of this prospectus. If funds required for future acquisitions exceed existing sources of capital, we will need to increase our revolving credit facility or obtain additional capital by other means.

REIMBURSEMENT, LEGISLATIVE AND REGULATORY CHANGES

Legislative and regulatory action has resulted in continuing change in the Medicare and Medicaid reimbursement programs which will continue to limit payment increases under these programs. Within the statutory framework of the Medicare and Medicaid programs, there are substantial areas subject to administrative rulings, interpretations, and discretion which may further affect payments made under those programs, and the federal and state governments might, in the future, reduce the funds available under those programs or require more stringent utilization and quality reviews of hospital facilities. Additionally, there may be a continued rise in managed care programs and future restructuring of the financing and delivery of healthcare in the United States. These events could have an effect on our future financial results.

INFLATION

The healthcare industry is labor intensive. Wages and other expenses increase especially during periods of inflation and when labor shortages occur in the marketplace. In addition, suppliers pass along rising costs to us in the form of higher prices. We have implemented cost control measures, including our case and resource management program, to curb increases in operating costs and expenses. We have, to date, offset increases in operating costs by increasing reimbursement for services and expanding services. However, we cannot predict our ability to cover or offset future cost increases.

PREPARATION FOR YEAR 2000

As with most industries, hospitals and healthcare systems use information systems that had the potential to misidentify dates beginning January 1, 2000, which could have resulted in systems or equipment failures or miscalculations. We engaged in a comprehensive project to upgrade computer software and hospital equipment and systems to be Year 2000 compliant. This project was successfully completed with no major difficulties encountered.

RECENT ACCOUNTING PRONOUNCEMENT NOT YET ADOPTED

During 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement specifies how to report and display derivative instruments and hedging activities and is effective for fiscal years beginning after June 15, 2000. We are evaluating the impact, if any, of adopting SFAS No. 133.

FEDERAL INCOME TAX EXAMINATIONS

The Internal Revenue Service is examining our filed federal income tax returns for the tax periods ended between December 31, 1993 and December 31, 1996. The Internal Revenue Service has indicated that it is considering a number of adjustments, primarily involving temporary or timing differences. To date, a revenue agent's report has not been issued in connection with the examination of these tax periods. We do not expect that the ultimate outcome of the Internal Revenue Service examinations will have a material effect on us.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to interest rate changes, primarily as a result of our credit agreement which bears interest based on floating rates. We have not taken any action to cover interest rate market risk, and are not a party to any interest rate market risk management activities.

A 1% change in interest rates on variable rate debt would have resulted in interest expense fluctuating approximately $6 million for 1998 and $8 million for 1999.

OVERVIEW OF OUR COMPANY

We are the largest non-urban provider of acute healthcare services in the United States in terms of number of facilities and the second largest in terms of revenues and EBITDA. As of December 31, 1999, we owned, leased or operated 46 hospitals, geographically diversified across 20 states, with an aggregate of 4,115 licensed beds. In over 80% of our markets, we are the sole provider of these services. In most of our other markets, we are one of two providers of these services. For the fiscal year ended December 31, 1999, we generated $1.08 billion in revenues and $204.2 million in adjusted EBITDA.

We were formed by affiliates of Forstmann Little & Co. to acquire our predecessor company in July 1996. Wayne T. Smith, who has over 30 years of experience in the healthcare industry, joined our company as President in January 1997 and was named Chief Executive Officer in April 1997. Under this new ownership and leadership, we have:

- strengthened the senior management team in all key business areas;
- standardized and centralized our operations across key business areas;
- implemented a disciplined acquisition program;
- expanded and improved the services and facilities at our hospitals;
- recruited additional physicians to our hospitals;
- instituted a company-wide regulatory compliance program; and
- divested certain non-core assets.

As a result of these initiatives, we achieved compound annual revenue growth of 20.6% from 1997 to 1999 and compound annual adjusted EBITDA growth of 29.2% over the same period. Our adjusted EBITDA margins have improved from 16.5% for 1997 to 18.9% for 1999.

Our hospitals typically have 50 to 200 beds and annual revenue ranging from $15 million to $75 million. They are generally located in non-urban markets with populations of 20,000 to 80,000 people and economically diverse employment bases. These facilities, together with their medical staffs, provide a wide range of inpatient and outpatient acute care services and a variety of specialty services.

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

OUR BUSINESS STRATEGY

The key elements of our business strategy are to:

- increase revenue at our facilities;
- grow through selective acquisitions;
- reduce costs; and
- improve quality.

INCREASE REVENUE AT OUR FACILITIES

OVERVIEW. We seek to increase revenue at our facilities by providing a broader range of services in a more attractive care setting, as well as by supporting and recruiting physicians. We identify the healthcare needs of the community by analyzing demographic data and patient referral trends. We also

work with local hospital boards, management teams, and medical staffs to determine the number and type of additional physicians needed. Our initiatives to increase revenue include:

- recruiting additional primary care physicians and specialists;

- expanding the breadth of services offered at our hospitals through targeted capital expenditures to support the addition of more complex services, including orthopedics, cardiology, OB/GYN, and occupational medicine; and

- providing the capital to invest in technology and the physical plant at the facilities, particularly in our emergency rooms.

By taking these actions, we believe that we can increase our share of the healthcare dollars spent by local residents and limit inpatient and outpatient migration to larger urban facilities. Total revenue for hospitals operated by us for a full year increased by 7.6% from 1998 to 1999. Total inpatient admissions increased by 4.9% over the same period.

PHYSICIAN RECRUITING. The primary method of adding or expanding medical services is the recruitment of new physicians into the community. A core group of primary care physicians is necessary as an initial contact point for all local healthcare. The addition of specialists who offer services including general surgery, OB/GYN, cardiology, and orthopedics completes the full range of medical and surgical services required to meet a community's core healthcare needs. When we acquire a hospital, we identify the healthcare needs of the community by analyzing demographic data and patient referral trends. We are then able to determine what we believe to be the optimum mix of primary care physicians and specialists. We employ recruiters at the corporate level to support the local hospital managers in their recruitment efforts. During the past three years, we have increased the number of physicians affiliated with us by 320, including 80 in 1997, 84 in 1998, and 156 in 1999. The percentage of recruited physicians commencing practice that were surgeons or specialists grew from 45% in 1997 to 52% in 1999. Most of our physicians are not employed by us, but rather establish their own private practices in the community. We have been successful in recruiting physicians because of the practice opportunities of physicians in our markets, as well as the lower managed care penetration as compared to urban areas. These physicians are able to earn incomes comparable to incomes earned by physicians in urban centers. Approximately 1,600 physicians are currently affiliated with our hospitals.

To attract and retain qualified physicians, we provide recruited physicians with various services to assist them in opening and operating their practices, including:

- relocation assistance;

- physician practice management assistance, either through consulting advice or training;

- access to medical office building space adjacent to our hospitals;

- joint marketing programs for community awareness of new services and providers of care in the community;

- case management consulting for best practices; and

- access to a physician advisory board which communicates regularly with physicians regarding a wide range of issues affecting the medical staffs of our hospitals.

EMERGENCY ROOM INITIATIVES. Given that over 50% of our hospital admissions originate in the emergency room, we systematically take steps to increase patient flow in our emergency rooms as a means of optimizing utilization rates for our hospitals. Furthermore, the impression of our overall operations by our customers is substantially influenced by our emergency room since often that is their first experience with our hospitals. The steps we take to increase patient flow in our emergency rooms include renovating and expanding our emergency room facilities, improving service, and reducing waiting times, as well as publicizing our emergency room capabilities in the local community. We have expanded or renovated four of our emergency room facilities since 1997 and are now in the process of upgrading an additional nine emergency room facilities. Since 1997, we have entered into approximately

20 new contracts with emergency room operating groups to improve performance in our emergency rooms. We have implemented marketing campaigns that emphasize the speed, convenience, and quality of our emergency rooms to enhance each community's awareness of our emergency room services.

Our upgrades include the implementation of specialized software programs designed to assist physicians in making diagnoses and determining treatments. The software also benefits patients and hospital personnel by assisting in proper documentation of patient records. It enables our nurses to provide more consistent patient care and provides clear instructions to patients at time of discharge to help them better understand their treatments.

EXPANSION OF SERVICES. To capture a greater portion of the healthcare spending in our markets and to more efficiently utilize our hospital facilities, we have added a broad range of emergency, outpatient, and specialty services to our hospitals. Depending on the needs of the community, we identify opportunities to expand into various specialties, including orthopedics, cardiology, OB/GYN, and occupational medicine. In addition to expanding services, we have completed major capital projects at selected facilities to offer these types of services. For example, in 1999 we invested $1 million in a new cardiac catheterization laboratory at our Crestview, Florida hospital. As a result, the number of procedures performed by this laboratory increased by 84%, from 122 in 1998 to 224 in 1999. In 1999, major capital projects were in progress at many of our hospitals. These projects included renovations to nine emergency rooms, two operating rooms, two OB/GYN facilities, and three intensive care units at various hospitals. We believe that through these efforts we will reduce patient migration to competing providers of healthcare services and increase volume.

MANAGED CARE STRATEGY. Managed care has seen growth across the U.S. as health plans expand service areas and membership. As we service primarily non-urban markets, our relationships with managed care organizations are limited. We have responded with a proactive and carefully considered strategy developed specifically for each of our facilities. Our experienced business development department reviews and approves all managed care contracts, which are managed through a central database. The primary mission of this department is to select and evaluate appropriate managed care opportunities, manage existing reimbursement arrangements, negotiate increases, and educate our physicians. We have terminated our only risk sharing capitated contract, which we acquired through our acquisition of a California hospital.

GROW THROUGH SELECTIVE ACQUISITIONS

ACQUISITION CRITERIA. Each year we intend to selectively acquire two to four hospitals that fit our acquisition criteria. We pursue acquisition candidates that:

- have a general service area population between 20,000 and 80,000 with a stable or growing population base;

- are the sole or primary provider of acute care services in the community;

- are located more than 25 miles from a competing hospital;

- are not located in an area that is dependent upon a single employer or industry; and

- have financial performance that we believe will benefit from our management's operating skills.

Most hospitals we have acquired are located in service areas having populations within the lower to middle range of our criteria. However, we have also acquired hospitals having service area populations in the upper range of our criteria. For example, in 1998, we acquired a 162-bed facility in Roswell, New Mexico which has a service area population of over 70,000 and is located 200 miles from the nearest urban centers in Albuquerque, New Mexico and Lubbock, Texas. Facilities similar to the one located in Roswell offer even greater opportunities to expand services given their larger service area populations.

Most of our acquisition targets are municipal and other not-for-profit hospitals. We believe that our access to capital and ability to recruit physicians make us an attractive partner for these

communities. In addition, we have found that communities located in states where we already operate a hospital are more receptive to us when they consider selling their hospital because they are aware of our operating track record with respect to our facilities within the state.

ACQUISITION OPPORTUNITIES. We believe that there are significant opportunities for growth through the acquisition of additional facilities. We estimate that there are currently approximately 400 acute care hospitals that meet our acquisition criteria. These hospitals are primarily not-for-profit or municipally owned. Many of these hospitals have experienced declining financial performance, lack the resources necessary to maintain and improve facilities, have difficulty attracting qualified physicians, and are challenged by the changing healthcare industry. We believe that these circumstances will continue and may encourage owners of these facilities to turn to companies, like ours, that have greater management expertise and financial resources and can enhance the local availability of healthcare.

After we acquire a hospital, we:

- improve hospital operations by implementing our standardized and centralized programs and appropriate expense controls as well as by managing staff levels;

- recruit additional primary care physicians and specialists;

- expand the breadth of services offered in the community to increase local market share and reduce inpatient and outpatient migration to larger urban hospitals; and

- implement appropriate capital expenditure programs to renovate the facility, add new services, and upgrade equipment.

REPLACEMENT FACILITIES. In some cases, we enter into agreements with the owners of hospitals to construct a new facility to be owned or leased by us that will replace the existing facility. The new facilities offer many benefits to us as well as the local community, including:

- state of the art technology, which attracts physicians trained in the latest medical procedures;

- physical plant efficiencies designed to enhance the flow of services, including emergency room and outpatient services;

- improved registration and business office functions; and

- local support for the institution.

As an obligation under certain hospital purchase agreements, we are required to construct three hospitals through 2004 with an aggregate estimated construction cost of approximately $85 million.

DISCIPLINED ACQUISITION APPROACH. We have been disciplined in our approach to acquisitions. We have a dedicated team of internal and external professionals who complete a thorough review of the hospital's financial and operating performance, the demographics of the market, and the state of the physical plant of the facilities. Based on our historical experience, we then build a pro forma financial model that reflects what we believe can be accomplished under our ownership. Whether we buy or lease the existing facility or agree to construct a replacement hospital, we have been disciplined in our approach to pricing.

ACQUISITION EFFORTS. We have significantly enhanced our acquisition efforts in the last three years in an effort to achieve our goals. We have focused on identifying possible acquisition opportunities through expanding our internal acquisition group and working with a broad range of financial advisors who are active in the sale of hospitals, especially in the not-for-profit sector. Since July 1996, we have acquired 17 hospitals through December 31, 1999, for an aggregate investment of $432 million. The

following is a list of the acquisitions which we have completed since July 1996 or expect to complete by April 2000:

HOSPITAL NAME	CITY	STATE	YEAR OF ACQUISITION/LEASE INCEPTION	LICENSED BEDS (a)
Chesterfield General (b)	Cheraw	SC	1996	66
Marlboro Park (b)	Bennettsville	SC	1996	109
Northeast Medical (b)	Bonham	TX	1996	75
Cleveland Regional (b)	Cleveland	TX	1996	115
River West Medical (b)	Plaquemine	LA	1996	80
Marion Memorial	Marion	IL	1996	99
Lake Granbury Medical	Granbury	TX	1997	56
Payson Regional	Payson	AZ	1997	66
Eastern New Mexico	Roswell	NM	1998	162
Watsonville Community	Watsonville	CA	1998	102
Martin General	Williamston	NC	1998	49
Fallbrook Hospital	Fallbrook	CA	1998	47
Greensville Memorial	Emporia	VA	1999	114
Berwick Hospital	Berwick	PA	1999	144
King's Daughters	Greenville	MS	1999	137
Big Bend Regional (c)	Alpine	TX	1999	40
Evanston Regional	Evanston	WY	1999	42
Southhampton Memorial (d)	Franklin	VA	2000	105
Northeastern Regional (d)	Las Vegas	NM	2000	54

- ------------------------

(a) Licensed beds are the number of beds for which a facility has been licensed by the appropriate state agency regardless of whether the beds are actually available for patient use.

(b) Acquired in a single transaction from a private, for-profit company.

(c) New hospital constructed to replace existing facility that we managed.

(d) Scheduled to be acquired by April 2000.

Since 1998, we have also operated a hospital in Tooele, Utah under an operating agreement pending our completion of the construction of a replacement facility.

REDUCE COSTS

OVERVIEW. To improve efficiencies and increase operating margins, we implement cost containment programs and adhere to operating philosophies which include:

- standardizing and centralizing our operations;

- optimizing resource allocation by utilizing our company-devised case and resource management program, which assists in improving clinical care and containing expenses;

- capitalizing on purchasing efficiencies through the use of company-wide standardized purchasing contracts and terminating or renegotiating certain vendor contracts;

- installing a standardized management information system, resulting in more efficient billing and collection procedures; and

- managing staffing levels according to patient volumes and acuity levels.

In addition, each of our hospital management teams is supported by our centralized operational, reimbursement, regulatory, and compliance expertise as well as by our senior management team, which has an average of 20 years of experience in the healthcare industry. Adjusted EBITDA margins on a same hospitals basis improved from 18.9% in 1998 to 19.7% in 1999.

STANDARDIZATION AND CENTRALIZATION. Our standardization and centralization initiatives encompass nearly every aspect of our business, from developing standard policies and procedures with respect to patient accounting and physician practice management, to implementing standard processes to initiate, evaluate, and complete construction projects. Our standardization and centralization initiatives have been a key element in improving our adjusted EBITDA margins.

- BILLING AND COLLECTIONS. We have adopted standard policies and procedures with respect to billing and collections. We have also automated and standardized various components of the collection cycle, including statement and collection letters and the movement of accounts through the collection cycle. Upon completion of an acquisition, our management information system team converts the hospital's existing information system to our standardized system. This enables us to quickly implement our business controls and cost containment initiatives.

- PHYSICIAN SUPPORT. We support our physicians to enhance their performance. We have implemented physician practice management seminars and training. We host these seminars at least quarterly. All newly recruited physicians are required to attend a three-day introductory seminar. The subjects covered in these comprehensive seminars include:

  u our corporate structure and philosophy;

  u provider applications, physician to physician relationships, and performance standards;

  u marketing and volume building techniques;

  u medical records, equipment, and supplies;

  u review of coding and documentation guidelines;

  u compliance, legal, and regulatory issues;

  u understanding financial statements;

  u national productivity standards; and

  u managed care.

- MATERIALS MANAGEMENT. We have standardized and centralized our operations with respect to medical supplies and equipment and pharmaceuticals used in our hospitals. In 1997, after evaluating our vendor contract pricing, we entered into an affiliation agreement with BuyPower, a group purchasing organization owned by Tenet Healthcare Corporation. At the present time, BuyPower is the source for a substantial portion of our medical supplies and equipment and pharmaceuticals. We have reduced supply costs for hospitals operated by us for a full year from 11.8% of our revenue in 1998 to 11.5% of our revenue in 1999.

- FACILITIES MANAGEMENT. We have standardized interiors, lighting, and furniture programs. We have also implemented a standard process to initiate, evaluate, and complete construction projects. Our corporate staff monitors all construction projects and pays all construction project invoices. Our initiatives in this area have reduced our construction costs while maintaining the same level of quality and improving upon the time it takes us to complete these projects.

- OTHER INITIATIVES. We have also improved margins by implementing standard programs with respect to ancillary services support in areas including pharmacy, laboratory imaging, home health, skilled nursing, emergency medicine, and health information management. We have reduced costs associated with these services by improving contract terms, standardizing information systems, and encouraging adherence to best practices guidelines.

CASE AND RESOURCE MANAGEMENT. Our case and resource management program is a company-devised program developed in response to ongoing reimbursement changes with the goal of improving clinical care and cost containment. The program focuses on:

- appropriately treating patients along the care continuum;

- reducing inefficiently applied processes, procedures, and resources;

- developing and implementing standards for operational best practices; and

- using on-site clinical facilitators to train and educate care practitioners on identified best practices.

Our case and resource management program integrates the functions of utilization review, discharge planning, overall clinical management, and resource management into a single effort to improve the quality and efficiency of care. Issues evaluated in this process include patient treatment, patient length of stay, and utilization of resources. The average length of inpatient stays decreased from 4.5 days in 1997 to 4.0 days in 1999. We believe this decrease was primarily a result of these initiatives.

Under our case and resource management program, patient care begins with a clinical assessment of the appropriate level of care, discharge planning, and medical necessity for planned services. Once a patient is admitted to the hospital, a review for ongoing medical necessity is conducted using appropriateness criteria. Discharge plan options are reassessed and adjusted as the needs of the patient change. Cases are closely monitored to prevent delayed service or inappropriate utilization of resources. Once clinical improvement is obtained, the attending physician is encouraged to consider alternatives to acute hospitalization through discussions with the facility's physician advisor. Finally, the patient is referred to the appropriate post-acute resources.

IMPROVE QUALITY

We have implemented various programs to ensure improvement in the quality of care provided. We have developed training programs for all senior hospital management, chief nursing officers, quality directors, physicians and other clinical staff. We share information among our hospital management to implement best practices and assist in complying with regulatory requirements. We have standardized accreditation documentation and requirements. Corporate support is provided to each facility to assist with accreditation reviews. Several of our facilities have received accreditation "with commendation" from the Joint Commission on Accreditation of Healthcare Organizations. All hospitals conduct patient, physician, and staff satisfaction surveys to help identify methods of improving the quality of care.

Each of our hospitals is governed by a board of trustees, which includes members of the hospital's medical staff. The board of trustees establishes policies concerning the hospital's medical, professional, and ethical practices, monitors these practices, and is responsible for ensuring that these practices conform to legally required standards. We maintain quality assurance programs to support and monitor quality of care standards and to meet Medicare and Medicaid accreditation and regulatory requirements. Patient care evaluations and other quality of care assessment activities are reviewed and monitored continuously.

OUR FACILITIES

Our hospitals are general acute care hospitals offering a wide range of inpatient and outpatient medical services. These services generally include internal medicine, general surgery, cardiology, oncology, orthopedics, OB/GYN, diagnostic and emergency room services, outpatient surgery, laboratory, radiology, respiratory therapy, physical therapy, and rehabilitation services. In addition, some of our hospitals provide skilled nursing and home health services based on individual community needs.

For each of our hospitals, the following table shows its location, the date of its acquisition or lease inception and the number of licensed beds as of January 31, 2000:

HOSPITAL	CITY	LICENSED BEDS(a)	DATE OF ACQUISITION/LEASE INCEPTION	OWNERSHIP TYPE
ALABAMA				
Woodland Community Hospital	Cullman	100	October, 1994	Owned
Parkway Medical Center Hospital	Decatur	120	October, 1994	Owned
L.V. Stabler Memorial Hospital	Greenville	72	October, 1994	Owned
Hartselle Medical Center	Hartselle	150	October, 1994	Owned
Edge Regional Hospital	Troy	97	December, 1994	Owned
ARIZONA				
Payson Regional Medical Center	Payson	66	August, 1997	Leased
ARKANSAS				
Harris Hospital	Newport	132	October, 1994	Owned
Randolph County Medical Center	Pocahontas	50	October, 1994	Leased
CALIFORNIA				
Barstow Community Hospital	Barstow	56	January, 1993	Leased
Fallbrook Hospital	Fallbrook	47	November, 1998	Operated (b)
Watsonville Community Hospital	Watsonville	102	September, 1998	Owned
FLORIDA (c)				
North Okaloosa Medical Center	Crestview	110	March, 1996	Owned
GEORGIA				
Berrien County Hospital	Nashville	71	October, 1994	Leased
Fannin Regional Hospital	Blue Ridge	34	January, 1986	Owned
ILLINOIS				
Crossroads Community Hospital	Mt. Vernon	55	October, 1994	Owned
Marion Memorial Hospital	Marion	99	October, 1996	Leased
KENTUCKY				
Parkway Regional Hospital	Fulton	70	May, 1992	Owned
Three Rivers Medical Center	Louisa	90	May, 1993	Owned
Kentucky River Medical Center	Jackson	55	August, 1995	Leased
LOUISIANA				
Byrd Regional Hospital	Leesville	70	October, 1994	Owned
Sabine Medical Center	Many	52	October, 1994	Owned
River West Medical Center	Plaquemine	80	August, 1996	Leased
MISSISSIPPI				
The King's Daughters Hospital	Greenville	137	September, 1999	Owned
MISSOURI				
Moberly Regional Medical Center	Moberly	114	November, 1993	Owned
NEW MEXICO				
Mimbres Memorial Hospital	Deming	49	March, 1996	Owned
Eastern New Mexico Medical Center	Roswell	162	April, 1998	Owned
NORTH CAROLINA				
Martin General Hospital	Williamston	49	November, 1998	Leased
PENNSYLVANIA				
Berwick Hospital	Berwick	144	March, 1999	Owned
SOUTH CAROLINA				
Marlboro Park Hospital	Bennettsville	109	August, 1996	Leased
Chesterfield General Hospital	Cheraw	66	August, 1996	Leased
Springs Memorial Hospital	Lancaster	194	November, 1994	Owned

HOSPITAL	CITY	LICENSED BEDS(a)	DATE OF ACQUISITION/LEASE INCEPTION	OWNERSHIP TYPE
TENNESSEE				
Lakeway Regional Hospital	Morristown	135	May, 1993	Owned
Scott County Hospital	Oneida	99	November, 1989	Leased
Cleveland Community Hospital	Cleveland	100	October, 1994	Owned
White County Community Hospital	Sparta	60	October, 1994	Owned
TEXAS				
Big Bend Regional Medical Center	Alpine	40	October, 1999	Owned
Northeast Medical Center	Bonham	75	August, 1996	Owned
Cleveland Regional Medical Center	Cleveland	115	August, 1996	Leased
Highland Medical Center	Lubbock	123	September, 1986	Owned
Scenic Mountain Medical Center	Big Spring	150	October, 1994	Owned
Hill Regional Hospital	Hillsboro	92	October, 1994	Owned
Lake Granbury Medical Center	Granbury	56	January, 1997	Leased
UTAH				
Tooele Valley Regional Medical Center	Tooele	38	November, 1998	Operated (d)
VIRGINIA				
Greensville Memorial Hospital	Emporia	114	March, 1999	Leased
Russell County Medical Center	Lebanon	78	September, 1986	Owned
WYOMING				
Evanston Regional Hospital	Evanston	42	November, 1999	Owned

- ------------------------

(a) Licensed beds are the number of beds for which a facility has been licensed by the appropriate state agency regardless of whether the beds are actually available for patient use.

(b) We operate this hospital under a lease-leaseback and operating agreement. We recognize all revenue and expenses associated with this hospital on our financial statements.

(c) We are also party to a lease for a 34 licensed bed facility located in Bonifay, Florida. Since the lease is expected to be terminated in March 2000, we have not included this facility in the above table.

(d) We operate this hospital pending our completion of the construction of a replacement facility. Our fee is equal to the EBITDA of the facility. For purposes of determining the aggregate number of licensed beds at our hospitals, we have not included the licensed beds at this facility.

SELECTED OPERATING DATA

The following table sets forth operating statistics for our hospitals for each of the years presented. Statistics for 1997 include a full year of operations for 36 hospitals, including one hospital acquired on January 1, 1997, and a partial period for one hospital acquired during the year. Statistics for 1998 include a full year of operations for 37 hospitals and partial periods for four hospitals acquired during

the year. Statistics for 1999 include a full year of operations for 41 hospitals and partial periods for four hospitals acquired, and one hospital constructed and opened, during the year.

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
Number of hospitals (a)	37	41	46
Licensed beds (a)(b)	3,288	3,644	4,115
Beds in service (a)(c)	2,543	2,776	3,123
Admissions (d)	88,103	100,114	120,414
Adjusted admissions (e)	153,618	177,075	217,006
Patient days (f)	399,012	416,845	478,658
Average length of stay (days) (g)	4.5	4.2	4.0
Occupancy rate (beds in service) (h)	43.1%	43.3%	44.1%
Net inpatient revenue as a % of total net revenue	57.3%	55.7%	52.7%
Net outpatient revenue as a % of total net revenue	41.5%	42.6%	45.5%

	YEAR ENDED DECEMBER 31,		PERCENTAGE INCREASE
	1998	1999	(DECREASE)
SAME HOSPITALS DATA (i)			
Admissions (d)	100,114	105,053	4.9%
Adjusted admissions (e)	177,075	190,661	7.7%
Patient days (f)	416,845	419,942	0.7%
Average length of stay (days) (g)	4.2	4.0	(4.8%)
Occupancy rate (beds in service) (h)	43.3%	43.5%	

- ------------------------

(a) At end of period.

(b) Licensed beds are the number of beds for which a facility has been licensed by the appropriate state agency regardless of whether the beds are actually available for patient use.

(c) Beds in service are the number of beds that are readily available for patient use.

(d) Admissions represent the number of patients admitted for inpatient treatment.

(e) Adjusted admissions is a general measure of combined inpatient and outpatient volume. Adjusted admissions is computed by multiplying admissions by gross patient revenues and then dividing that number by gross inpatient revenues.

(f) Patient days represent the total number of days of care provided to inpatients.

(g) Average length of stay (days) represents the average number of days inpatients stay in our hospitals.

(h) Percentages are calculated by dividing the average daily number of inpatients by the weighted average of beds in service.

(i) Includes acquired hospitals to the extent they were operated by us during comparable periods in both years.

SOURCES OF REVENUE

We receive payment for healthcare services provided by our hospitals from:

- the federal Medicare program;

- state Medicaid programs;

- healthcare insurance carriers, health maintenance organizations or "HMOs," preferred provider organizations or "PPOs," and other managed care programs; and

- patients directly.

The following table presents the approximate percentages of net revenue received from private, Medicare, Medicaid and other sources for the periods indicated. The data for the years presented are not strictly comparable due to the significant effect that hospital acquisitions and dispositions have had on these statistics.

NET REVENUE BY PAYOR SOURCE	1997	1998	1999
Medicare	43.9%	39.0%	36.2%
Medicaid	11.5%	10.2%	11.9%
Managed Care (HMO/PPO)	7.7%	14.0%	14.3%
Private and Other	36.9%	36.8%	37.6%
Total	100.0%	100.0%	100.0%

As shown above, we receive a substantial portion of our revenue from the Medicare and Medicaid programs.

Medicare is a federal program that provides medical insurance benefits to persons age 65 and over, some disabled persons, and persons with end-stage renal disease. Medicaid is a federal-state funded program, administered by the states, which provides medical benefits to individuals who are unable to afford healthcare. All of our hospitals are certified as providers of Medicare and Medicaid services. Amounts received under the Medicare and Medicaid programs are generally significantly less than the hospital's customary charges for the services provided. In recent years, changes made to the Medicare and Medicaid programs have further reduced payment to hospitals. We expect this trend to continue. Since an important portion of our revenues comes from patients under Medicare and Medicaid programs, our ability to operate our business successfully in the future will depend in large measure on our ability to adapt to changes in these programs.

In addition to government programs, we are paid by private payors, which include insurance companies, HMOs, PPOs, other managed care companies, and employers, as well as by patients directly. Patients are generally not responsible for any difference between customary hospital charges and amounts paid for hospital services by Medicare and Medicaid programs, insurance companies, HMOs, PPOs, and other managed care companies, but are responsible for services not covered by these programs or plans, as well as for deductibles and co-insurance obligations of their coverage. The amount of these deductibles and co-insurance obligations has increased in recent years. Collection of amounts due from individuals is typically more difficult than collection of amounts due from government or business payors. To further reduce their healthcare costs, an increasing number of insurance companies, HMOs, PPOs, and other managed care companies are negotiating discounted fee structures or fixed amounts for hospital services performed, rather than paying healthcare providers the amounts billed. If an increased number of insurance companies, HMOs, PPOs, and other managed care companies are successful in negotiating discounted fee structures or fixed amounts, our results of operations may be negatively affected. For more information on the payment programs on which our revenues depend, see "--Payment."

Hospital revenues depend upon inpatient occupancy levels, the volume of outpatient procedures, and the charges or negotiated payment rates for hospital services provided. Charges and payment rates for routine inpatient services vary significantly depending on the type of service performed and the geographic location of the hospital. In recent years, we have experienced a significant increase in revenue received from outpatient services. We attribute this increase to:

- advances in technology, which have permitted us to provide more services on an outpatient basis; and

- pressure from Medicare or Medicaid programs, insurance companies, and managed care plans to reduce hospital stays and to reduce costs by having services provided on an outpatient rather than on an inpatient basis.

SUPPLY CONTRACTS

During fiscal 1997, we entered into an affiliation agreement with BuyPower, a group purchasing organization owned by Tenet Healthcare Corporation. Our affiliation with BuyPower combines the purchasing power of our hospitals with the purchasing power of more than 600 other healthcare providers affiliated with the program. This increased purchasing power has resulted in reductions in the prices paid by our hospitals for medical supplies and equipment and pharmaceuticals. We believe that as internet-based applications for purchasing become more pervasive, we may have further opportunities to reduce our supply costs company-wide.

OVERVIEW OF THE INDUSTRY

The U.S. Healthcare Financing Administration estimated that in 1999, total U.S. healthcare expenditures grew by 6.0% to $1.2 trillion. Total U.S. healthcare spending is projected to grow by 7.1% in 2000 and by 6.5% annually from 2001 through 2008. By these estimates, healthcare expenditures will account for approximately $2.2 trillion, or 16.2% of the total U.S. gross domestic product by 2008.

Hospital services, the market in which we operate, is the largest single category of healthcare at 33.7% of total healthcare spending in 1999, or $401.3 billion. The hospital services category is projected to grow by 5.7% per year through 2008. Growth in hospital healthcare spending is expected to continue due to the aging of the U.S. population and consumer demand for expanded medical services. As hospitals remain the primary setting for healthcare delivery, hospital services is expected to remain the largest category of healthcare spending.

U.S. HOSPITAL INDUSTRY. The U.S. hospital industry is broadly defined to include acute care, rehabilitation, and psychiatric facilities that are either public (government owned and operated), not-for-profit private (religious or secular), or for-profit institutions (investor owned). According to the American Hospital Association, there are approximately 5,015 inpatient hospital facilities in the U.S. which are not-for-profit owned, investor owned, or state or local government owned. Of these hospitals, 44% are located in non-urban communities. These facilities offer a broad range of healthcare services, including internal medicine, general surgery, cardiology, oncology, neurosurgery, orthopedics, OB/GYN, and emergency services. In addition, hospitals also offer other ancillary services including psychiatric, diagnostic, rehabilitation, home health, and outpatient surgery services.

URBAN VS. NON-URBAN HOSPITALS

According to the U.S. Census Bureau, 25% of the U.S. population lives in communities designated as non-urban. In these non-urban communities, hospitals are typically the primary source of healthcare and, in many cases, a single hospital is the only provider of acute care services. According to the American Hospital Association, in 1998, there were 2,199 non-urban hospitals in the U.S. We believe that a majority of these hospitals are owned by not-for-profit or governmental entities.

FACTORS AFFECTING PERFORMANCE. Among the many factors that can influence a hospital's financial and operating performance are:

- facility size and location;

- facility ownership structure (i.e., tax-exempt or investor owned);

- a facility's ability to participate in group purchasing organizations; and

- facility payor mix.

We believe that non-urban hospitals are generally able to obtain higher operating margins than urban hospitals. Factors contributing to a non-urban hospital's margin advantage include lower acuity level patients, a lower cost structure, limited competition, and favorable Medicare payment provisions. Patients needing the most acute care are more often served by the larger and/or more specialized urban hospitals. A non-urban hospital's lower cost structure results from its geographic location as well as the lower number of patients treated who need the most highly advanced services. Additionally, because non-urban hospitals are generally sole providers or one of a small group of providers in their markets, there is limited competition. This generally results in more favorable pricing with commercial payors. Medicare has special payment provisions for "sole community hospitals." Under present law, hospitals that qualify for this designation receive higher reimbursement rates and are guaranteed capital reimbursement equal to 90% of capital costs. As of December 31, 1999, 11 of our hospitals were "sole community hospitals." In addition, we believe that non-urban communities are generally characterized by a high level of patient and physician loyalty that fosters cooperative relationships among the local hospitals, physicians, employees, and patients.

The type of third party responsible for the payment of services performed by healthcare service providers is also an important factor which affects hospital margins. These payors have increasingly exerted pressure on healthcare service providers to reduce the cost of care. The most active payors in this regard have been HMOs, PPOs, and other managed care organizations. The characteristics of non-urban markets make them less attractive to these managed care payors. This is partly because the limited size of non-urban markets and their diverse, non-national employer bases minimize the ability of managed care payors to achieve economies of scale. In 1999, approximately 14% of our revenues were paid by managed care organizations.

HOSPITAL INDUSTRY TRENDS

DEMOGRAPHIC TRENDS. According to the U.S. Census Bureau, there are approximately 35 million Americans aged 65 or older in the U.S. today, who comprise approximately 13% of the total U.S. population. By the year 2030 the number of elderly is expected to climb to 69 million, or 20% of the total population. Due to the increasing life expectancy of Americans, the number of people aged 85 years and older is also expected to increase from 4.3 million to 8.5 million by the year 2030. This increase in life expectancy will increase demand for healthcare services and, as importantly, the demand for innovative, more sophisticated means of delivering those services. Hospitals, as the largest category of care in the healthcare market, will be among the main beneficiaries of this increase in demand. Based on data compiled for us, the populations of the service areas where our hospitals are located grew by 6.9% from 1990 to 1997 and are projected to grow by 4.6% from 1998 to 2002. The number of people aged 65 or older in these service areas grew by 16.4% from 1990 to 1997 and is projected to grow by 5.7% from 1998 to 2002.

CONSOLIDATION. During the late 1980s and early 1990s, there was significant industry consolidation involving large, investor owned hospital companies seeking to achieve economies of scale. While consolidation activity in the hospital industry is continuing, the consolidation is currently primarily taking place through mergers and acquisitions involving not-for-profit hospital systems. Reasons for this activity include:

- limited access to capital;

- financial performance issues, including challenges associated with changes in reimbursement;

- the desire to enhance the local availability of healthcare in the community;

- the need and ability to recruit primary care physicians and specialists; and

- the need to achieve general economies of scale and to gain access to standardized and centralized functions, including favorable supply agreements.

SHIFTING UTILIZATION TRENDS. Over the past decade, many procedures that had previously required hospital visits with overnight stays have been performed on an outpatient basis. This shift has been driven by cost containment efforts led by private and government payors. The focus on cost containment has coincided with advancements in medical technology that have allowed patients to be treated with less invasive procedures that do not require overnight stays. According to the American Hospital Association, the number of surgeries performed on an inpatient basis declined from 1994 to 1998 at an average annual rate of 0.3%, from 9.8 million in 1994 to 9.7 million in 1998. During the same period, the number of outpatient surgeries increased at an average annual rate of 4.3%, from 13.2 million in 1994 to 15.6 million in 1998. The mix of inpatient as compared to outpatient surgeries shifted from a ratio of 42.8% inpatient to 57.2% outpatient in 1994 to a ratio of 38.4% inpatient to 61.6% outpatient in 1998.

These trends have led to a reduction in the average length of stay and, as a result, inpatient utilization rates. According to the American Hospital Association, the average length of stay in acute care hospitals has declined from 6.7 days in 1994 to 6.0 days in 1998.

GOVERNMENT REGULATION

OVERVIEW. The healthcare industry is required to comply with extensive government regulation at the federal, state, and local levels. Under these regulations, hospitals must meet requirements to be certified as hospitals and qualified to participate in government programs, including the Medicare and Medicaid programs. These requirements relate to the adequacy of medical care, equipment, personnel, operating policies and procedures, maintenance of adequate records, hospital use, rate-setting, compliance with building codes, and environmental protection laws. There are also extensive regulations governing a hospital's participation in these government programs. If we fail to comply with applicable laws and regulations, we can be subject to criminal penalties and civil sanctions, our hospitals can lose their licenses and we could lose our ability to participate in these government programs. In addition, government regulations may change. If that happens, we may have to make changes in our facilities, equipment, personnel, and services so that our hospitals remain certified as hospitals and qualified to participate in these programs. We believe that our hospitals are in substantial compliance with current federal, state, and local regulations and standards.

Hospitals are subject to periodic inspection by federal, state, and local authorities to determine their compliance with applicable regulations and requirements necessary for licensing and certification. All of our hospitals are licensed under appropriate state laws and are qualified to participate in Medicare and Medicaid programs. In addition, most of our hospitals are accredited by the Joint Commission on Accreditation of Healthcare Organizations. This accreditation indicates that a hospital satisfies the applicable health and administrative standards to participate in Medicare and Medicaid programs.

FRAUD AND ABUSE LAWS. Participation in the Medicare program is heavily regulated by federal statute and regulation. If a hospital fails substantially to comply with the requirements for participating in the Medicare program, the hospital's participation in the Medicare program may be terminated and/or civil or criminal penalties may be imposed. For example, a hospital may lose its ability to participate in the Medicare program if it performs any of the following acts:

- making claims to Medicare for services not provided or misrepresenting actual services provided in order to obtain higher payments;

- paying money to induce the referral of patients where services are reimbursable under a federal health program; or

- failing to provide treatment to any individual who comes to a hospital's emergency room with an "emergency medical condition" or otherwise failing to properly treat and transfer emergency patients.

The Health Insurance Portability and Accountability Act of 1996 broadened the scope of the fraud and abuse laws by adding several criminal statutes that are not related to receipt of payments from a federal healthcare program. The Accountability Act created civil penalties for conduct, including upcoding and billing for medically unnecessary goods or services. It established new enforcement mechanisms to combat fraud and abuse. These include a bounty system, where a portion of the payments recovered is returned to the government agencies, as well as a whistleblower program. This law also expanded the categories of persons that may be excluded from participation in federal healthcare programs.

Another law regulating the healthcare industry is a section of the Social Security Act, known as the "anti-kickback" or "fraud and abuse" statute. This law prohibits some business practices and relationships under Medicare, Medicaid, and other federal healthcare programs. These practices include the payment, receipt, offer, or solicitation of money in connection with the referral of patients covered by a federal or state healthcare program. Violations of the anti-kickback statute may be punished by criminal and civil fines, exclusion from federal healthcare programs, and damages up to three times the total dollar amount involved.

The Office of Inspector General of the Department of Health and Human Services has been authorized to publish regulations outlining activities and business relationships that would be deemed not to violate the anti-kickback statute. These regulations are known as "safe harbor" regulations. However, the failure of a particular activity to comply with the safe harbor regulations does not mean that the activity violates the anti-kickback statute.

The Office of Inspector General is responsible for identifying fraud and abuse activities in government programs. In order to fulfill its duties, the Office of Inspector General performs audits, investigations, and inspections. In addition, it provides guidance to healthcare providers by identifying types of activities that could violate the anti-kickback statute. The Office of the Inspector General has identified the following incentive arrangements as potential violations:

- payment of any incentive by the hospital each time a physician refers a patient to the hospital;

- use of free or significantly discounted office space or equipment for physicians in facilities usually located close to the hospital;

- provision of free or significantly discounted billing, nursing, or other staff services;

- free training for a physician's office staff including management and laboratory techniques;

- guarantees which provide that if the physician's income fails to reach a predetermined level, the hospital will pay any portion of the remainder;

- low-interest or interest-free loans, or loans which may be forgiven if a physician refers patients to the hospital;

- payment of the costs of a physician's travel and expenses for conferences; or

- payment of services which require few, if any, substantive duties by the physician, or payment for services in excess of the fair market value of the services rendered.

In addition to physicians having ownership interests in a few of our facilities, we have contracts with physicians providing for a variety of financial arrangements, including employment contracts, leases, management agreements, and professional service agreements. We provide financial incentives to recruit physicians to relocate to communities served by our hospitals. These incentives include revenue guarantees and, in some cases, loans. Although we believe that our arrangements with physicians have been structured in light of the "safe harbor" rules, we cannot assure you that regulatory authorities will not determine otherwise. If that happens, we would be subject to criminal and civil penalties and/or exclusion from participating in Medicare, Medicaid, or other government healthcare programs.

The Social Security Act also includes a provision commonly known as the "Stark law." This law prohibits physicians from referring Medicare and Medicaid patients to healthcare entities in which they or any of their immediate family members have ownership or other financial interests. These types of referrals are commonly known as "self referrals." Sanctions for violating the Stark law include civil money penalties, assessments equal to twice the dollar value of each service, and exclusion from Medicare and Medicaid programs. There are ownership and compensation arrangement exceptions to the self-referral prohibition. One exception allows a physician to make a referral to a hospital if the physician owns the entire hospital, as opposed to an ownership interest in a department of the hospital. Another exception allows a physician to refer patients to a healthcare entity in which the physician has an ownership interest if the entity is located in a rural area, as defined in the statute. There are also exceptions for many of the customary financial arrangements between physicians and providers, including employment contracts, leases, and recruitment agreements. The federal government has not finalized its regulations which will interpret several of the provisions included in the Stark law. We have structured our financial arrangements with physicians to comply with the statutory exceptions included in the Stark law. However, when the government finalizes these regulations, it may interpret certain provisions of this law in a manner different from the manner with which we have interpreted them. We cannot predict the final form that such regulations will take or the effect those regulations will have on us.

Many states in which we operate also have adopted, or are considering adopting, similar laws. Some of these state laws apply even if the payment for care does not come from the government. These statutes typically provide criminal and civil penalties as well as loss of licensure. While there is little precedent for the interpretation or enforcement of these state laws, we have attempted to structure our financial relationships with physicians and others in light of these laws. However, if we are found to have violated these state laws, it could result in the imposition of criminal and civil penalties as well as possible licensure revocation.

CORPORATE PRACTICE OF MEDICINE FEE-SPLITTING. Some states have laws that prohibit unlicensed persons or business entities, including corporations, from employing physicians. Some states also have adopted laws that prohibit direct or indirect payments or fee-splitting arrangements between physicians and unlicensed persons or business entities. Possible sanctions for violations of these restrictions include loss of a physician's license, civil and criminal penalties and rescission of business arrangements. These laws vary from state to state, are often vague and have seldom been interpreted by the courts or regulatory agencies. We structure our arrangements with healthcare providers to comply with the relevant state law. However, we cannot assure you that governmental officials charged with responsibility for enforcing these laws will not assert that we, or transactions in which we are involved, are in violation of these laws. These laws may also be interpreted by the courts in a manner inconsistent with our interpretations.

EMERGENCY MEDICAL TREATMENT AND ACTIVE LABOR ACT. The Emergency Medical Treatment and Active Labor Act imposes requirements as to the care that must be provided to anyone who comes to facilities providing emergency medical services seeking care before they may be transferred to another facility or otherwise denied care. Sanctions for failing to fulfill these requirements include exclusion

from participation in Medicare and Medicaid programs and civil money penalties. In addition, the law creates private civil remedies which enable an individual who suffers personal harm as a direct result of a violation of the law to sue the offending hospital for damages and equitable relief. A medical facility that suffers a financial loss as a direct result of another participating hospital's violation of the law also has a similar right. Although we believe that our practices are in compliance with the law, we can give no assurance that governmental officials responsible for enforcing the law or others will not assert we are in violation of these laws.

FALSE CLAIMS ACT. Another trend in healthcare litigation is the use of the False Claims Act. This law has been used not only by the U.S. government, but also by individuals who bring an action on behalf of the government under the law's "qui tam" or "whistleblower" provisions. When a private party brings a qui tam action under the False Claims Act, the defendant will generally not be aware of the lawsuit until the government makes a determination whether it will intervene and take a lead in the litigation.

Civil liability under the False Claims Act can be up to three times the actual damages sustained by the government plus civil penalties for each separate false claim. There are many potential bases for liability under the False Claims Act. Although liability under the False Claims Act arises when an entity knowingly submits a false claim for reimbursement to the federal government, the False Claims Act defines the term "knowingly" broadly. Thus, although simple negligence generally will not give rise to liability under the False Claims Act, submitting a claim with reckless disregard to its truth or falsity can constitute "knowingly" submitting a claim.

See "--Legal Proceedings" for a description of pending, unsealed False Claims Act litigation.

HEALTHCARE REFORM. The healthcare industry continues to attract much legislative interest and public attention. In recent years, an increasing number of legislative proposals have been introduced or proposed in Congress and in some state legislatures that would effect major changes in the healthcare system. Proposals that have been considered include cost controls on hospitals, insurance market reforms to increase the availability of group health insurance to small businesses, and mandatory health insurance coverage for employees. The costs of implementing some of these proposals would be financed, in part, by reductions in payments to healthcare providers under Medicare, Medicaid, and other government programs. We cannot predict the course of future healthcare legislation or other changes in the administration or interpretation of governmental healthcare programs and the effect that any legislation, interpretation, or change may have on us.

CONVERSION LEGISLATION. Many states, including some where we have hospitals and others where we may in the future acquire hospitals, have adopted legislation regarding the sale or other disposition of hospitals operated by not-for-profit entities. In other states that do not have specific legislation, the attorneys general have demonstrated an interest in these transactions under their general obligations to protect charitable assets from waste. These legislative and administrative efforts are primarily focused on the appropriate valuation of the assets divested and the use of the proceeds of the sale by the not-for-profit seller. While these review and, in some instances, approval processes can add additional time to the closing of a hospital acquisition, we have not had any significant difficulties or delays in completing the process. There can be no assurance, however, that future actions on the state level will not seriously delay or even prevent our ability to acquire hospitals. If these activities are widespread, they could have a negative impact on our ability to acquire additional hospitals. See "--Our Business Strategy."

CERTIFICATES OF NEED. The construction of new facilities, the acquisition of existing facilities and the addition of new services at our facilities may be subject to state laws that require prior approval by state regulatory agencies. These certificate of need laws generally require that a state agency determine the public need and give approval prior to the construction or acquisition of facilities or the addition of new services. We operate hospitals in 11 states that have adopted certificate of need laws. If we fail to

obtain necessary state approval, we will not be able to expand our facilities, complete acquisitions or add new services in these states. Violation of these state laws may result in the imposition of civil sanctions or the revocation of a hospital's licenses.

PAYMENT

MEDICARE. Under the Medicare program, we are paid for inpatient and outpatient services performed by our hospitals.

Payments for inpatient acute services are generally made pursuant to a prospective payment system, commonly known as "PPS." Under a PPS, our hospitals are paid a prospectively determined amount for each hospital discharge based on the patient's diagnosis. Specifically, each discharge is assigned to a diagnosis-related group, commonly known as a "DRG," based upon the patient's condition and treatment during the relevant inpatient stay. Each DRG is assigned a payment rate that is prospectively set using national average costs per case for treating a patient for a particular diagnosis. DRG payments do not consider the actual costs incurred by a hospital in providing a particular inpatient service. However, DRG payments are adjusted by a predetermined geographic adjustment factor assigned to the geographic area in which the hospital is located. While a hospital generally does not receive payment in addition to a DRG payment, hospitals may qualify for an "outlier" payment when the relevant patient's treatment costs are extraordinarily high and exceed a specified threshold.

The DRG rates are adjusted by an update factor each federal fiscal year, which begins on October 1. The update factor is determined, in part, by the projected increase in the cost of goods and services that are purchased by hospitals. For several years the annual update factor has been lower than the projected increases in the costs of goods and services purchased by hospitals. DRG rate increases were 1.1% for federal fiscal year 1995, 1.5% for federal fiscal year 1996, and 2.0% for federal fiscal year 1997. For federal fiscal year 1998, there was no increase. The DRG rate was increased by the projected increase in the cost of goods and services minus 1.9% for federal fiscal year 1999 and 1.8% for federal fiscal year 2000. For both federal fiscal years 2001 and 2002, the DRG rate will be increased by the projected increase in the cost of goods and services minus 1.1%. Future legislation may decrease the rate of increase for DRG payments, but we are not able to predict the amount of the reduction or the effect that the reduction will have on us.

Outpatient services have traditionally been paid at the lower of customary charges or on a reasonable cost basis. The Balanced Budget Act established a PPS for outpatient hospital services that was scheduled to commence on January 1, 1999, but which has not yet been implemented. The Balanced Budget Refinement Act of 1999 eliminated the anticipated average reduction of 5.7% for various Medicare outpatient business under the Balanced Budget Act of 1997. Under the Balanced Budget Refinement Act of 1999, non-urban hospitals with 100 beds or less are held harmless under Medicare outpatient PPS through December 31, 2003. Thirty-three of our hospitals qualify for this relief. Losses under Medicare outpatient PPS of non-urban hospitals with greater than 100 beds and urban hospitals will be mitigated through a corridor reimbursement approach, where a percentage of losses will be reimbursed through December 31, 2003. Substantially all of our remaining hospitals qualify for relief under this provision.

Skilled nursing facilities have historically been paid by Medicare on the basis of actual costs, subject to limitations. The Balanced Budget Act established a PPS for Medicare skilled nursing facilities. The new PPS commenced in July 1998, and is being implemented progressively over a three year term. We have experienced reductions in payments for our skilled nursing services. However, the Balanced Budget Refinement Act of 1999 has established adjustments to the PPS payments made to skilled nursing facilities which are scheduled to be implemented on October 1, 2000.

The Balanced Budget Act also requires the Department of Health and Human Services to establish a PPS for home health services. The Balanced Budget Act of 1997 put in place the interim payment system, commonly known as "IPS," until the home health PPS could be implemented. The

home health PPS is currently scheduled to replace IPS on October 1, 2000. We have experienced reductions in payments for our home health services and a decline in home health visits due to a reduction in benefits by reason of the Balanced Budget Act.

MEDICAID. Most state Medicaid payments are made under a PPS or under programs which negotiate payment levels with individual hospitals. Medicaid is currently funded jointly by state and federal governments. The federal government and many states are currently considering significantly reducing Medicaid funding, while at the same time expanding Medicaid benefits. This could adversely affect future levels of Medicaid payments received by our hospitals.

ANNUAL COST REPORTS. Hospitals participating in the Medicare and some Medicaid programs, whether paid on a reasonable cost basis or under a PPS, are required to meet certain financial reporting requirements. Federal and, where applicable, state regulations require submission of annual cost reports identifying medical costs and expenses associated with the services provided by each hospital to Medicare beneficiaries and Medicaid recipients.

Annual cost reports required under the Medicare and some Medicaid programs are subject to routine governmental audits. These audits may result in adjustments to the amounts ultimately determined to be due to us under these reimbursement programs. Finalization of these audits often takes several years. Providers can appeal any final determination made in connection with an audit.

COMMERCIAL INSURANCE. Our hospitals provide services to individuals covered by private healthcare insurance. Private insurance carriers pay our hospitals or in some cases reimburse their policyholders based upon the hospital's established charges and the coverage provided in the insurance policy. Commercial insurers are trying to limit the costs of hospital services by negotiating discounts, including PPS, which would reduce payments by commercial insurers to our hospitals. Reductions in payments for services provided by our hospitals to individuals covered by commercial insurers could adversely affect us.

COMPETITION

The hospital industry is highly competitive. In addition to the competition we face for acquisitions and physicians, we must also compete with other hospitals and healthcare providers for patients. The competition among hospitals and other healthcare providers for patients has intensified in recent years. Our hospitals are located in non-urban service areas. Most of our hospitals face no direct competition because there are no other hospitals in their primary service areas. However, these hospitals do face competition from hospitals outside of their primary service area, including tertiary care hospitals in urban areas. These tertiary care facilities are generally located in excess of 25 miles from our facilities. Patients in our primary service areas may travel to these other hospitals for a variety of reasons, including the need for services we do not offer or physician referrals.

Some of our hospitals operate in primary service areas where they compete with one other hospital. One of our hospitals competes with more than one other hospital in its primary service area. Some of these competing hospitals use equipment and services more specialized than those available at our hospitals. In addition, some of the hospitals that compete with us are owned by tax-supported governmental agencies or not-for-profit entities supported by endowments and charitable contributions. These hospitals can make capital expenditures without paying sales, property and income taxes. We also face competition from other specialized care providers, including outpatient surgery, orthopedic, oncology, and diagnostic centers.

The number and quality of the physicians on a hospital's staff is an important factor in a hospital's competitive advantage. Physicians decide whether a patient is admitted to the hospital and the procedures to be performed. Admitting physicians may be on the medical staffs of other hospitals in addition to those of our hospitals. We attempt to attract our physicians' patients to our hospitals by offering quality services and facilities, convenient locations, and state-of-the-art equipment.

COMPLIANCE PROGRAM

OUR COMPLIANCE PROGRAM. In early 1997, under our new management and leadership, we voluntarily adopted a company-wide compliance program. The program included the appointment of a compliance officer and committee, adoption of an ethics and business conduct code, employee education and training, implementation of an internal system for reporting concerns, auditing and monitoring programs, and a means for enforcing the program's policies.

We take an operations team approach to compliance and utilize corporate experts for program design efforts and facility leaders for employee-level implementation. Compliance is another area that demonstrates our utilization of standardization and centralization techniques and initiatives which yield efficiencies and consistency throughout our facilities. We recognize that our compliance with applicable laws and regulations depends on individual employee actions as well as company operations. Our approach focuses on integrating compliance responsibilities with operational function. This approach is intended to reinforce our company-wide commitment to operate strictly in accordance with the laws and regulations that govern our business.

Since its initial adoption, the compliance program continues to be expanded and developed to meet the industry's expectations and our needs. Specific written policies, procedures, training and educational materials and programs, as well as auditing and monitoring activities have been prepared and implemented to address the functional and operational aspects of our business. Included within these functional areas are materials and activities for business sub-units, including laboratory, radiology, pharmacy, emergency, surgery, observation, home health, skilled nursing, and clinics. Specific areas identified through regulatory interpretation and enforcement activities have also been addressed in our program. Claims preparation and submission, including coding, billing, and cost reports, comprise the bulk of these areas. Financial arrangements with physicians and other referral sources, including anti-kickback and Stark laws, emergency department treatment and transfer requirements, and other patient disposition issues are also the focus of policy and training, standardized documentation requirements, and review and audit.

INPATIENT CODING COMPLIANCE ISSUE. In August 1997, during a routine internal audit at one of our facilities, we discovered inaccuracies in the DRG coding for some of our inpatient medical records. At that time, this was the primary auditing activity for our compliance program. These inaccuracies involved inpatient coding practices that had been put in place prior to the time we acquired our operating company in 1996.

Because of the concerns raised by the internal audit, we performed an internal review of historical inpatient coding practices. At the completion of this review in December 1997, we voluntarily disclosed the coding problems to the Office of Inspector General of the U.S. Department of Health and Human Services. After discussions with the Inspector General, we agreed to have an independent consultant audit the coding for eight specific DRGs. This audit ultimately involved a review by the consultant of approximately 1,500 patient files. The audit procedures we followed generated a statistically valid estimate of the overpayments related to coding errors for these DRGs at 36 of our hospitals for the period 1993 to 1997.

The results of this audit were reviewed by the Inspector General and the Department of Justice. These government agencies also conducted their own investigation into the reimbursement claims related to these DRGs that we made to the U.S. government, including those claims made under Medicare and Medicaid programs. We cooperated fully with their investigation. The government agencies advised us of potential liability under various legal theories, including the False Claims Act. Under the False Claims Act, we could be liable for as much as treble damages and penalties of between $5,000 and $10,000 per false claim submitted to Medicare and Medicaid.

We have executed a settlement agreement with these federal government agencies and are in the process of obtaining executed settlement documents from the applicable state Medicaid programs.

However, the Department of Justice has advised us that all parties to the settlement agreement have agreed to its terms and are expected to execute the settlement agreement by March 31, 2000. Pursuant to the settlement agreement, we will pay approximately $31 million and will be released from all civil claims relating to the coding of the eight specific DRGs for the hospitals and time periods covered in the audit. During 1998 and 1999, we established a reserve in our financial statements for this amount. We have also agreed with the Inspector General to continue our existing voluntary compliance program under a corporate compliance agreement and to adopt various additional compliance measures for a period of three years. These additional compliance measures include making various reports to the federal government and having our actions pursuant to the compliance agreement reviewed annually by a third party.

The compliance measures and reporting and auditing requirements contained in the compliance agreement include:

- continuing the duties and activities of our corporate compliance officer, corporate compliance work group, and facility compliance chairs and committees;

- maintaining our written ethics and conduct policy, which sets out our commitment to full compliance with all statutes, regulations, and guidelines applicable to federal healthcare programs;

- maintaining our written policies and procedures addressing the operation of our compliance program, including proper coding for inpatient hospital stays;

- continuing our general training on the ethics and conduct policy and adding training about our compliance program and the compliance agreement;

- continuing our specific training for the appropriate personnel on billing and coding issues;

- continuing independent third party periodic audits of our facilities' inpatient DRG coding;

- having an independent third party perform an annual review of our compliance with the compliance agreement;

- continuing our confidential disclosure program and "ethics hotline" to enable employees or others to disclose issues or questions regarding possible inappropriate policies or behavior;

- enhancing our screening program to ensure that we do not hire or engage employees or contractors who are ineligible persons for federal healthcare programs;

- reporting any material deficiency which resulted in an overpayment to us by a federal healthcare program; and

- submitting annual reports to the Inspector General which describe in detail the operations of our corporate compliance program for the past year.

Our substantial adherence to the terms and conditions of the compliance agreement will constitute an element of our eligibility to participate in the federal healthcare programs. Consequently, material, uncorrected violations of the compliance agreement could lead to suspension or disbarment from these federal programs. In addition, we will be subject to possible civil penalties for a failure to substantially comply with the terms of the compliance agreement, including stipulated penalties ranging between $1,000 to $2,500 per day. We will also be subject to a stipulated penalty of $25,000 per day, following notice and cure periods, for any deliberate and/or flagrant breach of the material provisions of the compliance agreement.

EMPLOYEES

At December 31, 1999, we employed 8,643 full time employees and 4,475 part-time employees. Of these employees, 1,056 are union members. We believe that our labor relations are good.

PROFESSIONAL LIABILITY

As part of our business of owning and operating hospitals, we are subject to legal actions alleging liability on our part. To cover claims arising out of the operations of hospitals, we generally maintain professional malpractice liability insurance and general liability insurance on a claims made basis in amounts and with deductibles that we believe to be sufficient for our operations. We also maintain umbrella liability coverage covering claims which, due to their nature or amount, are not covered by our insurance policies. We cannot assure you that professional liability insurance will cover all claims against us or continue to be available at reasonable costs for us to maintain adequate levels of insurance.

LEGAL PROCEEDINGS

We have executed a settlement agreement with the Inspector General and the Department of Justice pursuant to which we will pay approximately $31 million in exchange for a release of civil claims relating to overpayments associated with possible inaccurate inpatient coding for the period 1993 to 1997. The settlement agreement has not yet been executed by the applicable state Medicaid programs. However, the Department of Justice has advised us that all parties to the settlement agreement have agreed to its terms and are expected to execute the settlement agreement by March 31, 2000. For a description of the terms of the settlement agreement as well as the events giving rise to the settlement agreement, see "--Compliance Program" and "Risk Factors--We have continuing compliance obligations under a settlement agreement resulting from our voluntary disclosure to the U.S. government."

In May 1999, we were served with a complaint in U.S. EX REL. BLEDSOE V. COMMUNITY HEALTH SYSTEMS, INC., Case # 1-98-CV-0435-MHS (N.D. Ga.). This qui tam action seeks treble damages and penalties under the False Claims Act against us. The Department of Justice did not intervene in this action. The allegations in the proposed complaint are extremely general, but appear to involve Medicare billing at our White County Community Hospital in Sparta, Tennessee. No discovery has occurred in this action. Based on our review of the complaint, we do not believe that this lawsuit is meritorious and we intend to vigorously defend ourselves against this action. However, because of the uncertain nature of litigation, we cannot predict the outcome of this matter.

The Department of Justice also has notified us of the existence of U.S. EX REL. SMITH V. COMMUNITY HEALTH SYSTEMS, INC., filed in September 1999 in the federal court in Nashville, Tennessee. This qui tam lawsuit was brought against us by a former employee of our Lakeway Regional Hospital. The complaint alleges violations of the False Claims Act in connection with alleged inflated costs caused by incorrect allocation of employee salaries to Lakeway Regional Hospital's rehabilitation unit, as well as improper Medicare reimbursement for patients readmitted to that hospital from the rehabilitation unit. Our initial review indicates that the allegations relating to the reimbursement for the readmitted patients lack factual support. In addition, our initial review indicates that any inaccuracies in salary allocations to the rehabilitation unit's cost reports were relatively minimal in amount. This litigation is at a very preliminary stage and we have not been served with the complaint. The Department of Justice has informed us that it has not made a decision to intervene. We intend to assert a number of factual and legal defenses to these allegations.

During the past year, we have received federal grand jury subpoenas from the U.S. Attorney's Office for the Eastern District of Arkansas seeking documents from our Harris Hospital facility relating to its mammography department. Investigators from the Food and Drug Administration and the State of Arkansas also have sought documents and interviewed employees relating to the activities of the Harris Hospital mammography department. We have cooperated with the government's investigation and made documents and individuals available. The U.S. Attorney's Office has not disclosed to us the specific nature of its investigation. We are unable to determine if the government intends to go forward on this matter against us and, if so, whether it will proceed civilly or criminally.

We have also received various inquiry letters or subpoenas from state regulators, fiscal intermediaries, and the Department of Justice regarding various Medicare and Medicaid billing issues, including a letter from the Assistant U.S. Attorney for the Eastern District of Missouri concerning hospital laboratory billing practices. We believe that many other hospitals and hospital systems have also received similar letters and subpoenas.

We are subject to other claims and lawsuits arising in the ordinary course of our business. Plaintiffs in these lawsuits generally request punitive or other damages that by state law may not be able to be covered by insurance. We are not aware of any pending or threatened litigation which we believe would have a material adverse impact on us.

ENVIRONMENTAL MATTERS

We are subject to various federal, state, and local laws and regulations governing the use, discharge, and disposal of hazardous materials, including medical waste products. Compliance with these laws and regulations is not expected to have a material adverse effect on us. It is possible, however, that environmental issues may arise in the future which we cannot now predict.

DIRECTORS AND EXECUTIVE OFFICERS

The following sets forth information regarding our executive officers and directors as of February 28, 2000. Unless otherwise indicated, each of our executive officers holds an identical position with CHS/Community Health Systems, Inc., our wholly owned subsidiary:

NAME	AGE	POSITION
Wayne T. Smith	54	President and Chief Executive Officer and Director (Class III)
W. Larry Cash	51	Executive Vice President and Chief Financial Officer
David Miller	51	Group Vice President
Gary Newsome	42	Group Vice President
Michael T. Portacci	41	Group Vice President
John Fromhold	46	Group Vice President
Martin G. Schweinhart	45	Vice President Operations
T. Mark Buford	47	Vice President and Corporate Controller
Rachel A. Seifert	40	Vice President and General Counsel
Erskine B. Bowles	54	Director (Class III)
Sheila P. Burke	49	Director (Class III)
Robert J. Dole	76	Director (Class I)
J. Anthony Forstmann	62	Director (Class I)
Nicholas C. Forstmann	53	Director (Class II)
Theodore J. Forstmann	60	Director (Class III)
Dale F. Frey	67	Director (Class II)
Sandra J. Horbach	39	Director (Class II)
Michael A. Miles	60	Chairman of the Board (Class I)
Samuel A. Nunn	61	Director (Class II)

WAYNE T. SMITH is the President and Chief Executive Officer. Mr. Smith joined us in January 1997 as President. In April 1997 he was also named our Chief Executive Officer and a member of the Board of Directors. Prior to joining us, Mr. Smith spent 23 years at Humana Inc., most recently as President and Chief Operating Officer, and as a director, from 1993 to mid-1996. He is also a director of Almost Family.

W. LARRY CASH is the Executive Vice President and Chief Financial Officer. Mr. Cash joined us in September 1997 as Executive Vice President and Chief Financial Officer. Prior to joining Community Health Systems, he served as Vice President and Group Chief Financial Officer of Columbia/HCA Healthcare Corporation from September 1996 to August 1997. Prior to Columbia/HCA, Mr. Cash spent 23 years at Humana Inc., most recently as Senior Vice President of Finance and Operations from 1993 to 1996.

DAVID MILLER is a Group Vice President. Mr. Miller joined us in November 1997 as a Group Vice President, managing hospitals in Alabama, Florida, North Carolina, South Carolina, and Virginia. Prior to joining us, he served as a Divisional Vice President for Health Management Associates, Inc. from January 1996 to October 1997. From July 1994 to December 1995, Mr. Miller was the Chief Executive Officer of the Lake Norman Regional Medical Center in Mooresville, North Carolina, which is owned by Health Management Associates, Inc.

GARY NEWSOME is a Group Vice President. Mr. Newsome joined us in February 1998 as Group Vice President, managing hospitals in Arkansas, Kentucky, Louisiana, Mississippi, Wyoming, Pennsylvania, Tennessee, and Utah. Prior to joining us, he was a Divisional Vice President of Health Management Associates, Inc. in Midwest City, Oklahoma from January 1996 to February 1998. From January 1995 to January 1996, Mr. Newsome served as Assistant Vice President/Operations and Group Operations Vice

President responsible for facilities of Health Management Associates, Inc. in Oklahoma, Arkansas, Kentucky, and West Virginia.

MICHAEL T. PORTACCI is a Group Vice President. Mr. Portacci joined us in 1987 as a hospital administrator and became a Group Director in 1991. In 1994, he became Group Vice President, managing facilities in Arizona, California, Illinois, Missouri, New Mexico, and Texas.

JOHN FROMHOLD is a Group Vice President. Mr. Fromhold joined us in June 1998 as a Group Vice President, managing hospitals in Florida, Georgia, and Texas. Prior to joining us, he served as Chief Executive Officer of Columbia Medical Center of Arlington, Texas from 1995 to 1998.

MARTIN G. SCHWEINHART is Vice President Operations. Mr. Schweinhart joined us in June 1997 and has served as the Vice President Operations. From 1994 to 1997 he served as Chief Financial Officer of the Denver and Kentucky divisional markets of Columbia/HCA Healthcare Corporation. Prior to that time he spent 18 years with Humana Inc. and Columbia/HCA in various management capacities.

T. MARK BUFORD is Vice President and Corporate Controller. Mr. Buford has served as our Corporate Controller since 1986 and as a Vice President since 1988.

RACHEL A. SEIFERT is Vice President, Secretary and General Counsel. Ms. Seifert joined us in January 1998. From 1992 to 1997, she was Associate General Counsel of Columbia/HCA Healthcare Corporation and became Vice President-Legal Operations in 1994. Prior to joining Columbia/HCA in 1992, she was in private practice in Dallas, Texas.

ERSKINE B. BOWLES has been a Director since 1999. He has been a general partner of FLC XXIX, Partnership, L.P., the general partner of Forstmann Little & Co., since 1999. He was White House Chief of Staff from November 1996 to November 1998. Mr. Bowles was Assistant to the President and Deputy Chief of Staff from October 1994 through December 1995. From January 1996 to November 1996 and again since January 1999, he has been the Managing Director of Carousel Capital. He is Vice Chairman of the Charlotte Hospital Authority, one of the largest not-for-profit hospital entities in the U.S. He is also a director of McLeodUSA Incorporated, First Union Corporation, and VF Corporation.

SHEILA P. BURKE has been a Director since 1997. She has been Executive Dean of the John F. Kennedy School of Government, Harvard University since 1996. Previously in 1996, Ms. Burke was senior advisor to the Dole for President Campaign. From 1986 until June 1996, Ms. Burke served as the chief of staff to former Senator Robert Dole and, in that capacity, was actively involved in writing some of the healthcare legislation in effect today. She is a director of WellPoint Health Networks Inc. and The Chubb Corporation.

ROBERT J. DOLE has been a Director since 1997. He was a U.S. Senator from 1968 to 1996, during which time he served as Senate majority leader, minority leader and chairman of the Senate Finance Committee. Mr. Dole was also a U.S. Representative from 1960 to 1968. He has been a special counsel with Verner, Liipfert, Bernhard, McPherson and Hand since 1997. He is also a director of TB Woods Corp.

J. ANTHONY FORSTMANN has been a Director since 1996. He has been a Managing Director of J.A. Forstmann & Co., a merchant banking firm, since October 1987. Mr. Forstmann was President of The National Registry Inc. from October 1991 to August 1993 and from September 1994 to March 1995 and Chief Executive Officer from October 1991 to August 1993 and from September 1994 to December 1995. In 1968, he co-founded Forstmann-Leff Associates, an institutional money management firm with $6 billion in assets. He is also a special limited partner of one of the Forstmann Little partnerships.

NICHOLAS C. FORSTMANN has been a Director since 1996. He has been a general partner of FLC XXIX Partnership, L.P. since he co-founded Forstmann Little & Co. in 1978. He is also a director of The Yankee Candle Company, Inc. and NEXTLINK Communications, Inc.

THEODORE J. FORSTMANN has been a Director since 1996. He has been a general partner of FLC XXIX Partnership, L.P. since he co-founded Forstmann Little & Co. in 1978. He is also a director of The Yankee Candle Company, Inc. and McLeodUSA Incorporated.

DALE F. FREY has been a Director since 1997. From 1984 until 1997, Mr. Frey was the Chairman of the Board and President of General Electric Investment Corp. From 1980 until 1997, he was also Vice President of General Electric Company. Mr. Frey is also a director of Praxair, Inc., Roadway Express Inc., and Aftermarket Technology Corp.

SANDRA J. HORBACH has been a Director since 1996. She has been a general partner of FLC XXIX Partnership, L.P. since 1993. She is also a director of The Yankee Candle Company, Inc. and NEXTLINK Communications, Inc.

MICHAEL A. MILES has been a Director since 1997 and has served as Chairman of the Board since March 1998. Mr. Miles served as Chairman and Chief Executive Officer of Philip Morris from 1991 to 1994. He is also a director of Dell Computer Corp., Morgan Stanley Dean Witter, Sears Roebuck and Co., Time Warner Inc., Allstate Inc., and the Interpublic Group of Companies. He is a special limited partner of one of the Forstmann Little partnerships.

SAMUEL A. NUNN has been a Director since 1997. Mr. Nunn has been a partner at the law firm of King & Spalding since 1997. Prior to joining King & Spalding, he was a United States Senator from 1972 to 1997. He is also a director of The Coca Cola Company, Dell Computer Corporation, General Electric Company, Internet Security Systems Group, Inc., National Service Industries, Inc., Scientific-Atlanta, Inc., Texaco, Inc., and Total System Services, Inc. He has continued his service in the public policy arena as Chairman of the Board of the Center for Strategic and International Studies.

THE BOARD OF DIRECTORS

Our certificate of incorporation will provide for a classified board of directors consisting of three classes. Each class will consist, as nearly as possible, of one-third of the total number of directors constituting the entire board. The term of the initial Class I directors will terminate on the date of the 2001 annual meeting of stockholders; the term of the initial Class II directors will terminate on the date of the 2002 annual meeting of stockholders; and the term of the initial Class III directors will terminate on the date of the 2003 annual meeting of stockholders. Beginning in 2001, at each annual meeting of stockholders, successors to the class of directors whose term expires at that annual meeting will be elected for a three-year term and until their respective successors are elected and qualified. A director may only be removed with cause by the affirmative vote of the holders of a majority of the outstanding shares of capital stock entitled to vote in the election of directors. The Forstmann Little partnerships have a contractual right to elect two directors until they no longer own any shares of our common stock.

Directors who are neither our executive officers nor general partners in the Forstmann Little partnerships have been granted options to purchase common stock in connection with their election to our board of directors. Directors do not receive any fees for serving on our board, but are reimbursed for their out-of-pocket expenses arising from attendance at meetings of the board and committees. See "--Outside Director Stock Options."

The board has three committees: Executive, Compensation, and Audit and Compliance. The Executive Committee consists of Theodore J. Forstmann, Sandra J. Horbach, Michael A. Miles, and Wayne T. Smith. The Compensation Committee consists of Michael A. Miles, J. Anthony Forstmann, and Nicholas C. Forstmann. The Audit and Compliance Committee consists of Dale F. Frey, Michael A. Miles, Sheila P. Burke, and Sandra J. Horbach.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The current members of the Compensation Committee of our Board of Directors are: Michael A. Miles, J. Anthony Forstmann, and Nicholas C. Forstmann. During 1999, the Compensation Committee consisted of Theodore J. Forstmann and Sandra J. Horbach. Sandra J. Horbach formerly served as one

of our officers but received no compensation for her services. None of the other members of the current or former Compensation Committees are current or former executive officers or employees of us or any of our subsidiaries. Each of Theodore J. Forstmann, Nicholas C. Forstmann, and Sandra J. Horbach are general partners in partnerships affiliated with the Forstmann Little partnerships. See "--Relationships and Transactions between Community Health Systems and its Officers, Directors and 5% Beneficial Owners and their Family Members" for a description of the 1996 acquisition of our principal subsidiary by the Forstmann Little partnerships and members of our management.

EXECUTIVE COMPENSATION

The following table sets forth certain summary information with respect to compensation for 1999 paid by us for services to our Chief Executive Officer and our four other most highly paid executive officers who were serving as executive officers at December 31, 1999.

SUMMARY COMPENSATION TABLE

	ANNUAL COMPENSATION			
NAME AND POSITION	SALARY ($)	BONUS ($)	OTHER ANNUAL COMPENSATION (a)	ALL OTHER COMPENSATION ($)
Wayne Smith President and Chief Executive Officer	475,002	427,500		4,822 (b)
W. Larry Cash Executive Vice President and Chief Financial Officer	375,000	318,750		5,139 (b)
Michael Portacci Group Vice President	216,000	145,800		3,335 (b)
David Miller Group Vice President	235,000	137,475		4,235 (b)
Gary Newsome Group Vice President	216,000	163,080		30,260 (c)

- ---

(a) The amount of other annual compensation is not required to be reported since the aggregate amount of perquisites and other personal benefits was less than $50,000 or 10% of the total annual salary and bonus reported for each named executive officer.

(b) Amount consists of additional long-term disability premiums and payments made to the Supplemental Survivors Accumulation Plan.

(c) Amount consists of additional long-term disability premiums and payments made to the Supplemental Survivors Accumulation Plan totaling $3,502 and relocation expense reimbursement of $26,758.

OPTION GRANTS IN LAST FISCAL YEAR

There were no stock options granted to any of our executive officers or directors during the year ended December 31, 1999.

AGGREGATED OPTION VALUES AS OF DECEMBER 31, 1999

The executive officers named in the summary compensation table did not exercise any stock options during the year ended December 31, 1999. The following table sets forth the stock option values as of December 31, 1999 for these persons.

	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT FISCAL YEAR-END (#)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FISCAL YEAR-END ($)(a)	
	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Wayne T. Smith				
Larry W. Cash				
David Miller				
Gary Newsome				
Michael T. Portacci				

- ------------------------

(a) Sets forth values for options that represent the positive spread between the respective exercise prices of outstanding stock options and the value of the common stock as of December 31, 1999, based on the mid-point of the range of initial public offering prices set forth on the cover page of this prospectus.

COMMUNITY HEALTH SYSTEMS STOCK OPTION PLAN

The Community Health Systems Holdings Corp. Employee Stock Option Plan provides for the granting of options to purchase shares of common stock of our company to any employee of our company or our subsidiaries. These options are not intended to qualify as incentive stock options. The plan is currently administered by the Compensation Committee of our Board of Directors. As of , 2000, options to purchase shares of common stock have been issued. There are an additional shares of common stock available for grant under the plan.

STOCK OPTION AGREEMENTS. Options are granted pursuant to stock option agreements. To exercise an option, the optionee must pay for the shares in full and execute the stockholder's agreement described below. One-fifth of the options generally vest and become exercisable on each of the first, second, third, fourth and fifth anniversaries of the grant date. Unvested options expire on the date of the optionee's termination of employment and vested options expire after the termination of employment as described below.

Each option expires, unless earlier terminated, on the earliest of:

- the tenth anniversary of the date of grant; and

- the exercise in full of the option.

If an optionee's employment is terminated for any reason, the options will terminate to the extent they were not exercisable at the time of termination of employment. The optionee has a 60-day period from the date of our notification to exercise the vested portion of the option. These options are generally exercisable only by an optionee during the optionee's lifetime and are not transferable.

The stock option agreements provide that we will notify the optionee prior to a total sale or a partial sale. A total sale includes:

- the merger or consolidation of us into another corporation, other than a merger or consolidation in which we are the surviving corporation and which does not result in a capital reorganization, reclassification or other change in the then outstanding common stock;

- the liquidation of us;

- the sale to a third party of all or substantially all of our assets; or

- the sale to a third party of common stock, other than through a public offering;

but only if the Forstmann Little partnerships cease to own any shares of the voting stock of our Company.

A partial sale means a sale by the Forstmann Little partnerships of all or a portion of their shares of common stock to a third party, including through a public offering, other than a total sale. This offering constitutes neither a total sale nor a partial sale.

The optionee may exercise his or her options only for purposes of participating in the partial sale, whether or not the options were otherwise exercisable, with respect to the excess, if any, of

- the number of shares with respect to which the optionee would be entitled to participate in the partial sale under the stockholder's agreement which permits proportional participation with the Forstmann Little partnerships in a public offering or sale to a third party, as described below, over

- the number of shares previously issued upon exercise of such options and not previously disposed of in a partial sale.

Upon receipt of a notice of a total sale, the optionee may exercise all or part of his or her options, whether or not such options were otherwise exercisable, within five days of receiving such notice, or a shorter time as determined by the committee.

In connection with a total sale involving the merger, consolidation or liquidation of us or the sale of common stock by the Forstmann Little partnerships, we may redeem the unexercised portion of the options, for a price equal to the price received per share of common stock in the total sale, less the exercise price of the options, in lieu of permitting the optionee to exercise the options. Any unexercised portion of an option will terminate upon the completion of a total sale, unless we provide for its continuation.

In the event a total sale or partial sale is not completed, any option that the optionee had exercised in connection with the total sale or partial sale will be deemed not to have been exercised and will be exercisable after the total sale or partial sale only to the extent it would have been exercisable if notice of the total sale or partial sale had not been given to the optionee. The optionee has no independent right to require us to register the shares of common stock underlying the options under the Securities Act.

The stock option agreements permit us to terminate all of an optionee's options if the optionee engages in prohibited or competitive activities, including:

- disclosing confidential information about us;

- soliciting any of our employees within eighteen months of being terminated;

- publishing any statement critical of us;

- engaging in any competitive activities; or

- being convicted of a crime against us.

The number and class of shares underlying, and the terms of, outstanding options may be adjusted in certain events, such as a merger, consolidation, stock split or stock dividend.

STOCKHOLDER'S AGREEMENT. Upon exercise of an option under the plan, an optionee is required to enter into a stockholder's agreement with us in the form then in effect. The stockholder's agreement governs the optionee's rights and obligations as a stockholder. The stockholder's agreement provides that, generally, the shares issued upon exercise of the options may not be sold, assigned or otherwise transferred. The description below summarizes the terms of the form of the stockholder's agreement currently in effect.

If one or more partial sales result in the Forstmann Little partnerships owning, in the aggregate, less than 25% of our then outstanding voting stock, the stockholder is entitled to sell, transfer or hold his or her shares of common stock free of the restrictions and rights contained in the stockholder's agreement.

The stockholder's agreement provides that the stockholder may participate proportionately in any sale by the Forstmann Little partnerships of all or a portion of their shares of common stock to any person who is not a partner or affiliate of the Forstmann Little partnerships. In addition, the stockholder shall be entitled to (and may be required to) participate proportionately in a public offering of shares of common stock by the Forstmann Little partnerships, by selling the same percentage of the stockholder's shares that the Forstmann Little partnerships are selling of their shares. The sale of shares of common stock in such a transaction must be for the same price and otherwise on the same terms and conditions as the sale by the Forstmann Little partnerships. If the Forstmann Little partnerships sell or exchange all or a portion of their common stock in a bona fide arm's-length transaction, the Forstmann Little partnerships may require the stockholder to sell a proportionate amount of his or her shares for the same price and on the same terms and conditions as the sale of common stock by the Forstmann Little partnerships and, if stockholder approval of the transaction is required, to vote his or her shares in favor of the sale or exchange.

The stockholder's agreement permits us to repurchase all the shares of common stock then held by a stockholder if the stockholder engages in any prohibited activity or competitive activity or is convicted of a crime against us. For a purchase in respect of a prohibited activity or competitive activity, the per share purchase price would be the lesser of the stockholder's cost and the book value per share.

OUTSIDE DIRECTOR STOCK OPTIONS

Six directors, Messrs. Dole, J. Anthony Forstmann, Frey, Miles, and Nunn and Ms. Burke, have options which were granted pursuant to individual stock option agreements. The date of these director option agreements and the date of grant, for Messrs. Nunn, Dole, and Frey was May 14, 1997, for Ms. Burke was August 8, 1997, and for Mr. J. Anthony Forstmann was October 15, 1997. Mr. Miles' director option agreement, dated May 14, 1997, was amended on March 2, 1998. Each of the director optionees other than Mr. Miles has options to purchase shares of common stock at $ per share. Mr. Miles has options to purchase shares of common stock at $ per share. These options are not intended to qualify as incentive stock options and were not issued pursuant to the plan.

One-third of the options generally become exercisable on each of the first, second and third anniversaries of the date of the grant. Each option expires on the earliest of:

- the tenth anniversary of the date of grant;

- the date the director optionee ceases to serve as one of our directors; and

- the exercise in full of the option.

The director optionees may not sell or otherwise transfer their options.

The director option agreements provide that we will notify the director optionees prior to a total sale or a partial sale. Upon receipt of a notice of a partial sale, a director optionee may exercise his or her options only for purposes of participating in the partial sale, whether or not the options were otherwise exercisable, with respect to the excess, if any, of:

- the number of shares with respect to which the director optionee would be entitled to participate in the partial sale under the director stockholder's agreements described below, over

- the number of shares previously issued upon exercise of the options and not previously disposed of in a partial sale.

Upon receipt of a notice of a total sale, a director optionee may exercise all or part of his options, whether or not the options were otherwise exercisable.

In connection with a total sale, we may redeem the unexercised portion of the director optionee's options. Any unexercised portion of a director optionee's options will terminate upon the completion of a total sale, unless we provide for continuation of the options.

In the event a total sale or partial sale is not completed, any option which a director optionee had exercised in connection with the sale will be exercisable after the sale only to the extent it would have been exercisable if notice of the sale had not been given to the director optionee. The offering constitutes neither a total sale nor a partial sale.

The director option agreements provide that, if the Forstmann Little partnerships sell shares of common stock in a bona fide arm's-length transaction, at our election, a director optionee may be required to:

- proportionately exercise the director optionee's options and to sell all of the shares of common stock purchased under the exercise in the same transaction and on the same terms as the shares sold by the Forstmann Little partnerships, or if unwilling to do so; or

- forfeit the portion of the option required to be exercised.

The director optionees have no independent right to require us to register the shares of common stock underlying the options under the Securities Act.

The number and class of shares underlying and the terms of outstanding options may be adjusted in certain events, such as a merger, consolidation, stock split or stock dividend.

DIRECTOR STOCKHOLDER'S AGREEMENTS. Upon exercise of a director option, a director optionee is required to enter into a director stockholder's agreement with us in the form then in effect. The form of director stockholder's agreement currently in effect is substantially the same as the form of employee stockholder's agreement currently in effect.

STOCKHOLDER'S AGREEMENTS

Currently, 23 members of our management and other employees or former employees own an aggregate of shares of our common stock. These shares were purchased pursuant to the terms of stockholder agreements. The stockholder agreements contain transfer provisions substantially similar to those in the form of stockholder's agreements that the employee and director optionees must execute upon exercise of options.

Upon termination of employment, we have the right, at our option, to purchase all of the unvested shares of common stock held by the stockholder. The stock vests at a rate of 20% per year, beginning after one year. The stockholders have no independent right to require us to register their shares under the Securities Act.

THE COMMUNITY HEALTH SYSTEMS STOCK OPTION AND AWARD PLAN

Our Board of Directors adopted the 2000 Stock Option and Award Plan in , 2000, and the stockholders approved it in , 2000. The stock plan provides for the grant of incentive stock options intended to qualify under Section 422 of the Internal Revenue Code and stock options which do not so qualify, stock appreciation rights, restricted stock, performance units and performance shares, phantom stock awards, and share awards. Persons are eligible to receive grants under the stock plan include our directors, officers, employees, and consultants. The stock plan is designed to comply with the requirements for "performance-based compensation" under Section 162(m) of the Internal Revenue Code, and the conditions for exemption from the short-swing profit recovery rules under Rule 16b-3 under the Securities Exchange Act.

The stock plan is administered by a committee that consists of at least two nonemployee outside board members. The Compensation Committee of the board currently serves as the committee. Generally, the committee has the right to grant options and other awards to eligible individuals and to determine the terms and conditions of options and awards, including the vesting schedule and exercise price of options and awards. The stock plan authorizes the issuance of % of the outstanding shares of common stock determined on a fully diluted basis as of , 2000, with adjustments to give effect to our recapitalization and in the case of changes in capitalization affecting the options. For the purpose of determining the number of outstanding shares, all shares issuable under the plan are deemed outstanding.

The stock plan provides that the term of any option may not exceed ten years, except in the case of the death of an optionee in which event the option may be exercised for up to one year following the date of death even if it extends beyond ten years from the date of grant. If a participant's employment, or service as a director, is terminated following a change in control, any options or stock appreciation rights become immediately and fully vested at that time and will remain outstanding until the earlier of the six-month anniversary of termination and the expiration of the option term.

THE COMMUNITY HEALTH SYSTEMS 2000 EMPLOYEE STOCK PURCHASE PLAN

We adopted the 2000 Employee Stock Purchase Plan in , 2000. The stock purchase plan provides our employees with the opportunity to purchase shares of our common stock on the date of this offering at the initial public offering price as part of our directed share program. After this offering, the plan allows our employees to purchase additional shares of our common stock on the NYSE at the then current market price. Employees who elect to participate in the program will pay for these subsequent purchases with funds that we will withhold from their paychecks.

RELATIONSHIPS AND TRANSACTIONS BETWEEN COMMUNITY HEALTH SYSTEMS AND ITS OFFICERS, DIRECTORS AND 5% BENEFICIAL OWNERS AND THEIR FAMILY MEMBERS

In July 1996, we were formed by two Forstmann Little partnerships and members of our management to acquire CHS/Community Health Systems, Inc., which was then a publicly owned company named Community Health Systems, Inc. We financed the acquisition by issuing our common stock to the Forstmann Little partnerships and members of management, by incurring indebtedness under credit facilities, and by issuing an aggregate of $500 million of subordinated debentures to one of the Forstmann Little partnerships, Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VI, L.P. ("MBO-VI"). MBO-VI immediately distributed the subordinated debentures to its limited partners. We will use approximately $ million of the proceeds from the offering to prepay a portion of the subordinated debentures. See "Use of Proceeds" and "Description of Indebtedness."

We have engaged Greenwood Marketing and Management Services to provide oversight for our Senior Circle Association, which is a community affinity organization with local chapters sponsored by

each of our 46 hospitals. Greenwood Marketing and Management is a company owned and operated by Anita Greenwood Cash, the spouse of W. Larry Cash. In 1999, we paid Greenwood Marketing and Management Services $268,000 for marketing services, postage, magazines, handbooks, sales brochures, training manuals, and membership services.

The law firm of King & Spalding, of which Mr. Samuel A. Nunn is a partner, has in the past provided, and may continue to provide, legal services to us and our subsidiaries.

The following executive officers of our company were indebted to us in amounts greater than $60,000 since January 1, 1999 under full recourse promissory notes. These notes were delivered in partial payment for the purchase of our common stock. The promissory notes are secured by the shares to which they relate. The highest amounts outstanding under these notes since January 1, 1999 and the amounts outstanding at December 31, 1999 were as follows:

	SINCE JANUARY 1, 1999	AT DECEMBER 31, 1999	INTEREST RATE
W. Larry Cash	$ 697,771	$697,771	6.84%
David Miller	344,620	344,620	6.84%
Gary Newsome	221,707	221,707	6.84%
Michael T. Portacci	82,065	82,065	6.84%
John Fromhold	224,250	224,250	6.84%
Rachel A. Seifert	75,000	72,157	6.84%

In connection with the relocation of our corporate office from Houston to Nashville in May 1996, we lent $100,000 to Mr. T. Mark Buford, our Vice President and Corporate Controller. This loan is due on December 15, 2000 and bears no interest.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information regarding the beneficial ownership of our common stock immediately prior to the consummation of the offering and as adjusted to reflect the sale of the shares of common stock pursuant to the offering. The table includes:

- each person who is known by us to be the beneficial owner of more than 5% of the outstanding common stock;
- each of our directors;
- each executive officer named in the summary compensation table; and
- all directors and executive officers as a group.

Except as otherwise indicated, the persons or entities listed below have sole voting and investment power with respect to all shares of common stock beneficially owned by them, except to the extent such power may be shared with a spouse.

NAME	SHARES BENEFICIALLY OWNED PRIOR TO OFFERING (a)	PERCENT BENEFICIALLY OWNED (a) BEFORE OFFERING	PERCENT BENEFICIALLY OWNED (a) AFTER OFFERING
5% STOCKHOLDERS:			
Forstmann Little & Co. Equity Partnership-V, L.P. (b).....			
Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VI, L.P. (b).....			
DIRECTORS:			
Erskine B. Bowles.....			
Sheila P. Burke.....			
Robert J. Dole.....			
J. Anthony Forstmann.....			
Nicholas C. Forstmann.....			
Theodore J. Forstmann.....			
Dale F. Frey.....			
Sandra A. Horbach.....			
Michael A. Miles.....			
Samuel A. Nunn.....			
Wayne T. Smith.....			
OTHER NAMED EXECUTIVE OFFICERS:			
W. Larry Cash.....			
David Miller.....			
Gary Newsome.....			
Michael T. Portacci.....			
All Directors and Executive Officers as a Group (19 persons).....			

- ------------------------

(a) For purposes of this table, information as to the shares of common stock assumes that the recapitalization has been effected and, in the case of the column "After Offering," that the underwriters' over-allotment option is not exercised. In addition, a person or group of persons is deemed to have "beneficial ownership" of any shares of common stock when such person or persons has the right to acquire them within 60 days after the date of this prospectus. For purposes of computing the percentage of outstanding shares of common stock held by each person or group of persons named above, any shares which such person or persons have the right to

acquire within 60 days after the date of this prospectus is deemed to be outstanding but is not deemed to be outstanding for the purpose of computing the percentage ownership of any other person.

(b) The general partner of Forstmann Little & Co. Equity Partnership-V, L.P., a Delaware limited partnership ("Equity-V"), is FLC XXX Partnership, L.P. a New York limited partnership of which Theodore J. Forstmann, Nicholas C. Forstmann, Sandra J. Horbach, Thomas H. Lister, Winston W. Hutchins, Erskine B. Bowles (through Tywana LLC, a North Carolina limited liability company having its principal business office at 2012 North Tryon Street, Suite 2450, Charlotte, N.C. 28202), Jamie C. Nicholls and S. Joshua Lewis are general partners. The general partner of Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VI, L.P., a Delaware limited partnership ("MBO-VI"), is FLC XXIX Partnership, L.P., a New York limited partnership of which Theodore J. Forstmann, Nicholas C. Forstmann, Sandra J. Horbach, Thomas H. Lister, Winston W. Hutchins, Erskine B. Bowles (through Tywana LLC), Jamie C. Nicholls and S. Joshua Lewis are general partners. Accordingly, each of the individuals named above, other than Mr. Lister, with respect to MBO-VI, and Mr. Bowles, Ms. Nicholls and Mr. Lewis, with respect to Equity-V and MBO-VI, for the reasons described below, may be deemed the beneficial owners of shares owned by MBO-VI and Equity-V and, for purposes of this table, beneficial ownership is included. Mr. Lister, with respect to MBO-VI, and Mr. Bowles, Ms. Nicholls and Mr. Lewis, with respect to Equity-V and MBO-VI, do not have any voting or investment power with respect to, or any economic interest in, the shares of common stock of the company held by MBO-VI or Equity-V; and, accordingly, Mr. Lister, Mr. Bowles, Ms. Nicholls and Mr. Lewis are not deemed to be the beneficial owners of these shares. Theodore J. Forstmann, Nicholas C. Forstmann and J. Anthony Forstmann are brothers. Messrs. Frey, Miles and Nunn are members of the Forstmann Little Advisory Board and, as such, have economic interests in the Forstmann Little partnerships. FLC XXX Partnership is a limited partner of Equity-V. Each of Messrs. J. Anthony Forstmann and Michael A. Miles is a special limited partner in one of the Forstmann Little partnerships. None of the other limited partners in each of MBO-VI and Equity-V is otherwise affiliated with Community Health Systems. The address of Equity-V and MBO-VI is c/o Forstmann Little & Co., 767 Fifth Avenue, New York, New York 10153.

DESCRIPTION OF INDEBTEDNESS

THE CREDIT AGREEMENT

We and our wholly owned subsidiary, CHS/Community Health Systems, Inc., are parties to a credit facility with a syndicate of banks and other financial institutions led by The Chase Manhattan Bank, as a lender and administrative agent, under which our subsidiary has, and may in the future, borrow. We have guaranteed the performance of our subsidiary under this credit facility. The credit facility consists of the following:

	BALANCE OUTSTANDING (AS OF DECEMBER 31, 1999)
Revolving Credit Commitment	$109,750,000
Acquisition Loan Commitment	$138,551,000
Tranche A term loan	$ 29,500,000
Tranche B term loan	$127,500,000
Tranche C term loan	$127,500,000
Tranche D term loan	$339,845,200

The loans bear interest, at our option, at either of the following rates:

(a) the highest of:

- the rate from time to time publicly announced by The Chase Manhattan Bank in New York as its prime rate;
- the secondary market rate for three-month certificates of deposit from time to time plus 1%; and
- the federal funds rate from time to time, plus 1/2 of 1%;

in each case plus an applicable margin which is:

- based on a pricing grid depending on our leverage ratio at that time for the revolving credit loans, acquisition loans and the tranche A term loan;
- 2.00% for the tranche B term loan;
- 2.50% for the tranche C term loan;
- 2.75% for the tranche D term loan; or

(b) a Eurodollar rate plus an applicable margin which is:

- based on a pricing grid depending on our leverage ratio at that time, for revolving credit loans, acquisitions loans and the tranche A term loan;
- 3.00% for the tranche B loan;
- 3.50% for the tranche C loan;
- 3.75% for the tranche D loan.

The term loans are repayable in quarterly installments pursuant to a predetermined payment schedule through December 31, 2005.

We also pay a commitment fee for the daily average unused commitment under the revolving credit commitment and available acquisition loan commitment. The commitment fee is based on a pricing grid depending on the applicable margin in effect for Eurodollar revolving credit loans. The commitment fee is payable quarterly in arrears and on the revolving credit termination date with respect to the available revolving credit commitments and on the acquisition loan termination date with

respect to available acquisition loan commitments. In addition, we will pay fees for each letter of credit issued under the credit facility.

Loans under the revolving credit facility can be made at any time prior to December 31, 2002, provided that no loan taken pursuant to the revolving credit facility can mature later than December 31, 2002. The total borrowings we may have outstanding at any time under our revolving credit facility is $200 million.

The acquisition facility is a reducing revolving credit facility that will be permanently reduced on predetermined anniversaries in accordance with a schedule. Once reduced, outstanding acquisition loans must be repaid to the extent they exceed the reduced level. The acquisition loan termination date is December 31, 2002. The total borrowings we may have outstanding at any time under our acquisition facility is $282.5 million.

The loans must be prepaid with the net proceeds in excess of $20 million in the aggregate of specified asset sales and issuances of additional indebtedness not constituting permitted indebtedness in the credit facility. These net proceeds will be applied first to prepay the outstanding balances of the term loans and the acquisition loans and then to repay outstanding balances of the revolving credit loans. The commitments under the acquisition loans and revolving credit loans will be permanently reduced by the amount of the repayment of these facilities.

The credit facility contains covenants and provisions that restrict, among other things, our ability to change the business we are conducting, declare dividends, grant liens, incur additional indebtedness, exceed a specified leverage ratio, fall below a minimum interest coverage ratio and make capital expenditures.

We will use approximately $ million of the proceeds of the offering to prepay indebtedness under this credit facility. See "Use of Proceeds."

SUBORDINATED DEBT

We issued an aggregate of $500 million of subordinated debentures to MBO-VI in connection with the July 1996 acquisition of our subsidiary. MBO-VI immediately distributed the subordinated debentures to its limited partners. The subordinated debentures are divided into three equal series, due on June 30, 2007, June 30, 2008 and June 30, 2009. The subordinated debentures provide for interest at a rate of 7 1/2%, payable semi-annually. The subordinated debentures may be prepaid by us at any time without premium, penalty or charge and are subordinate to our credit agreement and other senior obligations. We have a right of first refusal on the transfer of the debentures. We will use approximately $ million of the proceeds of the offering to prepay part of the series debentures due . Any net proceeds received in connection with the exercise by the underwriters of their over-allotment option will also be used to prepay a portion of the subordinated debentures.

DESCRIPTION OF CAPITAL STOCK

OVERVIEW

Immediately before the closing of the offering, we will be recapitalized as follows:

- each outstanding share of Class B common stock will be exchanged for shares of Class A common stock;
- each outstanding option to purchase a share of Class C common stock will be exchanged for an option to purchase shares of Class A common stock;
- the Class A common stock will be redesignated as common stock and adjusted for a stock split on a -for- basis; and

- the certificate of incorporation will be amended and restated to reflect a single class of common stock, par value $.01 per share, and the number of authorized shares of common stock and preferred stock will be increased.

After giving effect to these changes to our certificate of incorporation, our authorized capital stock will consist of shares of common stock, $.01 par value per share, and shares of preferred stock, $.01 par value per share.

After giving effect to these changes to our certificate of incorporation and the -for- stock split, but before the closing of the offering, based on share information as of , there will be shares of common stock outstanding and no shares of preferred stock outstanding. After the closing of the offering, there will be shares of common stock outstanding.

After the closing of the offering, the Forstmann Little partnerships and our management will beneficially own approximately % of the outstanding common stock, % on a fully diluted basis. As long as the Forstmann Little partnerships and our management continue to own in the aggregate more than 50% of the outstanding shares of common stock, they will collectively have the power to:

- elect our entire Board of Directors;

- determine without the consent of other stockholders, the outcome of any corporate transaction or other matter submitted to the stockholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets;

- prevent or cause a change in control; and

- approve substantially all amendments to our certificate of incorporation.

The Forstmann Little partnerships have a contractual right to elect two directors until such time as they no longer own any of our shares of common stock.

The following summary contains material information relating to provisions of our common stock, preferred stock, certificate of incorporation and by-laws is not intended to be complete and is qualified by reference to the provisions of applicable law and to our certificate of incorporation and by-laws included as exhibits to the registration statement of which this prospectus is a part.

COMMON STOCK

Holders of common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders and do not have cumulative voting rights. Accordingly, holders of a majority of the outstanding shares of common stock entitled to vote in any election of directors may elect all of the directors standing for election. Holders of common stock are entitled to receive ratably such dividends, if any, as may be declared by the board of directors out of legally available funds. Upon our liquidation, dissolution or winding-up, holders of common stock are entitled to receive ratably our net assets available for distribution after the payment of all of our liabilities and the payment of any required amounts to the holders of any outstanding preferred stock. Holders of common stock have no preemptive, subscription, redemption or conversion rights. The outstanding shares of common stock are, and the shares sold in the offering will be, when issued and paid for, validly issued, fully paid and nonassessable. The rights, preferences and privileges of holders of common stock are subject to, and may be adversely affected by, the rights of holders of shares of any series of preferred stock that may designate and issue in the future.

PREFERRED STOCK

Our Board of Directors is authorized, subject to any limitations prescribed by law, without further stockholder approval, to establish from time to time one or more classes or series of preferred stock covering up to an aggregate of shares of preferred stock, and to issue such shares of preferred stock. Each class or series of preferred stock will cover such number of shares and will have such preferences, voting powers, qualifications and special or relative rights or privileges as is determined by the board of directors, which may include, among others, dividend rights, liquidation preferences, voting rights, conversion rights, preemptive rights, and redemption rights.

The purpose of authorizing the Board of Directors to establish preferred stock is to eliminate delays associated with a stockholders vote on the creation of a particular class or series of preferred stock. The rights of the holders of common stock will be subject to the rights of holders of any preferred stock issued in the future. The issuance of preferred stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of discouraging, delaying or preventing an acquisition of our company at a price which many stockholders find attractive. These provisions could also make it more difficult for our stockholders to effect certain corporate actions, including the election of directors. We have no present plans to issue any shares of preferred stock.

LIMITATION ON LIABILITY AND INDEMNIFICATION MATTERS

Our certificate of incorporation limits the liability of our directors to us and our stockholders to the fullest extent permitted by Delaware law. Specifically, our directors will not be personally liable for money damages for breach of fiduciary duty as a director, except for liability

- for any breach of the director's duty of loyalty to us or our stockholders;

- for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

- under Section 174 of the Delaware General Corporation Law, which concerns unlawful payments of dividends, stock purchases, or redemptions; and

- for any transaction from which the director derived an improper personal benefit.

Our certificate of incorporation and by-laws will also contain provisions indemnifying our directors and officers to the fullest extent permitted by Delaware law. The indemnification permitted under Delaware law is not exclusive of any other rights to which such persons may be entitled.

In addition, we maintain directors' and officers' liability insurance to provide our directors and officers with insurance coverage for losses arising from claims based on breaches of duty, negligence, error and other wrongful acts.

We have entered into, or intend to enter into, indemnification agreements with our directors and executive officers. These agreements contain provisions that may require us, among other things, to indemnify these directors and executive officers against certain liabilities that may arise because of their status or service as directors or executive officers, advance their expenses incurred as a result of any proceeding against them as to which they could be indemnified and obtain directors' and officers' liability insurance.

At present there is no pending litigation or proceeding involving any director or officer, as to which indemnification is required or permitted. We are not aware of any threatened litigation or proceeding which may result in a claim for such indemnification.

ANTI-TAKEOVER EFFECTS OF OUR CERTIFICATE OF INCORPORATION AND BYLAWS AND PROVISIONS OF DELAWARE LAW

A number of provisions in our certificate of incorporation, by-laws and Delaware law may make it more difficult to acquire control of us. These provisions could deprive the stockholders of opportunities to realize a premium on the shares of common stock owned by them. In addition, these provisions may adversely affect the prevailing market price of the common stock. These provisions are intended to:

- enhance the likelihood of continuity and stability in the composition of the board and in the policies formulated by the board;
- discourage certain types of transactions which may involve an actual or threatened change in control of our company;
- discourage certain tactics that may be used in proxy fights; and
- encourage persons seeking to acquire control of our company to consult first with the board of directors to negotiate the terms of any proposed business combination or offer.

STAGGERED BOARD. Our certificate of incorporation and by-laws will provide that the number of our directors shall be fixed from time to time by a resolution of a majority of our board of directors. Our certificate of incorporation and by-laws also provide that the board of directors shall be divided into three classes. The members of each class of directors will serve for staggered three-year terms. In accordance with the Delaware General Corporation Law, directors serving on classified boards of directors may only be removed from office for cause. The classification of the board has the effect of requiring at least two annual stockholder meetings, instead of one, to replace a majority of the members of the board. Subject to the rights of the holders of any outstanding series of preferred stock, vacancies on the board of directors may be filled only by a majority of the remaining directors, or by the sole remaining director, or by the stockholders if the vacancy was caused by removal of the director by the stockholders. This provision could prevent a stockholder from obtaining majority representation on the board by enlarging the board of directors and filling the new directorships with its own nominees.

ADVANCE NOTICE PROCEDURES FOR STOCKHOLDER PROPOSALS AND DIRECTOR NOMINATIONS. Our by-laws will provide that stockholders seeking to bring business before an annual meeting of stockholders, or to nominate candidates for election as directors at an annual meeting of stockholders, must provide timely notice thereof in writing. To be timely, a stockholder's notice generally must be delivered to or mailed and received at our principal executive offices not less than 45 or more than 75 days prior to the first anniversary of the date on which we first mailed our proxy materials for the preceding year's annual meeting of stockholders. However, if the date of the annual meeting is advanced more than 30 days prior to or delayed by more than 30 days after the anniversary of the preceding year's annual meeting, to be timely, notice by the stockholder must be delivered not later than the close of business on the later of the 90th day prior to the annual meeting or the 10th day following the day on which public announcement of the date of the meeting is first made. The by-laws will also specify certain requirements as to the form and content of a stockholder's notice. These provisions may preclude stockholders from bringing matters before an annual meeting of stockholders or from making nominations for directors at an annual meeting of stockholders.

STOCKHOLDER ACTION BY WRITTEN CONSENT. Our by-laws provide that stockholders may take action by written consent.

PREFERRED STOCK. The ability of our board to establish the rights and issue substantial amounts of preferred stock without the need for stockholder approval, while providing desirable flexibility in connection with possible acquisitions, financings, and other corporate transactions, may among other things, discourage, delay, defer, or prevent a change in control of the company.

AUTHORIZED BUT UNISSUED SHARES OF COMMON STOCK. The authorized but unissued shares of common stock are available for future issuance without stockholder approval. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions, and employee benefit plans. The existence of authorized but unissued shares of common stock could render more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

WE HAVE OPTED OUT OF SECTION 203 OF THE DELAWARE GENERAL CORPORATION LAW. Our certificate of incorporation provides that we have opted out of the provisions of Section 203 of the Delaware General Corporation Law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. Because we have opted out in the manner permitted under Delaware law, the restrictions of this provision will not apply to us.

SHARES ELIGIBLE FOR FUTURE SALE

RULE 144 SECURITIES

Upon the consummation of the offering, we will have shares of common stock outstanding. Of these shares, only the shares of common stock sold in the offering will be freely tradable without registration under the Securities Act and without restriction by persons other than our "affiliates." The shares of common stock held by the Forstmann Little partnerships and our directors and executive officers after the offering will be "restricted" securities under the meaning of Rule 144 under the Securities Act and may not be sold in the absence of registration under the Securities Act, unless an exemption from registration is available, including exemptions pursuant to Rule 144 or Rule 144A under the Securities Act.

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person who has beneficially owned shares of our common stock for at least one year would be entitled to sell within any three-month period a number of shares that does not exceed the greater of either of the following:

- 1% of the number of shares of common stock then outstanding, which will equal approximately the number of shares outstanding immediately after the offering, or

- the average weekly trading volume of the common stock on the NYSE during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

Sales under Rule 144 are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about us.

Under Rule 144(k), a person who is not deemed to have been one of our "affiliates" at any time during the 90 days preceding a sale, and who has beneficially owned the shares proposed to be sold for at least two years, including the holding period of any prior owner other than an "affiliate," is entitled to sell its shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144. Therefore, unless otherwise restricted, "144(k) shares" may be sold immediately upon the completion of the offering. The sale of these shares, or the perception that sales will be made, could adversely affect the price of our common stock after the offering because a greater supply of shares would be, or would be perceived to be, available for sale in the public market.

We and our executive officers and directors and all existing stockholders have agreed that, without the prior written consent of Merrill Lynch & Co. on behalf of the underwriters, it will not, during the period ended 180 days after the date of this prospectus, sell shares of common stock or take certain related actions, subject to limited exceptions, all as described under "Underwriting."

REGISTRATION RIGHTS

We have entered into a registration rights agreement with the Forstmann Little partnerships, pursuant to which we have granted to the Forstmann Little partnerships six demand rights to cause us to file a registration statement under the Securities Act covering resales of all shares of common stock held by the Forstmann Little partnerships, and to cause the registration statement to become effective. The registration rights agreement also grants "piggyback" registration rights permitting the Forstmann Little partnerships to include its registrable securities in a registration of securities by us. Under the agreement, we will pay the expenses of such registrations.

In addition, pursuant to the stockholder's and subscription agreements, we have granted "piggyback" registration rights to all of our employees and directors who have purchased shares of common stock and/or that have been awarded options to purchase shares of common stock. These registration rights are exercisable only upon registration by us of shares of common stock held by the Forstmann Little partnerships. The holders of common stock entitled to these registration rights are entitled to notice of any proposal to register shares held by the Forstmann Little partnerships and to include their shares in such registration. We will pay the expenses of these piggyback registrations.

UNITED STATES FEDERAL TAX CONSIDERATIONS FOR NON-UNITED STATES HOLDERS

The following is a general discussion of the principal United States federal income and estate tax consequences of the ownership and disposition of our common stock by a non-U.S. holder. As used in this discussion, the term "non-U.S. holder" means a beneficial owner of our common stock that is not, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;

- a corporation or partnership created or organized in or under the laws of the United States or of any political subdivision of the United States, other than a partnership treated as foreign under U.S. Treasury regulations;

- an estate whose income is includible in gross income for U.S. federal income tax purposes regardless of its source; or

- a trust, in general, if a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have authority to control all substantial decisions of the trust.

An individual may be treated as a resident of the United States in any calendar year for U.S. federal income tax purposes, instead of a nonresident, by, among other ways, being present in the United States on at least 31 days in that calendar year and for an aggregate of at least 183 days during a three-year period ending in the current calendar year. For purposes of this calculation, you would count all of the days present in the current year, one-third of the days present in the immediately preceding year and one-sixth of the days present in the second preceding year. Residents are taxed for U.S. federal income purposes as if they were U.S. citizens.

This discussion does not consider:

- U.S. state and local or non-U.S. tax consequences;

- specific facts and circumstances that may be relevant to a particular non-U.S. holder's tax position, including, if the non-U.S. holder is a partnership that the U.S. tax consequences of holding and disposing of our common stock may be affected by certain determinations made at the partner level;

- the tax consequences for the shareholders, partners or beneficiaries of a non-U.S. holder;

- special tax rules that may apply to particular non-U.S. holders, such as financial institutions, insurance companies, tax-exempt organizations, U.S. expatriates, broker-dealers, and traders in securities; or

- special tax rules that may apply to a non-U.S. holder that holds our common stock as part of a "straddle," "hedge," "conversion transaction," "synthetic security" or other integrated investment.

The following discussion is based on provisions of the U.S. Internal Revenue Code of 1986, as amended, applicable U.S. Treasury regulations and administrative and judicial interpretations, all as in effect on the date of this prospectus, and all of which are subject to change, retroactively or prospectively. The following summary assumes that a non-U.S. holder holds our common stock as a capital asset. EACH NON-U.S. HOLDER SHOULD CONSULT A TAX ADVISOR REGARDING THE U.S. FEDERAL, STATE, LOCAL, AND NON-U.S. INCOME AND OTHER TAX CONSEQUENCES OF ACQUIRING, HOLDING, AND DISPOSING OF SHARES OF OUR COMMON STOCK.

DIVIDENDS

We do not anticipate paying cash dividends on our common stock in the foreseeable future. See "Dividend Policy." In the event, however, that we pay dividends on our common stock, we will have to withhold a U.S. federal withholding tax at a rate of 30%, or a lower rate under an applicable income tax treaty, from the gross amount of the dividends paid to a non-U.S. holder. Non-U.S. holders should consult their tax advisors regarding their entitlement to benefits under a relevant income tax treaty.

Dividends paid prior to 2001 to an address in a foreign country are presumed, absent actual knowledge to the contrary, to be paid to a resident of such country for purposes of the withholding discussed above and for purposes of determining the applicability of a tax treaty rate. For dividends paid after 2000:

- a non-U.S. holder who claims the benefit of an applicable income tax treaty rate generally will be required to satisfy applicable certification and other requirements;

- in the case of common stock held by a foreign partnership, the certification requirement will generally be applied to the partners of the partnership and the partnership will be required to provide certain information, including a U.S. taxpayer identification number; and

- look-through rules will apply for tiered partnerships.

A non-U.S. holder that is eligible for a reduced rate of U.S. federal withholding tax under an income tax treaty may obtain a refund or credit of any excess amounts withheld by filing an appropriate claim for a refund with the U.S. Internal Revenue Service.

Dividends that are effectively connected with a non-U.S. holder's conduct of a trade or business in the United States or, if an income tax treaty applies, attributable to a permanent establishment in the United States, are taxed on a net income basis at the regular graduated rates and in the manner applicable to U.S. persons. In that case, we will not have to withhold U.S. federal withholding tax if the non-U.S. holder complies with applicable certification and disclosure requirements. In addition, a "branch profits tax" may be imposed at a 30% rate, or a lower rate under an applicable income tax treaty, on dividends received by a foreign corporation that are effectively connected with the conduct of a trade or business in the United States.

GAIN ON DISPOSITION OF COMMON STOCK

A non-U.S. holder generally will not be taxed on gain recognized on a disposition of our common stock unless:

- the gain is effectively connected with the non-U.S. holder's conduct of a trade or business in the United States or, alternatively, if an income tax treaty applies, is attributable to a permanent establishment maintained by the non-U.S. holder in the United States; in these cases, the gain will be taxed on a net income basis at the regular graduated rates and in the manner applicable to U.S. persons and, if the non-U.S. holder is a foreign corporation, the "branch profits tax" described above may also apply;

- the non-U.S. holder is an individual who holds our common stock as a capital asset, is present in the United States for more than 182 days in the taxable year of the disposition and meets other requirements; or

- we are or have been a "U.S. real property holding corporation" for U.S. federal income tax purposes at any time during the shorter of the five year period ending on the date of disposition or the period that the non-U.S. holder held our common stock.

In general, we will be treated as a "U.S. real property holding corporation" if the fair market value of our "U.S. real property interests" equals or exceeds 50% of the sum of the fair market value of our worldwide real property interests and our other assets used or held for use in a trade or business. Currently, it is our best estimate that the fair market value of our U.S. real property interests is, and has been for at least the previous five years, less than 50% of the sum of the fair market value of our worldwide real property interests and our other assets, including goodwill, used or held for use in a trade or business. Therefore, we believe that we are not currently a U.S. real property holding corporation. Nor do we anticipate becoming a U.S. real property holding corporation in the future.

However, even if we are or have been a U.S. real property holding corporation, a non-U.S. holder which did not beneficially own, directly or indirectly, more than 5% of the total fair market value of our common stock at any time during the shorter of the five-year period ending on the date of disposition or the period that our common stock was held by the non-U.S. holder (a "non-5% holder") and which is not otherwise taxed under any other circumstances described above, generally will not be taxed on any gain realized on the disposition of our common stock if, at any time during the calendar year of the disposition, our common stock was regularly traded on an established securities market within the meaning of the applicable U.S. Treasury regulations.

We have applied to have our common stock listed on the NYSE. Although not free from doubt, our common stock should be considered to be regularly traded on an established securities market for any calendar quarter during which it is regularly quoted on the NYSE by brokers or dealers which hold themselves out to buy or sell our common stock at the quoted price. If our common stock were not considered to be regularly traded on the NYSE at any time during the applicable calendar year, then a non-5% holder would be taxed for U.S. federal income tax purposes on any gain realized on the disposition of our common stock on a net income basis as if the gain were effectively connected with the conduct of a U.S. trade or business by the non-5% holder during the taxable year and, in such case, the person acquiring our common stock from a non-5% holder generally would have to withhold 10% of the amount of the proceeds of the disposition. Such withholding may be reduced or eliminated pursuant to a withholding certificate issued by the U.S. Internal Revenue Service in accordance with applicable U.S. Treasury regulations. We urge all non-U.S. holders to consult their own tax advisors regarding the application of these rules to them.

FEDERAL ESTATE TAX

Common stock owned or treated as owned by an individual who is a non-U.S. holder at the time of death will be included in the individual's gross estate for U.S. federal estate tax purposes, unless an applicable estate tax or other treaty provides otherwise and, therefore, may be subject to U.S. federal estate tax.

INFORMATION REPORTING AND BACKUP WITHHOLDING TAX

We must report annually to the U.S. Internal Revenue Service and to each non-U.S. holder the amount of dividends paid to that holder and the tax withheld from those dividends. Copies of the information returns reporting those dividends and withholding may also be made available to the tax authorities in the country in which the non-U.S. holder is a resident under the provisions of an applicable income tax treaty or agreement.

Under some circumstances, U.S. Treasury regulations require additional information reporting and backup withholding at a rate of 31% on some payments on common stock. Under currently applicable law, non-U.S. holders generally will be exempt from these additional information reporting requirements and from backup withholding on dividends paid prior to 2001 if we either were required to withhold a U.S. federal withholding tax from those dividends or we paid those dividends to an address outside the United States. After 2000, however, the gross amount of dividends paid to a non-U.S. holder that fails to certify its non-U.S. holder status in accordance with applicable U.S. Treasury regulations generally will be reduced by backup withholding at a rate of 31%.

The payment of the proceeds of the disposition of common stock by a non-U.S. holder to or through the U.S. office of a broker or a non-U.S. office of a U.S. broker generally will be reported to the U.S. Internal Revenue Service and reduced by backup withholding at a rate of 31% unless the non-U.S. holder either certifies its status as a non-U.S. holder under penalties of perjury or otherwise establishes an exemption and the broker has no actual knowledge to the contrary. The payment of the proceeds of the disposition of common stock by a non-U.S. holder to or through a non-U.S. office of a non-U.S. broker will not be reduced by backup withholding or reported to the U.S. Internal Revenue Service unless the non-U.S. broker has certain enumerated connections with the United States. In general, the payment of proceeds from the disposition of common stock by or through a non-U.S. office of a broker that is a U.S. person or has certain enumerated connections with the United States will be reported to the U.S. Internal Revenue Service and, after 2000, may be reduced by backup withholding at a rate of 31%, unless the broker receives a statement from the non-U.S. holder, signed under penalty of perjury, certifying its non-U.S. status or the broker has documentary evidence in its files that the holder is a non-U.S. holder and the broker has no actual knowledge to the contrary.

Non-U.S. holders should consult their own tax advisors regarding the application of the information reporting and backup withholding rules to them, including changes to these rules that will become effective after 2000.

Any amounts withheld under the backup withholding rules from a payment to a non-U.S. holder will be refunded, or credited against the holder's U.S. federal income tax liability, if any, provided that the required information is furnished to the U.S. Internal Revenue Service.

UNDERWRITING

We intend to offer the shares in the U.S. and Canada through the U.S. underwriters and elsewhere through the international managers. Merrill Lynch, Pierce, Fenner & Smith Incorporated, Banc of America Securities LLC, Chase Securities Inc., Credit Suisse First Boston Corporation, Goldman, Sachs & Co., and Morgan Stanley & Co. Incorporated are acting as U.S. representatives of the U.S. underwriters named below. Subject to the terms and conditions described in a U.S. purchase agreement between us and the U.S. underwriters, and concurrently with the sale of shares to the international managers, we have agreed to sell to the U.S. underwriters, and the U.S. underwriters severally have agreed to purchase from us, the number of shares listed opposite their names below.

U.S. UNDERWRITER	NUMBER OF SHARES
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Banc of America Securities LLC	
Chase Securities Inc	
Credit Suisse First Boston Corporation	
Goldman, Sachs & Co	
Morgan Stanley & Co. Incorporated	
Total	

We have also entered into an international purchase agreement with the international managers for sale of the shares outside the U.S. and Canada for whom Merrill Lynch International, Bank of America International Limited, Chase Securities Inc., Credit Suisse First Boston (Europe) Limited, Goldman Sachs International, and Morgan Stanley & Co. International Limited are acting as lead managers. Subject to the terms and conditions in the international purchase agreement, and concurrently with the sale of shares to the U.S. underwriters pursuant to the U.S. purchase agreement, we have agreed to sell to the international managers, and the international managers severally have agreed to purchase shares from us. The initial public offering price per share and the total underwriting discount per share are identical under the U.S. purchase agreement and the international purchase agreement.

The U.S. underwriters and the international managers have agreed to purchase all of the shares sold under the U.S. and international purchase agreements if any of these shares are purchased. If an underwriter defaults, the U.S. and international purchase agreements provide that the purchase commitments of the nondefaulting underwriters may be increased or the purchase agreements may be terminated. The closings for the sale of shares to be purchased by the U.S. underwriters and the international managers are conditioned on one another.

We have agreed to indemnify the U.S. underwriters and the international managers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the U.S. underwriters and international managers may be required to make in respect of those liabilities.

The underwriters are offering the shares, subject to prior sale, when, as, and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the purchase agreements, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel, or modify offers to the public and to reject orders in whole or in part.

COMMISSIONS AND DISCOUNTS

The U.S. representatives have advised us that the U.S. underwriters propose initially to offer the shares to the public at the initial public offering price on the cover page of this prospectus and to dealers at that price less a concession not in excess of $ per share. The U.S. underwriters may allow, and the dealers may reallow, a discount not in excess of $ per share to other dealers. After the initial public offering, the public offering price, concession, and discount may be changed.

The following table shows the public offering price, underwriting discount and proceeds before our expenses. The information assumes either no exercise or full exercise by the U.S. underwriters and the international managers of their over-allotment options.

	PER SHARE	WITHOUT OPTION	WITH OPTION
Public offering price	$	$	$
Underwriting discount	$	$	$
Proceeds before expenses to Community Health Systems	$	$	$

The expenses of the offering, not including the underwriting discount, are estimated at $ and are payable by us.

OVER-ALLOTMENT OPTION

We have granted options to the U.S. underwriters to purchase up to additional shares at the public offering price less the underwriting discount. The U.S. underwriters may exercise these options for 30 days from the date of this prospectus solely to cover any overallotments. If the U.S. underwriters exercise these options, each will be obligated, subject to conditions contained in the purchase agreements, to purchase a number of additional shares proportionate to that U.S. underwriter's initial amount reflected in the above table.

We have also granted options to the international managers, exercisable for 30 days from the date of this prospectus, to purchase up to additional shares to cover any over-allotments on terms similar to those granted to the U.S. underwriters.

INTERSYNDICATE AGREEMENT

The U.S. underwriters and the international managers have entered into an intersyndicate agreement that provides for the coordination of their activities. Under the intersyndicate agreement, the U.S. underwriters and the international managers may sell shares to each other for purposes of resale at the initial public offering price, less an amount not greater than the selling concession. Under the intersyndicate agreement, the U.S. underwriters and any dealer to whom they sell shares will not offer to sell or sell shares to persons who are non-U.S. or non-Canadian persons or to persons they believe intend to resell to persons who are non-U.S. or non-Canadian persons, except in the case of transactions under the intersyndicate agreement. Similarly, the international managers and any dealer to whom they sell shares will not offer to sell or sell shares to U.S. persons or Canadian persons or to persons they believe intend to resell to U.S. or Canadian persons, except in the case of transactions under the intersyndicate agreement.

RESERVED SHARES

At our request, the underwriters have reserved for sale, at the initial public offering price, up to shares offered by this prospectus for sale to some of our directors, officers, employees, business associates, and related persons. If these persons purchase reserved shares, this will reduce the number of shares available for sale to the general public. Any reserved shares that are not orally confirmed for

purchase within one day of the pricing of the offering will be offered by the underwriters to the general public on the same terms as the other shares offered by this prospectus.

NO SALES OF SIMILAR SECURITIES

We and our executive officers and directors and all existing stockholders have agreed, with exceptions, not to sell or transfer any common stock for 180 days after the date of this prospectus without first obtaining the written consent of Merrill Lynch. Specifically, we and these other individuals have agreed not to directly or indirectly

- offer, pledge, sell or contract to sell any common stock;
- sell any option or contract to purchase any common stock;
- purchase any option or contract to sell any common stock;
- grant any option, right or warrant for the sale of any common stock;
- lend or otherwise dispose of or transfer any common stock;
- request or demand that we file a registration statement related to the common stock; or
- enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common stock whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

This lockup provision applies to common stock and to securities convertible into or exchangeable or exercisable for or repayable with common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition. This lockup provision does not limit our ability to grant options to purchase common stock under stock option plans or to issue common stock under our employee stock purchase plan.

NEW YORK STOCK EXCHANGE LISTING

We expect the shares to be approved for listing on the NYSE under the symbol "CYH." In order to meet the requirements for listing on that exchange, the U.S. underwriters and the international managers have undertaken to sell a minimum number of shares to a minimum number of beneficial owners as required by that exchange.

Before the offering, there has been no public market for our common stock. The initial public offering price will be determined through negotiations among us and the U.S. representatives and lead managers. In addition to prevailing market conditions, the factors to be considered in determining the initial public offering price are

- the valuation multiples of publicly traded companies that the U.S. representatives and the lead managers believe to be comparable to us;
- our financial information;
- the history of, and the prospects for, us and the industry in which we compete;
- an assessment of our management, its past and present operations, and the prospects for, and timing of, our future revenues;
- the present state of our development; and
- the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours.

An active trading market for the shares may not develop. It is also possible that after the offering the shares will not trade in the public market at or above the initial public offering price.

The underwriters do not expect to sell more than 5% of the shares in the aggregate to accounts over which they exercise discretionary authority.

NASD REGULATIONS

It is anticipated that more than ten percent of the proceeds of the offering will be applied to pay down debt obligations owed to affiliates of Chase Securities Inc., Banc of America Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Morgan Stanley & Co. Incorporated. Because more than ten percent of the net proceeds of the offering may be paid to members or affiliates of members of the National Association of Securities Dealers, Inc. participating in the offering, the offering will be conducted in accordance with NASD Conduct Rule 2710(c)(8). This rule requires that the public offering price of an equity security be no higher than the price recommended by a qualified independent underwriter which has participated in the preparation of the registration statement and performed its usual standard of due diligence with respect to that registration statement. Merrill Lynch, Pierce, Fenner & Smith Incorporated has agreed to act as qualified independent underwriter for the offering. The price of the shares will be no higher than that recommended by Merrill Lynch, Pierce, Fenner & Smith Incorporated.

PRICE STABILIZATION, SHORT POSITIONS, AND PENALTY BIDS

Until the distribution of the shares is completed, Commission rules may limit underwriters and selling group members from bidding for and purchasing our common stock. However, the U.S. representatives may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

If the underwriters create a short position in the common stock in connection with the offering, i.e., if they sell more shares than are listed on the cover of this prospectus, the U.S. representatives may reduce that short position by purchasing shares in the open market. The U.S. representatives may also elect to reduce any short position by exercising all or part of the over-allotment option described above. Purchases of the common stock to stabilize its price or to reduce a short position may cause the price of the common stock to be higher than it might be in the absence of such purchases.

The U.S. representatives may also impose a penalty bid on underwriters. This means that if the U.S. representatives purchase shares in the open market to reduce the underwriter's short position or to stabilize the price of such shares, they may reclaim the amount of the selling concession from the underwriters who sold those shares. The imposition of a penalty bid may also affect the price of the shares in that it discourages resales of those shares.

Neither we nor any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the common stock. In addition, neither we nor any of the underwriters makes any representation that the U.S. representatives or the lead managers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

OTHER RELATIONSHIPS

Some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us. They have received customary fees and commissions for these transactions. In particular, an affiliate of Chase Securities Inc. acts as administrative agent for our credit facility and affiliates of Chase Securities Inc., Banc of America Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Morgan

Stanley & Co. are lenders under our credit facility. Michael A. Miles, our Chairman of the Board, is a director of Morgan Stanley Dean Witter and receives customary compensation for serving in this position.

LEGAL MATTERS

The validity of the shares of common stock offered by this prospectus will be passed upon for us by Fried, Frank, Harris, Shriver & Jacobson (a partnership including professional corporations), New York, New York. Certain legal matters related to the offering will be passed upon for the underwriters by Debevoise & Plimpton, New York, New York. Fried, Frank, Harris, Shriver & Jacobson has in the past provided, and may continue to provide, legal services to Forstmann Little and its affiliates.

EXPERTS

The consolidated financial statements as of December 31, 1998 and 1999 and for each of the three years in the period ended December 31, 1999 included in this prospectus and the related financial statement schedule included elsewhere in the registration statement have been audited by Deloitte & Touche LLP, independent auditors, as stated in their reports appearing herein and elsewhere in the registration statement, and have been so included in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Commission a registration statement on Form S-1, which includes amendments, exhibits, schedules and supplements, under the Securities Act and the rules and regulations under the Securities Act, for the registration of the common stock offered by this prospectus. Although this prospectus, which forms a part of the registration statement, contains all material information included in the registration statement, parts of the registration statement have been omitted from this prospectus as permitted by the rules and regulations of the Commission. For further information with respect to us and the common stock offered by this prospectus, please refer to the registration statement. Statements contained in this prospectus as to the contents of any contracts or other document referred to in this prospectus are not necessarily complete and, where such contract or other document is an exhibit to the registration statement, each such statement is qualified in all respects by the provisions of such exhibit, to which reference is now made. The registration statement can be inspected and copied at prescribed rates at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Commission's regional offices at Seven World Trade Center, 13th Floor, New York, New York 10048 and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the Commission at 1-800-SEC-0330. In addition, the registration statement is publicly available through the Commission's site on the Internet's World Wide Web, located at: http://www.sec.gov. Following the offering, our future public filings are expected to be available for inspection at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

After the offering, we will be subject to the full informational requirements of the Securities Exchange Act. To comply with these requirements, we will file periodic reports, proxy statements and other information with the Commission.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Community Health Systems, Inc.
Brentwood, Tennessee

We have audited the accompanying consolidated balance sheets of Community Health Systems, Inc. (formerly Community Health Systems Holdings Corp.) and subsidiaries as of December 31, 1998 and 1999, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of Community Health Systems, Inc. and subsidiaries as of December 31, 1998 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with generally accepted accounting principles.

/s/ Deloitte & Touche LLP

Nashville, Tennessee
February 25, 2000

COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS, EXCEPT SHARE DATA)

	AS OF DECEMBER 31,	
	1998	1999
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 6,719	$ 4,282
Patient accounts receivable, net of allowance for doubtful accounts of $28,771 and $34,499 in 1998 and 1999, respectively	148,797	217,283
Supplies	26,037	32,134
Prepaid and current deferred income taxes	7,564	5,862
Prepaid expenses	7,456	9,846
Other current assets	13,683	22,022
Total current assets	210,256	291,429
PROPERTY AND EQUIPMENT		
Land and improvements	35,804	41,327
Buildings and improvements	402,853	470,856
Equipment and fixtures	184,472	219,659
	623,129	731,842
Less accumulated depreciation and amortization	(70,114)	(108,499)
property and equipment, net	553,015	623,343
GOODWILL, NET OF ACCUMULATED AMORTIZATION OF $73,058 AND $97,766 IN 1998 AND 1999, RESPECTIVELY	878,416	877,890
OTHER ASSETS, NET OF ACCUMULATED AMORTIZATION OF $27,343 AND $34,265 IN 1998 AND 1999, RESPECTIVELY	85,474	93,355
TOTAL ASSETS	$1,727,161	$1,886,017
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 21,248	$ 27,029
Accounts payable	63,843	57,392
Excess reimbursement payable	20,000	30,900
Accrued liabilities		
Employee compensation	36,524	49,346
Interest	25,523	19,451
Other	39,695	42,092
Total current liabilities	206,833	226,210
LONG-TERM DEBT	1,246,594	1,407,604
OTHER LONG-TERM LIABILITIES	26,908	22,495
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred stock, $.01 par value per share, 10,000 shares authorized, none issued	--	--
Common stock, Class A, $.01 par value per share, 532,500 shares authorized; 449,123 shares issued and outstanding at December 31, 1998 and 1999	4	4
Common stock, Class B, $.01 par value per share, 60,000 shares authorized and issued; 39,530 and 39,275 shares outstanding at December 31, 1998 and 1999, respectively	1	1
Common stock, Class C, $.01 par value per share, 10,000 shares authorized, none issued	--	--
Additional paid-in capital	482,649	483,798
Accumulated deficit	(228,563)	(245,352)
Treasury stock, at cost, Class B shares, 20,470 and 20,725 shares at December 31, 1998 and 1999, respectively	(5,555)	(6,587)
Notes receivable for Class B shares	(1,710)	(1,997)
Unearned stock compensation	--	(159)
Total stockholders' equity	246,826	229,708
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$1,727,161	$1,886,017

See notes to consolidated financial statements.

COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
NET OPERATING REVENUES	$742,350	$ 854,580	$1,079,953
COSTS AND EXPENSES			
Salaries and benefits	296,779	328,264	419,320
Provision for bad debts	57,376	69,005	95,149
Supplies	90,391	100,633	126,693
Rent	20,281	22,344	25,522
Other operating expenses	155,285	167,944	209,084
Depreciation and amortization	43,753	49,861	56,943
Amortization of goodwill	25,404	26,639	24,708
Interest, net	89,753	101,191	116,491
Impairment of long-lived assets	--	164,833	--
Provision for excess reimbursement and Year 2000 remediation costs	--	20,209	17,279
TOTAL COSTS AND EXPENSES	779,022	1,050,923	1,091,189
LOSS BEFORE CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE AND INCOME TAXES	(36,672)	(196,343)	(11,236)
PROVISION FOR (BENEFIT FROM) INCOME TAXES	(4,501)	(13,405)	5,553
LOSS BEFORE CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	(32,171)	(182,938)	(16,789)
CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE, NET OF TAXES OF $189	--	(352)	--
NET LOSS	$(32,171)	$ (183,290)	$ (16,789)
BASIC AND DILUTED LOSS PER COMMON SHARE (CLASS A AND CLASS B):			
Loss before cumulative effect of a change in accounting principle	$ (70.95)	$ (398.52)	$ (36.08)
Cumulative effect of a change in accounting principle	--	(0.77)	--
Net loss	$ (70.95)	$ (399.29)	$ (36.08)
WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING, BASIC AND DILUTED	453,462	459,046	465,365

See notes to consolidated financial statements.

COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(IN THOUSANDS, EXCEPT SHARE DATA)

	CLASS A COMMON STOCK		CLASS B COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	CLASS B TREASURY STOCK		NOTES RECEIVABLE FOR CLASS B
	SHARES	AMOUNT	SHARES	AMOUNT			SHARES	AMOUNT	
BALANCE, January 1, 1997	449,123	$ 4	51,828	$ 1	$479,684	$ (13,102)	--	$ --	$ (904)
Issuance of common stock	--	--	3,631	--	1,310	--	--	--	(634)
Redemption of common stock	--	--	--	--	--	--	(2,909)	(1,041)	450
Payments on notes receivable	--	--	--	--	--	--	--	--	38
Net loss	--	--	--	--	--	(32,171)	--	--	--
BALANCE, December 31, 1997	449,123	4	55,459	1	480,994	(45,273)	(2,909)	(1,041)	(1,050)
Issuance of common stock	--	--	4,541	--	1,655	--	3,213	1,120	(900)
Redemption of common stock	--	--	--	--	--	--	(20,774)	(5,634)	204
Payments on notes receivable	--	--	--	--	--	--	--	--	36
Net loss	--	--	--	--	--	(183,290)	--	--	--
BALANCE, December 31, 1998	449,123	4	60,000	1	482,649	(228,563)	(20,470)	(5,555)	(1,710)
Issuance of common stock	--	--	--	--	907	--	6,732	1,748	(440)
Redemption of common stock	--	--	--	--	--	--	(6,987)	(2,780)	--
Payments on notes receivable	--	--	--	--	--	--	--	--	153
Unearned stock compensation	--	--	--	--	242	--	--	--	--
Earned stock compensation	--	--	--	--	--	--	--	--	--
Net loss	--	--	--	--	--	(16,789)	--	--	--
BALANCE, December 31, 1999	449,123	$ 4	60,000	$ 1	$483,798	$(245,352)	(20,725)	$(6,587)	$(1,997)

	UNEARNED STOCK COMPENSATION	TOTAL
BALANCE, January 1, 1997	$ --	$ 465,683
Issuance of common stock	--	676
Redemption of common stock	--	(591)
Payments on notes receivable	--	38
Net loss	--	(32,171)
BALANCE, December 31, 1997	--	433,635
Issuance of common stock	--	1,875
Redemption of common stock	--	(5,430)
Payments on notes receivable	--	36
Net loss	--	(183,290)
BALANCE, December 31, 1998	--	246,826
Issuance of common stock	--	2,215
Redemption of common stock	--	(2,780)
Payments on notes receivable	--	153
Unearned stock compensation	(242)	--
Earned stock compensation	83	83
Net loss	--	(16,789)

BALANCE, December 31, 1999	$(159)	$ 229,708

See notes to consolidated financial statements.

COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$(32,171)	$(183,290)	$ (16,789)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	69,157	76,500	81,651
Deferred income taxes	(5,751)	(14,797)	(3,799)
Impairment charge	--	164,833	--
Provision for excess reimbursement	--	20,000	14,000
Stock compensation expense	--	--	83
Other non-cash (income) expenses, net	146	(528)	(570)
Changes in operating assets and liabilities, net of effects of acquisitions and divestitures:			
Patient accounts receivable	(9,336)	(26,273)	(53,761)
Supplies, prepaid expenses and other current assets	11,076	(7,724)	(17,598)
Accounts payable, accrued liabilities and income taxes	(3,322)	(3,174)	(17,283)
Other	(8,255)	(9,828)	2,320
Net cash provided by (used in) operating activities	21,544	15,719	(11,746)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of facilities, pursuant to purchase agreements	(36,296)	(172,597)	(59,699)
Proceeds from sale of facilities	18,750	--	--
Purchases of property and equipment, net	(48,826)	(51,349)	(80,134)
Increase in other assets	(10,279)	(12,607)	(15,708)
Net cash used in investing activities	(76,651)	(236,553)	(155,541)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of common stock	676	1,875	2,215
Redemption of common stock	(1,041)	(5,634)	(2,780)
Borrowings under credit agreement	73,404	242,491	436,300
Repayments of long-term indebtedness	(36,857)	(18,842)	(270,885)
Net cash provided by financing activities	36,182	219,890	164,850
NET CHANGE IN CASH AND CASH EQUIVALENTS	(18,925)	(944)	(2,437)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	26,588	7,663	6,719
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 7,663	$ 6,719	$ 4,282

See notes to consolidated financial statements.

1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUSINESS. In June 1996, Community Health Systems Inc. (formerly Community Health Systems Holding Corp.) (the "Company") through its wholly-owned subsidiary, FLCH Acquisition Corp. ("Acquisition Corp."), corporations formed by affiliates of Forstmann Little & Co. ("FL&Co."), entered into an agreement to acquire (the "Acquisition") all of the outstanding common stock of CHS/ Community Health Systems, Inc. ("CHS"). The aggregate purchase price for the Acquisition was $1,100.2 million. The purchase price, the refinancing of certain CHS debt obligations ($140.8 million) and payments for cancellation of CHS stock options ($47.5 million) were funded by the issuance of $482.1 million of common stock, $500 million of subordinated debentures and $415 million of Term Loans under the Credit Agreement (see Note 5).

The Company owns, leases and operates acute care hospitals that are the principal providers of primary healthcare services in non-urban communities. As of December 31, 1999, the Company owned, leased or operated 46 hospitals, licensed for 4,115 beds in 20 states.

USE OF ESTIMATES. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

PRINCIPLES OF CONSOLIDATION. The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated. Certain of the subsidiaries have minority stockholders. The amount of minority interest in equity and minority interest in income or loss is not material and is included in other long-term liabilities and other operating expenses.

CASH EQUIVALENTS. The Company considers highly liquid investments with original maturities of three months or less to be cash equivalents.

SUPPLIES. Supplies, principally medical supplies, are stated at the lower of cost (first-in, first-out basis) or market.

PROPERTY AND EQUIPMENT. Property and equipment are recorded at cost. Depreciation is recognized using the straight-line method over the estimated useful lives of the buildings and improvements (5 to 40 years) and equipment and fixtures (5 to 20 years). Expenditures for renovations and other significant improvements are capitalized; however, maintenance and repairs which do not improve or extend the useful lives of the respective assets are charged to operations as incurred. Interest capitalized in accordance with Statement of Financial Accounting Standards ("SFAS") No. 34, "Capitalization of Interest Cost," was $0.6 million, $0.7 million and $1.4 million for the years ended December 31, 1997, 1998, and 1999, respectively.

The Company also leases certain facilities and equipment under capital leases (see Notes 2 and 7). Such assets are amortized on a straight-line basis over the lesser of the terms of the respective leases, or the remaining useful lives of the assets.

GOODWILL. Goodwill represents the excess of cost over the fair value of net assets acquired and is amortized on a straight-line basis generally over 40 years.

1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

OTHER ASSETS. Other assets consist primarily of the noncurrent portion of deferred income taxes and costs associated with the issuance of debt which are amortized over the life of the related debt using the effective interest method. Amortization of deferred financing costs is included in interest expense.

THIRD-PARTY REIMBURSEMENT. Net operating revenues include amounts estimated by management to be reimbursable by Medicare and Medicaid under prospective payment systems, provisions of cost-reimbursement and other payment formulae. In addition, the Company is reimbursed by non-governmental payors using a variety of payment methodologies. Amounts received by the Company for treatment of patients covered by such programs are generally less than the standard billing rates. The differences between the estimated program reimbursement rates and the standard billing rates are accounted for as contractual adjustments, which are deducted from gross revenues to arrive at net operating revenues. Final settlements under certain of these programs are subject to adjustment based on administrative review and audit by third parties. Adjustments to the estimated billings are recorded as final settlements are determined. Approximately 55%, 49% and 48% of net operating revenues for the years ended December 31, 1997, 1998 and 1999, respectively, are related to services rendered to patients covered by the Medicare and Medicaid programs.

CONCENTRATIONS OF CREDIT RISK. The Company grants unsecured credit to its patients, most of whom reside in the service area of the Company's facilities and are insured under third-party payor agreements. Because of the geographic diversity of the Company's facilities and non-governmental third-party payors, Medicare and Medicaid represent the Company's only significant concentrations of credit risk.

NET OPERATING REVENUES. Net operating revenues are recorded net of provisions for contractual adjustments and other allowances of approximately $586 million, $829 million and $1,157 million in 1997, 1998 and 1999, respectively. Net operating revenues are recognized when services are provided.

PROFESSIONAL LIABILITY INSURANCE CLAIMS. Provisions for estimated losses resulting from professional liability claims are based upon actuarially determined estimates. To the extent that subsequent claims information varies from management's estimates, the liability is adjusted currently.

ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS. In accordance with SFAS No. 121, "Accounting for Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," whenever events or changes in circumstances indicate that the carrying values of certain long-lived assets and related intangible assets may be impaired, the Company projects the undiscounted cash flows expected to be generated by these assets. If the projections indicate that the reported amounts are not expected to be recovered, such amounts are reduced to their estimated fair value.

INCOME TAXES. The Company accounts for income taxes under the asset and liability method, in which deferred income tax assets and liabilities are recognized for the tax consequences of "temporary differences" by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The effect on deferred taxes of a change in tax rates is recognized in the statement of operations during the period in which the tax rate change becomes law.

1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COMPREHENSIVE INCOME. In June 1997, the Financial Accounting Standards Board ("FASB") issued SFAS No. 130, "Reporting Comprehensive Income," which is effective for fiscal years beginning after December 15, 1997. Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. Comprehensive loss for 1997, 1998 and 1999 is equal to the net loss reported.

STOCK-BASED COMPENSATION. The Company accounts for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations. Compensation cost, if any, is measured as the excess of the fair value of the Company's stock at the date of grant over the amount an employee must pay to acquire the stock. SFAS No. 123, "Accounting for Stock-Based Compensation," established accounting and disclosure requirements using a fair value based method of accounting for stock-based employee compensation plans; however, it allows an entity to continue to measure compensation for those plans using the intrinsic value method of accounting prescribed by APB Opinion No. 25. The Company has elected to continue to measure compensation under the method of accounting as described above, and has adopted the disclosure requirements of SFAS No. 123.

SEGMENT REPORTING. In June 1997, the FASB issued SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," which is effective for fiscal years ending after December 15, 1997. This statement requires that a public company report annual and interim financial and descriptive information about its reportable operating segments. Operating segments, as defined, are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company has one reportable segment that owns, leases and operates acute care hospitals in non-urban communities.

RECENT ACCOUNTING PRONOUNCEMENT NOT YET ADOPTED. During 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement specifies how to report and display derivative instruments and hedging activities and is effective for fiscal years beginning after June 15, 2000. The Company is currently evaluating the impact, if any, of adopting SFAS No. 133.

2. LONG-TERM LEASES AND PURCHASES OF HOSPITALS

During 1997, the Company exercised a purchase option under an existing operating lease and acquired two hospitals through capital lease transactions. The consideration for the three hospitals totaled $46.1 million, including working capital. The consideration consisted of $36.3 million in cash, which was borrowed under the acquisition loan facilities, and assumed liabilities of $9.8 million. The entire lease obligation relating to each lease transaction was prepaid. The prepayment was included as part of the cash consideration. Licensed beds at the two hospitals acquired totaled 122 beds.

During 1998, the Company acquired, through two purchase and two capital lease transactions, most of the assets, including working capital, of four hospitals. The consideration for the four hospitals totaled $218.6 million. The consideration consisted of $169.8 million in cash, which was borrowed under the acquisition loan facilities, and assumed liabilities of $48.8 million. The entire lease obligation relating to each lease transaction was prepaid. The prepayment was included as part of the cash consideration. Licensed beds at these four hospitals totaled 360.

2. LONG-TERM LEASES AND PURCHASES OF HOSPITALS (CONTINUED)

Also, effective December 1, 1998, the Company entered into an operating agreement relating to, and purchased certain working capital accounts of, a 38 licensed bed hospital, for a cash payment of $2.8 million. Pursuant to this agreement, upon certain conditions being met, the Company will be obligated to construct a replacement hospital and to purchase for $0.9 million the remaining assets of the hospital. Upon completion, all rights of ownership and operations will transfer to the Company.

During 1999, the Company acquired, through two purchase and two capital lease transactions, most of the assets, including working capital, of four hospitals. The consideration for the four hospitals totaled $77.8 million. The consideration consisted of $59.7 million in cash, which was borrowed under the acquisition loan facilities, and assumed liabilities of $18.1 million. The entire lease obligation relating to each lease transaction was prepaid. The prepayment was included as part of the cash consideration. The Company also constructed and opened an additional hospital at a cost of $15.3 million, which replaced a hospital we managed. Licensed beds at the four hospitals acquired totaled 477.

The foregoing acquisitions were accounted for using the purchase method of accounting. The allocation of the purchase price for acquisition transactions closed in 1999 has been determined by the Company based upon available information and is subject to the gathering and analyzing of additional information, and further refinement.

The table below summarizes the allocations of the purchase price (including assumed liabilities) for these acquisitions (in thousands):

	1997	1998	1999
Current assets	$ 4,309	$ 40,680	$15,514
Property and equipment	29,848	116,443	55,170
Goodwill	11,988	61,441	22,393

The operating results of the foregoing hospitals have been included in the consolidated statements of operations from their respective dates of acquisition. The following pro forma combined summary of operations of the Company gives effect to using historical information of the operations of the hospitals purchased in 1998 and 1999 as if the acquisitions had occurred as of January 1, 1998 (in thousands except per share data):

	YEAR ENDED DECEMBER 31,	
	1998	1999
Net operating revenue	$1,046,568	$1,119,664
Loss before cumulative effect of a change in accounting principle	(190,174)	(21,498)
Net loss	(189,846)	(21,498)
Net loss per share:		
Total basic and diluted (Class A and Class B)	$ (413.57)	$ (46.20)

3. IMPAIRMENT OF LONG-LIVED ASSETS

In December 1998, in connection with the Company's periodic review process, it was determined that primarily as a result of adverse changes in physician relationships, undiscounted cash flows from seven of the Company's hospitals were below the carrying value of long-lived assets associated with those hospitals. Therefore, in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of", the Company adjusted the carrying value of the related long-lived assets to their estimated fair value. The estimated fair values of these hospitals were based on specific market appraisals. The impairment charge of $164.8 million was comprised of reductions to goodwill of $134.3 million with the remaining amount related to reductions in tangible assets.

4. INCOME TAXES

The provision for (benefit from) income taxes consists of the following (in thousands):

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
Current			
Federal	$ 80	$ --	$ --
State	1,170	1,204	2,815
	1,250	1,204	2,815
Deferred			
Federal	(4,740)	(11,036)	3,163
State	(1,011)	(3,573)	(425)
	(5,751)	(14,609)	2,738
Total provision for (benefit from) income taxes	$(4,501)	$(13,405)	$5,553

4. INCOME TAXES (CONTINUED)

The following table reconciles the differences between the statutory federal income tax rate and the effective tax rate (in thousands):

	YEAR ENDED DECEMBER 31,					
	1997		1998		1999	
	AMOUNT	%	AMOUNT	%	AMOUNT	%
Benefit from income taxes at statutory federal rate.....	$(12,835)	35.0%	$(68,843)	35.0%	$(3,933)	35.0%
State income taxes, net of federal income tax benefit.....	456	(1.2)	(1,379)	0.7	2,389	(21.3)
Non-deductible goodwill amortization.....	7,774	(21.2)	7,859	(4.0)	6,751	(60.1)
Impairment charge--goodwill.....	--	--	41,652	(21.2)	--	--
Other.....	104	(0.3)	7,306	(3.7)	346	(3.0)
Provision for (benefit from) income taxes and effective tax rate....	$ (4,501)	12.3%	$(13,405)	6.8%	$ 5,553	(49.4)%

Deferred income taxes are based on the estimated future tax effects of differences between the financial statement and tax bases of assets and liabilities under the provisions of the enacted tax laws. Deferred income taxes as of December 31, consist of (in thousands):

	1998		1999	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Net operating loss and credit carryforwards.....	$ 68,269	$ --	$ 76,798	$ --
Property and equipment.....	--	28,567	--	40,020
Self-insurance liabilities.....	7,740	--	6,212	--
Intangibles.....	--	4,148	--	9,385
Other liabilities.....	2,368	--	--	1,828
Long-term debt and interest.....	--	4,476	--	4,373
Accounts receivable.....	2,173	--	5,362	--
Accrued expenses.....	9,311	--	15,975	--
Other.....	3,558	2,942	2,538	1,578
	93,419	40,133	106,885	57,184
Valuation allowance.....	(18,260)	--	(18,474)	--
Total deferred income taxes.....	$ 75,159	$40,133	$ 88,411	$57,184

Management believes that the net deferred tax assets will ultimately be realized, except as noted below. Management's conclusion is based on its estimate of future taxable income and the expected timing of temporary difference reversals. The Company has federal net operating loss carryforwards of

4. INCOME TAXES (CONTINUED)
$150.4 million which expire from 2000 to 2019 and state net operating loss carryforwards of $298.1 million which expire from 2000 to 2019.

The valuation allowance recognized at the date of the Acquisition ($13.2 million) relates primarily to state net operating losses and other tax attributes. Any future decrease in this valuation allowance will be recorded as a reduction in goodwill recorded in connection with the Acquisition. The valuation allowance increased by $2.7 million and $0.2 million during the years ended December 31, 1998 and 1999, respectively. These increases are primarily related to net operating losses in certain state income tax jurisdictions not expected to be realized.

The Company received refunds, net of payments, of $14 million during 1997 and paid income taxes, net of refunds received, of $0.3 million, and $1.4 million during 1998 and 1999, respectively.

FEDERAL INCOME TAX EXAMINATIONS. The Internal Revenue Service ("IRS") is examining the Company's filed federal income tax returns for the tax periods between December 31, 1993 and December 31, 1996. The IRS has indicated that it is considering a number of adjustments primarily involving "temporary" or timing differences. To date, a Revenue Agent's Report has not been issued in connection with the examination of these tax periods. In management's opinion, the ultimate outcome of the IRS examinations will not have a material effect on the Company's results of operations, financial condition or cash flows.

5. LONG-TERM DEBT

Long-term debt consists of the following (in thousands):

	AS OF DECEMBER 31,	
	1998	1999
Credit Facilities:		
Revolving Credit Loans	$ 104,199	$ 109,750
Acquisition Loans	202,251	138,551
Term Loans	394,000	624,345
Subordinated debentures	500,000	500,000
Taxable bonds	33,400	29,700
Tax-exempt bonds	8,000	8,000
Capital lease obligations (see Note 7)	21,948	20,828
Other	4,044	3,459
Total debt	1,267,842	1,434,633
Less current maturities	(21,248)	(27,029)
Total long-term debt	$1,246,594	$1,407,604

CREDIT FACILITIES. In connection with the Acquisition, a $900 million credit agreement was entered into with a consortium of creditors (the "Credit Agreement"). The financing under the Credit Agreement consists of (i) a 6 1/2 year term loan facility (the "Tranche A Loan") in an aggregate principal amount equal to $50 million, (ii) a 7 1/2 year term loan facility (the "Tranche B Loan") in an aggregate principal amount equal to $132.5 million, (iii) an 8 1/2 year term loan facility (the "Tranche C Loan") in an aggregate principal amount equal to $132.5 million, (iv) a 9 1/2 year term loan facility (the

5. LONG-TERM DEBT (CONTINUED)

"Tranche D Loan") in an original aggregate principal amount equal to $100 million and amended to an aggregate principal amount of $350 million in March 1999 (collectively, the "Term Loans"), (v) a revolving credit facility (the "Revolving Credit Loans") in an aggregate principal amount equal to $200 million, of which up to $90 million may be used, to the extent available, for standby and commercial letters of credit and up to $25 million is available to the Company pursuant to a swingline facility and (vi) a reducing acquisition loan facility (the "Acquisition Loans") in an aggregate principal amount of $285 million, reduced to $282.5 million in July 1999.

The Term Loans are scheduled to be paid in consecutive quarterly installments with aggregate principal payments for future years as follows (in thousands):

2000	$ 20,655
2001	21,155
2002	48,905
2003	129,655
2004	169,662
2005	234,313
Total	$624,345

Revolving Credit Loans may be made, and letters of credit may be issued, at any time during the period between July 22, 1996, the loan origination date (the "Origination Date"), and December 31, 2002 (the "Termination Date"). No letter of credit will have an expiration date after the Termination Date. The Acquisition Loans may be made at any time during the period preceding the Termination Date.

The Acquisition Loans facility will automatically be reduced and the Acquisition Loans will be repaid to the following levels on each of the following anniversaries of the Origination Date: fourth anniversary, $263.2 million; fifth anniversary, $215.3 million; sixth anniversary, $139.0 million; with payment of any remaining balance on the Termination Date.

The Company may elect that all or a portion of the borrowings under the Credit Agreement bear interest at a rate per annum equal to (a) the highest of three different rates (the "ABR") or (b) the Eurodollar Rate, in each case increased by the applicable margin (the "Applicable Margin") which will vary between 1.50% and 3.75% per annum. The applicable margin on the Revolving Credit Loans, Acquisition Loans and Tranche A Loan are subject to a reduction based on achievement of certain financial ratios.

Interest based on the ABR is payable on the last day of each calendar quarter and interest based on the Eurodollar Rate is payable on set maturity dates. The borrowings under the Credit Agreement bore interest at rates ranging from 7.44% to 11.25% as of December 31, 1999.

The Company is also required to pay a quarterly commitment fee at a rate which ranges from .375% to .500% based on the Eurodollar Applicable Margin for Revolving Credit Loans. This rate is applied to unused commitments under the Revolving Credit Loans and the Acquisition Loans.

The Company is also required to pay letters of credit fees at rates which vary from 1.625% to 2.625%.

5. LONG-TERM DEBT (CONTINUED)

All or a portion of the outstanding borrowings under the Credit Agreement may be prepaid at any time and the unutilized portion of the facility for the Revolving Credit Loans or the Acquisition Loans may be terminated, subject to certain conditions, in whole or in part at the Company's option. Repaid Term Loans and permanent reductions to the Acquisition Loans and Revolving Credit Loans may not be reborrowed.

Credit Facilities generally are required to be prepaid with the net proceeds (in excess of $20 million) of certain permitted asset sales and the issuances of debt obligations (other than certain permitted indebtedness) of the Company or any of its subsidiaries.

Generally, prepayments of Term Loans will be applied to principal payments due during the next twelve months with any excess being applied pro rata to scheduled principal payments thereafter.

The terms of the Credit Agreement include certain restrictive covenants. These covenants include restrictions on indebtedness, investments, asset sales, capital expenditures, dividends, sale and leasebacks, contingent obligations, transactions with affiliates, and fundamental change. The covenants also require maintenance of certain ratios regarding senior indebtedness, senior interest, and fixed charges.

As of December 31, 1998 and 1999, the Company had letters of credit issued, primarily in support of its Taxable Bonds and Tax-Exempt Bonds, of approximately $55 million and $43 million, respectively. Availability at December 31, 1998 and 1999 under the Revolving Credit Loans facility was approximately $41 million and $47 million and under the Acquisition Loans facility was approximately $83 million and $144 million, respectively.

SUBORDINATED DEBENTURES. In connection with the Acquisition, the Company issued its subordinated debentures to an affiliate of Forstmann Little & Co. for $500 million in cash. The debentures are a general senior subordinated obligation of the Company, are not subject to mandatory redemption and mature in three equal annual installments beginning June 30, 2007, with the final payment due on June 30, 2009. The debentures bear interest at a fixed rate of 7.50% which is payable semi-annually in January and July. Total interest expense for the debentures was $37.5 million for each of the years ended December 31, 1997, 1998 and 1999.

TAXABLE BONDS AND TAX-EXEMPT BONDS. Taxable Bonds bear interest at a floating rate which averaged 5.73% and 5.29% during 1998 and 1999, respectively. These bonds are subject to mandatory annual redemptions with the final payment of $17.4 million due on October 1, 2003. Tax-Exempt Bonds bear interest at floating rates which averaged 3.58% and 3.36% during 1998 and 1999, respectively. These bonds are not subject to mandatory annual redemptions under the bond provisions and are due in 2010. Taxable Bonds and Tax-Exempt Bonds are both guaranteed by letters of credit

OTHER DEBT. As of December 31, 1999, other debt consisted primarily of an industrial revenue bond and other obligations maturing in various installments through 2014.

5. LONG-TERM DEBT (CONTINUED)

As of December 31, 1999, the scheduled maturities of long-term debt outstanding including capital leases for each of the next five years and thereafter are as follows (in thousands):

2000	$ 27,029
2001	27,107
2002	54,495
2003	150,010
2004	170,188
Thereafter	1,005,804
	$1,434,633

The Company paid interest of $87 million, $101 million and $118 million on borrowings during the years ended December 31, 1997, 1998 and 1999, respectively.

6. FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair value of financial instruments has been estimated by the Company using available market information as of December 31, 1998 and 1999, and valuation methodologies considered appropriate. The estimates presented are not necessarily indicative of amounts the Company could realize in a current market exchange (in thousands):

	AS OF DECEMBER 31,			
	1998		1999	
	CARRYING AMOUNT	ESTIMATED FAIR VALUE	CARRYING VALUE	ESTIMATED FAIR VALUE
Assets:				
Cash and cash equivalents	$ 6,719	$ 6,719	$ 4,282	$ 4,282
Liabilities:				
Credit facilities	700,450	692,045	872,646	862,174
Taxable Bonds	33,400	33,400	29,700	29,700
Tax-exempt Bonds	8,000	8,000	8,000	8,000

Cash and cash equivalents: The carrying amount approximates fair value due to the short term maturity of these instruments (less than three months).

Credit facilities: Estimated fair value is based on communications with the Company's bankers regarding relevant pricing for trading activity among the Company's lending institutions.

Taxable and Tax-exempt Bonds: The carrying amount approximates fair value as a result of the weekly interest rate reset feature of these publically traded instruments.

The Company believes that it is not practicable to estimate the fair value of the subordinated debentures because of (i) the fact that the subordinated debentures were issued in connection with the issuance of the original equity of the Company at the date of Acquisition as an investment unit, (ii) the related party nature of the subordinated debentures, (iii) the lack of comparable securities, and (iv) the lack of a credit rating of the Company by an established rating agency.

7. LEASES

The Company leases hospitals, medical office buildings, and certain equipment under capital and operating lease agreements. All lease agreements generally require the Company to pay maintenance, repairs, property taxes and insurance costs. Commitments relating to noncancellable operating and capital leases for each of the next five years and thereafter are as follows (in thousands):

YEAR ENDED DECEMBER 31,	OPERATING	CAPITAL
2000	$16,306	$ 3,140
2001	14,237	4,110
2002	11,332	3,504
2003	8,968	2,959
2004	8,408	2,600
Thereafter	20,769	27,525
Total minimum future payments	$80,020	43,838
Less debt discounts		(23,010)
		20,828
Less current portion		(2,472)
Long-term capital lease obligations		$18,356

Assets capitalized under capital leases as reflected in the accompanying consolidated balance sheets were $5.1 million of land and improvements, and $39.4 million of buildings and improvements, and $17.4 million of equipment and fixtures as of December 31, 1998 and $5.8 million of land and improvements, $55.7 million of buildings and improvements and $19.2 million of equipment and fixtures as of December 31, 1999. The accumulated depreciation related to assets under capital leases was $11.7 million and $15.1 million as of December 31, 1998 and 1999, respectively. Depreciation of assets under capital leases is included in depreciation and amortization and amortization of debt discounts on capital lease obligations is included in interest expense in the consolidated statements of operations.

8. EMPLOYEE BENEFIT PLANS

The Company has a defined contribution plan that is qualified under Section 401(k) of the Internal Revenue Code, which covers all eligible employees at its hospitals, clinics, and the corporate offices. Participants may contribute a portion of their compensation not exceeding a limit set annually by the Internal Revenue Service. This plan includes a provision for the Company to match a portion of employee contributions. The Company also provides a welfare benefit plan for post-termination benefits to certain management employees. Total expense under the defined contribution plan was $2.2 million for each of the years ended December 31, 1997 and 1998 and $2.9 million for the year ended December 31, 1999. Total expense under the welfare benefit plan was $0.8 million, $0.9 million and $0.8 million for the years ended December 31, 1997, 1998 and 1999, respectively.

9. STOCKHOLDERS' EQUITY

Authorized capital shares of the Company include 612,500 shares of capital stock consisting of four classes of stock: 532,500 shares of Class A common stock ("Class A"), 60,000 shares of nonvoting

9. STOCKHOLDERS' EQUITY (CONTINUED)

Class B common stock ("Class B"), 10,000 shares of nonvoting Class C common stock ("Class C") and 10,000 shares of Preferred Stock. Each of the aforementioned classes of capital stock has a par value of $.01 per share. Shares of Preferred Stock, of which none are outstanding as of December 31, 1999, may be issued in one or more series having such rights, preferences and other provisions as determined by the Board of Directors without approval by the holders of common stock.

In a liquidation and other distributions, as set forth in the corporate charter, shares of Class A have preference over shares of Class B and Class C and shares of Class B have preference over shares of Class C with respect to return of capital amounts and shares of Class A and Class C have preference over shares of Class B with respect to additional distributions, up to a specified dollar amount per share. Immediately prior to an initial public offering, the outstanding shares of Class B and options to acquire shares of Class C will be exchanged for shares of Class A and options to acquire shares of Class A, respectively, and shares of Class A will be redesignated as common stock.

During 1997, the Company granted options to purchase 1,600 shares of Class A Common Stock to non-employee directors at an exercise price of $1,073.52 per share. One-third of such options are exercisable each year on a cumulative basis beginning on the first anniversary of the date of grant and expiring ten years from the date of grant. As of December 31, 1999, 1,067 options to purchase Class A common stock were exercisable with a weighted average remaining contractual life of 7.47 years.

In November 1996, the Board of Directors approved an Employee Stock Option Plan (the "Plan") to provide incentives to key employees of the Company. Options to purchase up to 9,000 shares of Class C Common Stock are authorized under the Plan. All options granted pursuant to the Plan are generally exercisable each year on a cumulative basis at a rate of 20% of the total number of Class C shares covered by the option beginning one year from the date of grant and expiring ten years from the date of grant. As of December 31, 1999, there were 2,455 shares of unissued Class C common stock reserved for issuance under the Plan.

The options granted are "nonqualified" for tax purposes. For financial reporting purposes, the exercise price of certain option grants were considered to be below the fair value of the stock at the time of grant. The fair value was determined based on an appraisal conducted by an independent appraisal firm as of the relevant date. The aggregate differences between fair value and the exercise price is being charged to compensation expense over the relevant vesting periods. In 1999, such expense aggregated $83,000.

A summary of the number of shares of Class C common stock issuable upon the exercise of options under the Company's Employee Stock Option Plan for fiscal 1997, 1998 and 1999 and changes during those years is presented below:

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
Outstanding at the beginning of the year	--	5,130	7,265
Granted	6,670	3,560	1,075
Exercised	--	--	--
Forfeited or canceled	(1,540)	(1,425)	(1,795)
Outstanding at the end of the year	5,130	7,265	6,545

9. STOCKHOLDERS' EQUITY (CONTINUED)

Of the options outstanding as of December 31, 1997, 1998 and 1999, none, 741 and 1,745, respectively, were exercisable. As of December 31, 1999, the outstanding options had a weighted-average remaining contractual life of 7.84 years. All Class C options outstanding as of December 31, 1999 had an exercise price of $587.50 per share.

Under SFAS No. 123, the fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. The weighted-average fair value of each option granted during 1997, 1998 and 1999 were $182.30, $172.70, and $428.75, respectively. In 1997 and 1998, the exercise price of options granted was the same as the fair value of the related stock. In 1999, the exercise price of options granted was less than the fair value of the related stock. The following weighted-average assumptions were used for grants in fiscal 1997, 1998 and 1999: risk-free interest rate of 6.10%, 5.14% and 5.49%; expected volatility of the Company's common stock based on peer companies in the healthcare industry of 35%, 34% and 45%, respectively; no dividend yields; and weighted-average expected life of the options of 3 years for all years.

Had the fair value of the Class A and Class C options granted been recognized as compensation expense on a straight-line basis over the vesting period of the grant, the Company's net loss and loss per share would have been reduced to the pro forma amounts indicated below (in thousands except per share data):

	1997	1998	1999
Net loss:			
As reported	$(32,171)	$(183,290)	$(16,789)
Pro forma	$(32,333)	$(183,513)	$(17,010)
Net loss per share:			
As reported--basic and diluted (Class A and Class B)	$ (70.95)	$ (399.29)	$ (36.08)
Pro forma--basic and diluted (Class A and Class B)	$ (71.30)	$ (399.77)	$ (36.55)

10. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except share data):

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
NUMERATOR:			
Loss before cumulative effect of a change in accounting principle	$ (32,171)	$(182,938)	$ (16,789)
Cumulative effect of a change in accounting principle	--	(352)	--
Net loss available to common--basic and diluted	$ (32,171)	$(183,290)	$ (16,789)
DENOMINATOR:			
Weighted-average number of shares outstanding--basic	453,462	459,046	465,365
Effect of dilutive securities: none	--	--	--
Weighted-average number of shares outstanding--diluted	453,462	459,046	465,365
Dilutive securities outstanding not included in the computation of earnings (loss) per share because their effect is antidilutive:			
Class A options	1,600	1,600	1,600
Unvested Class B shares	40,621	26,547	22,090
Class C options	5,130	7,265	6,545

The weighted-average number of shares outstanding include 449,123 shares of Class A as of December 31, 1997, 1998, and 1999, and 4,339 shares, 9,923 shares and 16,242 shares of Class B as of December 31, 1997, 1998, and 1999, respectively. Earnings per share has been computed using the two class method with losses allocated to each class on a pro rata basis.

11. ACCOUNTING CHANGE

In 1998, the Company adopted The American Institute of Certified Public Accountants Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities," which affects the accounting for start-up costs. The change involved expensing these costs as incurred, rather than capitalizing and subsequently amortizing such costs. The cumulative effect of the change on the accumulated deficit as of the beginning of 1998 is reflected as a charge of $0.5 million ($0.4 million net of taxes) to 1998 earnings. The effect of the change to the new method on net loss or loss per share for both Class A and Class B in 1997, 1998 and 1999 was not material.

12. COMMITMENTS AND CONTINGENCIES

CONSTRUCTION COMMITMENTS. As of December 31, 1999, the Company has obligations under certain hospital agreements to construct three hospitals through 2004 with an aggregate estimated construction cost of approximately $85 million.

PROFESSIONAL LIABILITY RISKS. Substantially all of the Company's professional and general liability risks are subject to a $0.5 million per occurrence deductible (with an annual deductible cap of $5 million). The Company's insurance is underwritten on a "claims-made basis." The Company accrues an estimated liability for its uninsured exposure and self-insured retention based on historical loss patterns and actuarial projections. The Company's estimated liability for the self-insured portion of professional and general liability claims was $15.7 million and $16.4 million as of December 31, 1998 and 1999, respectively. These estimated liabilities represent the present value of estimated future professional liability claims payments based on expected loss patterns using a discount rate of 4.51% and 5.72% in 1998 and 1999, respectively.

PROVISION FOR EXCESS REIMBURSEMENT. In 1997, the Company initiated a voluntary review of its inpatient medical records in order to determine the extent it may have claimed reimbursement in excess of what it should have claimed for services rendered under certain government programs. In late 1999, the Company reached a settlement understanding with appropriate governmental agencies to settle the overpayment liability for an aggregate of $31 million. Through its compliance program and other external initiatives, the Company may periodically detect instances of overpayment by governmental payors.

LEGAL MATTERS. The Company is a party to legal proceedings incidental to its business. In the opinion of management, any ultimate liability with respect to these actions will not have a material adverse effect on the Company's consolidated financial position, cash flows or results of operations.

13. SUBSEQUENT EVENTS

The Company currently is pursuing an initial public offering which it expects to be completed during the second quarter of 2000.

- ---
- ---

Through and including 2000 (the 25(th) day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

SHARES

[LOGO]

COMMON STOCK

PROSPECTUS

MERRILL LYNCH & CO.

BANC OF AMERICA SECURITIES LLC

CHASE H&Q

CREDIT SUISSE FIRST BOSTON

GOLDMAN, SACHS & CO.

MORGAN STANLEY DEAN WITTER

, 2000

- ---
- ---

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

SUBJECT TO COMPLETION
PRELIMINARY PROSPECTUS DATED MARCH 6, 2000

PROSPECTUS

SHARES

[LOGO]

COMMON STOCK

This is Community Health Systems, Inc.'s initial public offering. We are selling all of the shares. The international managers are offering shares outside the U.S. and Canada and the U.S. underwriters are offering shares in the U.S. and Canada.

We expect the public offering price to be between $ and $ per share. Currently, no public market exists for the shares. After pricing of the offering, we expect that the shares will trade on the New York Stock Exchange under the symbol "CYH."

INVESTING IN THE COMMON STOCK INVOLVES RISKS WHICH ARE DESCRIBED IN THE "RISK FACTORS" SECTION BEGINNING ON PAGE 9 OF THIS PROSPECTUS.

	PER SHARE	TOTAL
Public offering price	$	$
Underwriting discount	$	$
Proceeds before expenses to Community Health Systems	$	$

The international managers may also purchase up to an additional shares from us at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover over-allotments. The U.S. underwriters may similarly purchase up to an additional shares from us.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about , 2000.

MERRILL LYNCH INTERNATIONAL

BANK OF AMERICA INTERNATIONAL LIMITED

CHASE SECURITIES INC.

CREDIT SUISSE FIRST BOSTON (EUROPE) LIMITED

GOLDMAN SACHS INTERNATIONAL

MORGAN STANLEY DEAN WITTER

The date of this prospectus is , 2000.

UNDERWRITING

We intend to offer the shares outside the U.S. and Canada through the international managers and in the U.S. and Canada through the U.S. underwriters. Merrill Lynch International, Bank of America International Limited, Chase Securities Inc., Credit Suisse First Boston (Europe) Limited, Goldman Sachs International, and Morgan Stanley & Co. International Limited are acting as lead managers for the international managers named below. Subject to the terms and conditions described in an international purchase agreement between us and the international managers, and concurrently with the sale of shares to the U.S. underwriters, we have agreed to sell to the international managers, and the international managers severally have agreed to purchase from us, the number of shares listed opposite their names below.

INTERNATIONAL MANAGER	NUMBER OF SHARES
Merrill Lynch International	
Bank of America International Limited	
Chase Securities Inc	
Credit Suisse First Boston (Europe) Limited	
Goldman Sachs International	
Morgan Stanley & Co. International Limited	
Total	

We have also entered into a U.S. purchase agreement with the U.S. underwriters for sale of the shares in the U.S. and Canada for whom Merrill Lynch, Pierce, Fenner & Smith Incorporated, Banc of America Securities LLC, Chase Securities Inc., Credit Suisse First Boston Corporation, Goldman, Sachs & Co., and Morgan Stanley & Co. Incorporated are acting as U.S. representatives. Subject to the terms and conditions in the U.S. purchase agreement, and concurrently with the sale of shares to the pursuant to the international purchase agreement, we have agreed to sell to the U.S. underwriters, and U.S. underwriters severally have agreed to purchase shares from us. The initial public offering price per share and the total underwriting discount per share are identical under the international purchase agreement and the U.S. purchase agreement.

The international managers and the U.S. underwriters have agreed to purchase all of the shares sold under the international and U.S. purchase agreements if any of these shares are purchased. If an underwriter defaults, the international purchase agreements provide that the purchase commitments of the nondefaulting underwriters may be increased or the purchase agreements may be terminated. The closings for the sale of shares to be purchased by the international managers and the U.S. underwriters are conditioned on one another.

We have agreed to indemnify the international managers and the U.S. underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the international managers and U.S. underwriters may be required to make in respect of those liabilities.

The underwriters are offering the shares, subject to prior sale, when, as, and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the purchase agreements, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

COMMISSIONS AND DISCOUNTS

The lead managers have advised us that the international managers propose initially to offer the shares to the public at the initial public offering price on the cover page of this prospectus and to dealers at that price less a concession not in excess of $ per share. The international managers may allow, and the dealers may reallow, a discount not in excess of $ per share to other

dealers. After the initial public offering, the public offering price, concession and discount may be changed.

The following table shows the public offering price, underwriting discount, and proceeds before our expenses. The information assumes either no exercise or full exercise by the international managers and the U.S. underwriters of their over-allotment options.

	PER SHARE	WITHOUT OPTION	WITH OPTION
Public offering price.....	$	$	$
Underwriting discount.....	$	$	$
Proceeds before expenses to Community Health Systems.....	$	$	$

The expenses of the offering, not including the underwriting discount, are estimated at $ and are payable by us.

OVER-ALLOTMENT OPTION

We have granted options to the international managers to purchase up to additional shares at the public offering price less the underwriting discount. The international managers may exercise these options for 30 days from the date of this prospectus solely to cover any overallotments. If the international managers exercise these options, each will be obligated, subject to conditions contained in the purchase agreements, to purchase a number of additional shares proportionate to that international managers initial amount reflected in the above table.

We have also granted options to the U.S. underwriters, exercisable for 30 days from the date of this prospectus, to purchase up to additional shares to cover any over-allotments on terms similar to those granted to the international managers.

INTERSYNDICATE AGREEMENT

The international managers and the U.S. underwrites have entered into an intersyndicate agreement that provides for the coordination of their activities. Under the intersyndicate agreement, the international managers and the U.S. underwriters may sell shares to each other for purposes of resale at the initial public offering price, less an amount not greater than the selling concession. Under the intersyndicate agreement, the international managers and any dealer to whom they sell shares will not offer to sell or sell shares to persons who are U.S. or Canadian persons or to persons they believe intend to resell to persons who are U.S. or Canadian persons, except in the case of transactions under the intersyndicate agreement. Similarly, the U.S. underwriters and any dealer to whom they sell shares will not offer to sell or sell shares to non-U.S. persons or non-Canadian persons or to persons they believe intend to resell to non-U.S. or non-Canadian persons, except in the case of transactions under the intersyndicate agreement.

RESERVED SHARES

At our request, the underwriters have reserved for sale, at the initial public offering price, up to shares offered by this prospectus for sale to some of our directors, officers, employees, business associates, and related persons. If these persons purchase reserved shares, this will reduce the number of shares available for sale to the general public. Any reserved shares that are not orally confirmed for purchase within one day of the pricing of this offering will be offered by the underwriters to the general public on the same terms as the other shares offered by this prospectus.

NO SALES OF SIMILAR SECURITIES

We and our executive officers and directors and all existing stockholders have agreed, with exceptions, not to sell or transfer any common stock for 180 days after the date of this prospectus

without first obtaining the written consent of Merrill Lynch. Specifically, we and these other individuals have agreed not to directly or indirectly

- offer, pledge, sell, or contract to sell any common stock;

- sell any option or contract to purchase any common stock;

- purchase any option or contract to sell any common stock;

- grant any option, right, or warrant for the sale of any common stock;

- lend or otherwise dispose of or transfer any common stock;

- request or demand that we file a registration statement related to the common stock; or

- enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common stock whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

This lockup provision applies to common stock and to securities convertible into or exchangeable or exercisable for or repayable with common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition. This lockup provision does not limit our ability to grant options to purchase common stock under stock option plans or to issue common stock under our employee stock purchase plan.

NEW YORK STOCK EXCHANGE LISTING

We expect the shares to be approved for listing on the New York Stock Exchange under the symbol " ." In order to meet the requirements for listing on that exchange, the international managers and the U.S. underwriters have undertaken to sell a minimum number of shares to a minimum number of beneficial owners as required by that exchange.

Before this offering, there has been no public market for our common stock. The initial public offering price will be determined through negotiations among us and the U.S. representatives and lead managers. In addition to prevailing market conditions, the factors to be considered in determining the initial public offering price are

- the valuation multiples of publicly traded companies that the U.S. representatives and the lead managers believe to be comparable to us;

- our financial information;

- the history of, and the prospects for, our company and the industry in which we compete;

- an assessment of our management, its past and present operations, and the prospects for, and timing of, our future revenues;

- the present state of our development; and

- the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours.

An active trading market for the shares may not develop. It is also possible that after the offering the shares will not trade in the public market at or above the initial public offering price.

The underwriters do not expect to sell more than 5% of the shares in the aggregate to accounts over which they exercise discretionary authority.

PRICE STABILIZATION, SHORT POSITIONS AND PENALTY BIDS

Until the distribution of the shares is completed, SEC rules may limit underwriters and selling group members from bidding for and purchasing our common stock. However, the U.S. representatives

and the lead managers may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix, or maintain that price.

If the underwriters create a short position in the common stock in connection with the offering, i.e., if they sell more shares than are listed on the cover of this prospectus, the U.S. representatives and the lead managers may reduce that short position by purchasing shares in the open market. The U.S. representatives and the lead managers may also elect to reduce any short position by exercising all or part of the over-allotment option described above. Purchases of the common stock to stabilize its price or to reduce a short position may cause the price of the common stock to be higher than it might be in the absence of such purchases.

The U.S. representatives and the lead managers may also impose a penalty bid on underwriters. This means that if the U.S. representatives and the lead managers purchase shares in the open market to reduce the underwriter's short position or to stabilize the price of such shares, they may reclaim the amount of the selling concession from the underwriters who sold those shares. The imposition of a penalty bid may also affect the price of the shares in that it discourages resales of those shares.

Neither we nor any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the common stock. In addition, neither we nor any of the underwriters makes any representation that the U.S. representatives or the lead managers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

UK SELLING RESTRICTIONS

Each international manager has agreed that

- it has not offered or sold and will not offer or sell any shares of common stock to persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing, or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which do not constitute an offer to the public in the United Kingdom with the meaning of the Public Offers of Securities Regulations 1995;

- it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the common stock in, from, or otherwise involving the United Kingdom; and

- it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issuance of common stock to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements)(Exemptions) Order 1996 as amended by the Financial Services Act of 1986 (Investment Advertisements)(Exemptions) Order 1997 or is a person to whom such document may otherwise lawfully be issued or passed on.

NO PUBLIC OFFERING OUTSIDE THE UNITED STATES

No action has been or will be taken in any jurisdiction (except in the United States) that would permit a public offering of the shares of common stock, or the possession, circulation, or distribution of this prospectus or any other material relating to our company, or shares of our common stock in any jurisdiction where action for that purpose is required. Accordingly, the shares of our common stock may not be offered or sold, directly or indirectly, and neither this prospectus nor any other offering materials or advertisements in connection with the shares of common stock may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations or any such country or jurisdiction.

Purchasers or the shares offered by this prospectus may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the offering price on the cover page of this prospects.

NASD REGULATIONS

It is anticipated that more than ten percent of the proceeds of the offering will be applied to pay down debt obligations owed to affiliates of Chase Securities Inc., Bank of America International Limited, Merrill Lynch International, and Morgan Stanley & Co. International Limited. Because more than ten percent of the net proceeds of the offering may be paid to members or affiliates of members of the National Association of Securities Dealers, Inc. participating in the offering, the offering will be conducted in accordance with NASD Conduct Rule 2710(c)(8). This rule requires that the public offering price of an equity security be no higher than the price recommended by a qualified independent underwriter which has participated in the preparation of the registration statement and performed its usual standard of due diligence with respect to that registration statement. Merrill Lynch, Pierce, Fenner & Smith Incorporated has agreed to act as qualified independent underwriter for the offering. The price of the shares will be no higher than that recommended by Merrill Lynch, Pierce, Fenner & Smith Incorporated.

OTHER RELATIONSHIPS

Some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us. They have received customary fees and commissions for these transactions. In particular, an affiliate of Chase Securities Inc. acts as an administrative agent for our credit facility and affiliates of Chase Securities Inc., Banc of America Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Morgan Stanley & Co. Incorporated are lenders under our credit facility. Michael A. Miles, our Chairman of the Board, is a director of Morgan Stanley Dean Witter and receives customary compensation therefrom.

- ---
- ---

Through and including 2000 (the 25(th) day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

SHARES

[LOGO]

COMMON STOCK

PROSPECTUS

MERRILL LYNCH INTERNATIONAL

BANK OF AMERICA INTERNATIONAL LIMITED

CHASE SECURITIES INC.

CREDIT SUISSE FIRST BOSTON (EUROPE) LIMITED

GOLDMAN SACHS INTERNATIONAL

MORGAN STANLEY DEAN WITTER

, 2000

- ---
- ---

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the expenses expected to be incurred in connection with the issuance and distribution of common stock registered hereby, all of which expenses, except for the Securities and Exchange Commission registration fee, the National Association of Securities Dealers, Inc. filing fee, and the New York Stock Exchange listing application fee, are estimated.

Securities and Exchange Commission registration fee.....	$
National Association of Securities Dealers, Inc. filing fee.....	
New York Stock Exchange listing application fee.....	
Printing and engraving fees and expenses.....	
Legal fees and expenses.....	
Accounting fees and expenses.....	
Blue Sky fees and expenses.....	
Transfer Agent and Registrar fees and expenses.....	
Miscellaneous expenses.....	
Total.....	

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Certificate of Incorporation and By-Laws provide that the directors and officers of the Registrant shall be indemnified by the Registrant to the fullest extent authorized by Delaware law, as it now exists or may in the future be amended, against all expenses and liabilities reasonably incurred in connection with service for or on behalf of the Registrant, except with respect to any matter that such director or officer has been adjudicated not to have acted in good faith or in the reasonable belief that his action was in the best interests of the Registrant.

The Registrant has entered into agreements to indemnify its directors and officers in addition to the indemnification provided for in the Certificate of Incorporation and By-Laws. These agreements, among other things, indemnify directors and officers of the Registrant to the fullest extent permitted by Delaware law for certain expenses (including attorneys' fees), liabilities, judgments, fines and settlement amounts incurred by such person arising out of or in connection with such person's service as a director or officer of the Registrant or an affiliate of the Registrant.

Policies of insurance are maintained by the Registrant under which its directors and officers are insured, within the limits and subject to the limitations of the policies, against certain expenses in connection with the defense of, and certain liabilities which might be imposed as a result of, actions, suits or proceedings to which they are parties by reason of being or having been such directors or officers.

The form of Underwriting Agreement filed as Exhibit 1.1 hereto provides for the indemnification of the registrant, its controlling persons, its directors and certain of its officers by the underwriters against certain liabilities, including liabilities under the Securities Act.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

During the three years preceding the filing of this registration statement, the Registrant has not sold shares of its common stock without registration under the Securities Act of 1933, except as described below.

During 1997, the Registrant sold an aggregate of 3,631 shares of its Class B common stock to employees of the Registrant for an aggregate purchase price of $1,310,317. During 1998, the Registrant

sold an aggregate of 7,754 shares of its Class B common stock to employees of the Registrant for an aggregate purchase price of $2,774,691.36. During 1999, the Registrant sold an aggregate of 6,733 shares of its Class B common stock to employees of the Registrant for an aggregate purchase price of $2,654,848. These issuances were exempt from registration under the Securities Act pursuant to section 4(2) thereof because they did not involve a public offering as the shares were offered and sold only to a small group of employees.

Immediately before the closing of this offering, we will be recapitalized as follows:

- each outstanding share of Class B common stock will be exchanged for shares of Class A common stock;

- each outstanding option to purchase a share of Class C common stock will be exchanged for an option to purchase shares of Class A common stock;

- the Class A common stock will be redesignated as common stock and adjusted for a stock split on a -for- basis; and

- the certificate of incorporation will be amended and restated to reflect a single class of common stock, par value $.01 per share, and the number of authorized shares of common stock and preferred stock will be increased.

Registration under the Securities Act will not be required in respect of issuances pursuant to this recapitalization because they will be made exclusively to existing holders of our securities and will not involve any solicitation. Therefore, these issuances will be exempt from registration under the Securities Act pursuant to section 3(a)(9) of the Securities Act.

No other sales of our securities have taken place within the last three years.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits

The following exhibits are filed with this registration statement.

NO.	DESCRIPTION
1.1	Form of U.S. Purchase Agreement, by and among the Registrant, and the underwriters named therein.**
1.2	Form of International Purchase Agreement, by and among the Registrant, and the underwriters named therein.**
2.1	Agreement and Plan of Merger between the Registrant, FLCH Acquisition Corp. and Community Health Systems, Inc. (now known as CHS/Community Health Systems, Inc.), dated June 9, 1996*
3.1	Form of Restated Certificate of Incorporation of the Registrant.**
3.2	Form of Restated By-laws of the Registrant.**
4.1	Form of Common Stock Certificate.**
5.1	Opinion of Fried, Frank, Harris, Shriver & Jacobson.**
10.1	Form of outside director Stock Option Agreement.*
10.2	Form of Stockholder's Agreement between the Registrant and outside directors.*
10.3	Form of Employee Stockholder's Agreement.*

NO.	DESCRIPTION
10.4	The Registrant's Employee Stock Option Plan and form of Stock Option Agreement.*
10.5	The Registrant's 2000 Stock Incentive Plan.**
10.6	Form of Stockholder's Agreement between the Registrant and employees.*
10.7	Registration Rights Agreement, dated July 9, 1996, among the Registrant, FLCH Acquisition Corp., Forstmann Little & Co. Equity Partnership--V, L.P. and Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership--VI, L.P.*
10.8	Form of Indemnification Agreement between the Registrant and its directors and executive officers.**
10.9	Amended and Restated Credit Agreement, dated as of March 26, 1999, among Community Health Systems, Inc. (now known as CHS/Community Health Systems, Inc.), the Registrant, certain lenders, The Chase Manhattan Bank, as Administrative Agent, and Nationsbank, N.A. and The Bank of Nova Scotia, as Co-Agents.*
10.10	First Amendment, dated , 2000, to the Amended and Restated Credit Agreement, dated as of March 26, 1999, among Community Health Systems, Inc. (now known as CHS/Community Health Systems, Inc.), the Registrant, certain lenders, The Chase Manhattan Bank, as Administrative Agent, and Nationsbank, N.A. and The Bank of Nova Scotia, as Co-Agents.**
10.11	Form of Management Rights Letter between the Registrant and the partnerships affiliated with Forstmann Little & Co.**
10.12	Form of Series A 7 1/2% Subordinated Debenture.*
10.13	Form of Series B 7 1/2% Subordinated Debenture.*
10.14	Form of Series C 7 1/2% Subordinated Debenture.*
21	List of subsidiaries.**
23.1	Consent of Fried, Frank, Harris, Shriver & Jacobson (included in the opinion filed as Exhibit 5.1).**
23.2	Consent of Deloitte & Touche LLP.*
24	Powers of Attorney (included on signature page).
27	Financial Data Schedule.*

- ------------------------

* Filed herewith.

** To be filed by amendment.

(b) Financial Statement Schedules

Auditors' Report on Schedule

Schedule II--Valuation and Qualifying Accounts

All schedules not identified above have been omitted because they are not required, are not applicable or the information is included in the selected consolidated financial data or notes contained in this Registration Statement.

ITEM 17. UNDERTAKINGS

(a) The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by the director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(c) The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Brentwood, State of Tennessee, on the 6th day of March, 2000.

COMMUNITY HEALTH SYSTEMS, INC.

By: /s/ WAYNE T. SMITH
Wayne T. Smith
President and Chief Executive Officer

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Sandra J. Horbach, Wayne T. Smith and W. Larry Cash his or her true and lawful attorneys-in-fact and agents, each acting alone, with full powers of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any or all amendments to this registration statement, including post-effective amendments and a registration statement registering additional securities pursuant to Rule 462 (b) under the Securities Act of 1933, and to file the same, with all exhibits thereto, and to other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, and hereby ratifies and confirms all his said attorneys-in-fact and agents, each acting alone, or his substitute or substitutes may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed below by the following persons in the capacities indicated.

SIGNATURE	TITLE	DATE
/s/ WAYNE T. SMITH Wayne T. Smith	President and Chief Executive Officer and Director (principal executive officer)	March 6, 2000
/s/ W. LARRY CASH W. Larry Cash	Executive Vice President and Chief Financial Officer (principal financial officer)	March 6, 2000
/s/ T. MARK BUFORD T. Mark Buford	Vice President and Corporate Controller (principal accounting officer)	March 6, 2000
/s/ ERSKINE B. BOWLES Erskine B. Bowles	Director	March 6, 2000

SIGNATURE	TITLE	DATE
/s/ SHEILA P. BURKE Sheila P. Burke	Director	March 6, 2000
/s/ ROBERT J. DOLE Robert J. Dole	Director	March 6, 2000
/s/ J. ANTHONY FORSTMANN J. Anthony Forstmann	Director	March 6, 2000
/s/ NICHOLAS C. FORSTMANN Nicholas C. Forstmann	Director	March 6, 2000
/s/ THEODORE J. FORSTMANN Theodore J. Forstmann	Director	March 6, 2000
/s/ DALE F. FREY Dale F. Frey	Director	March 6, 2000
/s/ SANDRA J. HORBACH Sandra J. Horbach	Director	March 6, 2000
/s/ MICHAEL A. MILES Michael A. Miles	Director	March 6, 2000
/s/ SAMUEL A. NUNN Samuel A. Nunn	Director	March 6, 2000

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Community Health Systems, Inc.
Brentwood, Tennessee

We have audited the consolidated financial statements of Community Health Systems, Inc. (formerly Community Health Systems Holdings Corp.) and subsidiaries as of December 31, 1998 and 1999, and for each of the three years in the period ended December 31, 1999, and have issued our report thereon dated February 25, 2000 (included elsewhere in this Registration Statement). Our audits also included the consolidated financial statement schedule listed in Item 16 of this Registration Statement. The consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the consolidated financial statement schedule, when considered in relation to the basic consolidated financial statement taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Deloitte & Touche LLP

Nashville, Tennessee
February 25, 2000

COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES
SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS
(IN THOUSANDS)

DESCRIPTION	BALANCE AT BEGINNING OF YEAR	CHARGED TO COSTS AND EXPENSES	WRITE-OFFS	BALANCE AT END OF YEAR
Year ended December 31, 1999 allowance for doubtful accounts	$ 28,771	$ 95,149	$ (89,421)	$ 34,499
Year ended December 31, 1998 allowance for doubtful accounts	20,873	69,005	(61,107)	28,771
Year ended December 31, 1997 allowance for doubtful accounts	33,200	57,376	(69,703)	20,873

EXHIBIT INDEX

NO.	DESCRIPTION	PAGE
1.1	Form of U.S. Purchase Agreement, by and among the Registrant, and the underwriters named therein.**	
1.2	Form of International Purchase Agreement, by and among the Registrant, and the underwriters named therein.**	
2.1	Agreement and Plan of Merger between the Registrant, FLCH Acquisition Corp. and Community Health Systems, Inc. (now known as CHS/Community Health Systems, Inc.) dated June 9, 1996*	
3.1	Form of Restated Certificate of Incorporation of the Registrant**	
3.2	Form of Restated By-laws of the Registrant**	
4.1	Form of Common Stock Certificate.**	
5.1	Opinion of Fried, Frank, Harris, Shriver & Jacobson.**	
10.1	Form of outside director Stock Option Agreement.*	
10.2	Form of Stockholder's Agreement between the Registrant and outside directors.*	
10.3	Form of Employee Stockholder's Agreement.*	
10.4	The Registrant's Employee Stock Option Plan and form of Stock Option Agreement.*	
10.5	The Registrant's 2000 Stock Incentive Plan.**	
10.6	Form of Stockholder's Agreement between the Registrant and employees.*	
10.7	Registration Rights Agreement, dated July 9, 1996, among the Registrant, FLCH Acquisition Corp., Forstmann Little & Co. Equity Partnership--V, L.P. and Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership--VI, L.P.*	
10.8	Form of Indemnification Agreement between the Registrant and its directors and executive officers.**	
10.9	Amended and Restated Credit Agreement, dated as of March 26, 1999, among Community Health Systems, Inc. (now known as CHS/Community Health Systems, Inc.), the Registrant, certain lenders, The Chase Manhattan Bank, as Administrative Agent, and Nationsbank, N.A. and The Bank of Nova Scotia, as Co-Agents.*	
10.10	First Amendment, dated , 2000, to the Amended and Restated Credit Agreement, dated as of March 26, 1999, among Community Health Systems, Inc. (now known as CHS/Community Health Systems, Inc.), the Registrant, certain lenders, The Chase Manhattan Bank, as Administrative Agent, and Nationsbank, N.A. and The Bank of Nova Scotia, as Co-Agents.**	
10.11	Form of Management Rights Letter between the Registrant and the partnerships affiliated with Forstmann Little & Co.**	
10.12	Form of Series A 7 1/2% Subordinated Debenture.*	
10.13	Form of Series B 7 1/2% Subordinated Debenture.*	
10.14	Form of Series C 7 1/2% Subordinated Debenture.*	
21	List of subsidiaries.**	
23.1	Consent of Fried, Frank, Harris, Shriver & Jacobson (included in the opinion filed as Exhibit 5.1).**	
23.2	Consent of Deloitte & Touche LLP.*	
24	Powers of Attorney (included on signature page).	
27	Financial Data Schedule.*	

- ----------

* Filed herewith.

** To be filed by amendment.

Exhibit 2.1

AGREEMENT AND PLAN OF MERGER

between

FLCH HOLDINGS CORP.

FLCH ACQUISITION CORP.

and

COMMUNITY HEALTH SYSTEMS, INC.

Dated as of June 9, 1996

TABLE OF CONTENTS

AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER (this "AGREEMENT"), dated as of June 9, 1996, between FLCH Holdings Corp., a Delaware corporation ("PURCHASER"), FLCH Acquisition Corp., a Delaware corporation and a wholly owned subsidiary of Purchaser ("MERGER SUB"), and Community Health Systems, Inc., a Delaware corporation (the "COMPANY").

RECITALS

WHEREAS, the Boards of Directors of Purchaser and the Company each have determined that it is in the best interests of their respective companies and stockholders for Purchaser to acquire the Company upon the terms and subject to the conditions set forth herein.

WHEREAS, the parties hereto desire to make certain representations, warranties, covenants and agreements in connection herewith.

NOW, THEREFORE, in consideration of the foregoing, and of the representations, warranties, covenants and agreements contained herein, the parties hereto hereby agree as follows:

ARTICLE 1

THE OFFER

1.1 THE OFFER.

(a) Subject to the provisions of this Agreement and this Agreement not having been terminated, as promptly as practicable but in no event later than June 14, 1996, Merger Sub shall, and Purchaser shall cause Merger Sub to, commence, within the meaning of Rule 14d-2 under the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (the "EXCHANGE ACT"), an offer to purchase all of the outstanding shares of Common Stock, par value $.01 per share (the "COMMON STOCK") of the Company together with the associated Rights (as hereinafter defined), at a price of $52.00 (fifty-two dollars) per share of Common Stock net to the seller in cash (the "OFFER"). Except where the context otherwise requires, all references herein to the shares of Common Stock shall include the associated Rights. The obligation of Merger Sub to, and of Purchaser to cause Merger Sub to, commence the Offer and accept for payment, and pay for, any shares of Common Stock tendered pursuant to the Offer shall be subject to the conditions set forth in EXHIBIT A and to the terms and conditions of this Agreement. Subject to the provisions of this Agreement, the Offer shall expire 20 business days after the date of its commencement, unless this Agreement is terminated in accordance with ARTICLE 10, in which case the Offer (whether or not previously extended in accordance with the terms hereof) shall expire on such date of termination.

(b) Without the prior written consent of the Company, Merger Sub shall not (i) waive the Minimum Condition (as defined in EXHIBIT A), (ii) reduce the number of shares of Common Stock subject to the Offer, (iii) reduce the price per share of Common Stock to be paid pursuant to the Offer, (iv) extend the Offer if all of the Offer conditions are satisfied or waived, (v) change the form of consideration payable in the Offer, or (vi) amend or modify any term or condition of the Offer (including the conditions set forth on EXHIBIT A) in any manner adverse to the holders of Common Stock. Notwithstanding anything herein to the contrary, Merger Sub may, in its sole discretion without the consent of the Company, extend the Offer at any time and from time to time (i) if at the then scheduled expiration date of the Offer any of the conditions to Merger Sub's obligation to accept for payment and pay for shares of Common Stock shall not have been satisfied or waived; (ii) for any period required by any rule, regulation, interpretation or position of the Securities and Exchange Commission (the "SEC") or its staff applicable to the Offer; (iii) for any period required by applicable law in connection with an increase in the consideration to be paid pursuant to the Offer; and (iv) if all Offer conditions are satisfied or waived but the number of shares of Common Stock tendered is 85% or more, but less than 90%, of the then outstanding number of shares of Common Stock, for an aggregate period of not more than 5 business days (for all such extensions under this clause (iv)) beyond the latest expiration date that would be permitted under clause (i), (ii) or (iii) of this sentence. So long as this Agreement is in effect and the Offer conditions have not been satisfied or waived, at the request of the Company, Merger Sub shall, and Purchaser shall cause Merger Sub to, extend the Offer for an aggregate period of not more than 20 business days (for all such extensions) beyond the originally scheduled expiration date of the Offer. Subject to the terms and conditions of the Offer and this Agreement (but subject to the right of termination in accordance with ARTICLE 10), Merger Sub shall, and Purchaser shall cause Merger Sub to, accept for payment, in accordance with the terms of the Offer, all shares of Common Stock validly tendered and not withdrawn pursuant to the Offer as soon as practicable after the expiration of the Offer.

1.2. ACTIONS BY PURCHASER AND MERGER SUB.

(a) As soon as reasonably practicable following execution of this Agreement, but in no event later than five business days from the date hereof, Purchaser and Merger Sub shall file with the SEC a Tender Offer Statement on Schedule 14D-1 with respect to the Offer, which shall contain an offer to purchase and a related letter of transmittal and any other ancillary documents pursuant to which the Offer shall be made (such Schedule 14D-1 and the documents therein pursuant to which the Offer will be made, together with any supplements or amendments thereto, the "OFFER DOCUMENTS"). The Company and its counsel shall

be given an opportunity to review and comment upon the Offer Documents prior to the filing thereof with the SEC. The Offer Documents shall comply as to form in all material respects with the requirements of the Exchange Act, and on the date filed with the SEC and on the date first published, sent or given to the Company's stockholders, the Offer Documents shall not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, except that no representation is made by Purchaser or Merger Sub with respect to information supplied by the Company for inclusion in the Offer Documents. Each of Purchaser, Merger Sub and the Company agrees promptly to correct any information provided by it for use in the Offer Documents if and to the extent that such information shall have become false or misleading in any material respect, and each of Purchaser, Merger Sub and the Company further agrees to take all steps necessary to cause the Offer Documents as so corrected to be filed with the SEC and to be disseminated to holders of shares of Common Stock, in each case as and to the extent required by applicable federal securities laws. Purchaser and Merger Sub agree to provide the Company and its counsel in writing with any comments Purchaser, Merger Sub or their counsel may receive from the SEC or its staff with respect to the Offer Documents promptly after receipt of such comments and with copies of any written responses and telephonic notification of any verbal responses by Purchaser, Merger Sub or their counsel.

(b) Purchaser shall provide or cause to be provided to Merger Sub all of the funds necessary to purchase any shares of Common Stock that Merger Sub becomes obligated to purchase pursuant to the Offer.

1.3. ACTIONS BY THE COMPANY.

(a) The Company hereby approves of and consents to the Offer and represents and warrants that the Board of Directors of the Company (the "BOARD OF DIRECTORS" or the "BOARD") at a meeting duly called and held has duly adopted, by unanimous vote, resolutions (i) approving this Agreement, the Offer and the Merger (as hereinafter defined), determining that the Merger is advisable and that the terms of the Offer and Merger are fair to, and in the best interests of, the Company's stockholders and recommending that the Company's stockholders accept the Offer and approve the Merger and this Agreement, and (ii) taking all action necessary to render (x) Section 203 of the Delaware General Corporation Law (the "DGCL"), (y) Article IX of the Company's Certificate of Incorporation, and (z) the Company's Rights Agreement, dated as of September 7, 1995, between the Company and First Union Bank of North Carolina, as trustee (the "RIGHTS AGREEMENT") inapplicable to the Offer, the Merger and this Agreement or any of the transactions contemplated hereby or thereby. The Company further represents and warrants that the Board of Directors has received the written opinion of Merrill Lynch & Co. (the "FINANCIAL ADVISOR") that the proposed consideration to be received by the

holders of shares of Common Stock pursuant to the Offer and the Merger is fair to such holders from a financial point of view (the "FAIRNESS OPINION"). The Company hereby consents to the inclusion in the Offer Documents of the recommendation of the Board of Directors described in the first sentence of this SECTION 1.3(A). The Company hereby represents and warrants that it has been authorized by the Financial Advisor to permit the inclusion of the Fairness Opinion and references thereto, subject to prior review and consent by the Financial Advisor (such consent not to be unreasonably withheld) in the Offer Documents, the Schedule 14D-9 (as hereinafter defined) and the Proxy Statement (as hereinafter defined).

(b) On the date the Offer Documents are filed with the SEC, the Company shall file with the SEC a Solicitation/Recommendation Statement on Schedule 14D-9 with respect to the Offer (such Schedule 14D-9, as amended from time to time, the "SCHEDULE 14D-9") containing the recommendations described in paragraph (a) above and shall mail the Schedule 14D-9 to the stockholders of the Company. To the extent practicable, the Company shall cooperate with Purchaser in mailing or otherwise disseminating the Schedule 14D-9 with the appropriate Offer Documents to the Company's stockholders. Purchaser and its counsel shall be given an opportunity to review and comment upon the Schedule 14D-9 prior to the filing thereof with the SEC. The Schedule 14D-9 shall comply as to form in all material respects with the requirements of the Exchange Act and, on the date filed with the SEC and on the date first published, sent or given to the Company's stockholders, shall not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, except that no representation is made by the Company with respect to information supplied by Purchaser or Merger Sub for inclusion in the Schedule 14D-9. Each of the Company, Purchaser and Merger Sub agrees promptly to correct any information provided by it for use in the Schedule 14D-9 if and to the extent that such information shall have become false or misleading in any material respect, and the Company further agrees to take all steps necessary to cause the Schedule 14D-9 as so corrected to be filed with the SEC and to be disseminated to the holders of shares of Common Stock, in each case as and to the extent required by applicable federal securities laws. The Company agrees to provide Purchaser and Merger Sub and their counsel in writing with any comments the Company or its counsel may receive from the SEC or its staff with respect to the Schedule 14D-9 promptly after the receipt of such comments and with copies of any written responses and telephonic notification of any verbal responses by the Company or its counsel.

(c) In connection with the Offer, the Company shall cause its transfer agent to furnish Merger Sub with mailing labels containing the names and addresses of the record holders of Common Stock as of a recent date and of those persons becoming record holders subsequent to such date, together with copies of all lists of stockholders, security position listings and computer files and all other

information in the Company's possession or control regarding the beneficial owners of Common Stock, and shall furnish to Merger Sub such information and assistance (including updated lists of stockholders, security position listings and computer files) as Merger Sub may reasonably request in communicating the Offer to the Company's stockholders. Subject to the requirements of law, and except for such steps as are necessary to disseminate the Offer Documents and any other documents necessary to consummate the Offer and the Merger, Purchaser and Merger Sub and each of their affiliates and associates shall hold in confidence the information contained in any of such labels, lists and files, shall use such information only in connection with the Offer and the Merger, and, if this Agreement is terminated, shall promptly deliver to the Company all copies of such information then in their possession.

(d) Subject to the terms and conditions of this Agreement, if there shall occur a change in law or in a binding judicial interpretation of existing law which would, in the absence of action by the Company or the Board, prevent the Merger Sub, were it to acquire a specified percentage of the shares of Common Stock then outstanding, from approving and adopting this Agreement by its affirmative vote as the holder of a majority of shares of Common Stock and without the affirmative vote of any other stockholder, the Company will use its best efforts to promptly take or cause such action to be taken.

1.4. DIRECTORS.

(a) Promptly upon the purchase of shares of Common Stock pursuant to the Offer, Purchaser shall be entitled to designate such number of directors, rounded up to the next whole number, as will give Purchaser representation on the Board of Directors equal to the product of (i) the number of directors on the Board of Directors and (ii) the percentage that the number of shares of Common Stock purchased by Merger Sub or Purchaser or any affiliate bears to the number of shares of Common Stock outstanding (the "PERCENTAGE"), and the Company shall, upon request by Purchaser, promptly increase the size of the Board of Directors and/or exercise its best efforts to secure the resignations of such number of directors as is necessary to enable Purchaser's designees to be elected to the Board of Directors and shall cause the Purchaser's designees to be so elected. At the request of Purchaser, the Company will use its best efforts to cause such individuals designated by Purchaser to constitute the same Percentage of (i) each committee of the Board, (ii) the board of directors of Community Health Investment Corporation and Hallmark Healthcare Corporation and (iii) the committees of each such board of directors. The Company's obligations to appoint designees to the Board of Directors shall be subject to Section 14(f) of the Exchange Act. The Company shall take, at its expense, all action necessary to effect any such election, and shall include in the Schedule 14D-9 the information required by Section 14(f) of the Exchange Act and Rule 14f-1 promulgated thereunder. Purchaser will supply to Company in writing and be solely responsible

for any information with respect to itself and its nominees, directors and affiliates required by Section 14(f) and Rule 14f-1. Notwithstanding the foregoing, the parties hereto shall use their respective best efforts to ensure that at least two of the members of the Board of Directors shall at all times prior to the Effective Time (as hereinafter defined) be Continuing Directors (as hereinafter defined).

(b) Following the election or appointment of Purchaser's designees pursuant to this SECTION 1.4 and prior to the Effective Time, the approval of a majority of the directors of the Company then in office who are not designated by Purchaser (the "CONTINUING DIRECTORS") shall be required to authorize (and such authorization shall constitute the authorization of the Board of Directors and no other action on the part of the Company, including any action by any other director of the Company, shall be required to authorize) any termination of this Agreement by the Company, any amendment of this Agreement requiring action by the Board of Directors, any extension of time for the performance of any of the obligations or other acts of Purchaser or Merger Sub, and any waiver of compliance with any of the agreements or conditions contained herein for the benefit of the Company.

ARTICLE 2

THE MERGER

2.1. THE MERGER. Subject to the terms and conditions of this Agreement, at the Effective Time (as defined in SECTION 2.3), Merger Sub shall be merged with and into the Company in accordance with this Agreement and the applicable provisions of the DGCL, and the separate corporate existence of Merger Sub shall thereupon cease (the "MERGER"). The Company shall be the surviving corporation in the Merger (sometimes hereinafter referred to as the "SURVIVING CORPORATION"). The Merger shall have the effects specified in the DGCL.

2.2. THE CLOSING. Subject to the terms and conditions of this Agreement, the closing of the Merger (the "CLOSING") shall take place at the offices of Fried, Frank, Harris, Shriver & Jacobson, One New York Plaza, New York, New York, at 10:00 a.m., local time, as soon as practicable following the satisfaction (or waiver if permissible) of the conditions set forth in ARTICLE 9. The date on which the Closing occurs is hereinafter referred to as the "CLOSING DATE."

2.3. EFFECTIVE TIME. If all the conditions to the Merger set forth in ARTICLE 9 shall have been fulfilled or waived in accordance herewith and this Agreement shall not have been terminated as provided in ARTICLE 10, the parties hereto shall cause a Certificate of Merger meeting the requirements of Section 251 of the DGCL to be properly executed and filed in accordance with such Section on the Closing Date. The Merger shall become effective at the time of filing of the Certificate of Merger with the Secretary of State of the State of Delaware in accordance with the DGCL or at such later time which the parties hereto shall have

agreed upon and designated in such filing as the effective time of the Merger (the "EFFECTIVE TIME").

ARTICLE 3

CERTIFICATE OF INCORPORATION AND BYLAWS
OF THE SURVIVING CORPORATION

3.1. CERTIFICATE OF INCORPORATION. The Certificate of Incorporation of the Surviving Corporation shall be in the form attached hereto as EXHIBIT B, until duly amended in accordance with applicable law.

3.2. BYLAWS. The Bylaws of Merger Sub in effect immediately prior to the Effective Time shall be the Bylaws of the Surviving Corporation, until duly amended in accordance with applicable law.

ARTICLE 4

DIRECTORS AND OFFICERS OF THE SURVIVING CORPORATION

4.1. DIRECTORS. The directors of Merger Sub immediately prior to the Effective Time shall be the directors of the Surviving Corporation as of the Effective Time and until their successors are duly appointed or elected in accordance with applicable law.

4.2. OFFICERS. The officers of the Company immediately prior to the Effective Time shall be the officers of the Surviving Corporation as of the Effective Time and until their successors are duly appointed or elected in accordance with applicable law.

ARTICLE 5

EFFECT OF THE MERGER ON SECURITIES
OF MERGER SUB AND THE COMPANY

5.1. MERGER SUB STOCK. At the Effective Time, each share of common stock, $.01 Par value per share, of Merger Sub outstanding immediately prior to the Effective Time shall be converted into and exchanged for one validly issued, fully paid and non-assessable share of common stock, $.01 Par value per share, of the Surviving Corporation.

5.2. COMPANY SECURITIES.

(a) At the Effective Time, each share of Common Stock issued and outstanding immediately prior to the Effective Time (other than shares of Common Stock owned by Purchaser or Merger Sub or held by the Company, all of which shall be cancelled, and other than shares of Dissenting Common Stock (as hereinafter defined)) shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted into the right to receive the per share consideration in the Offer, without interest (the "MERGER CONSIDERATION").

(b) As a result of the Merger and without any action on the part of the holder thereof, at the Effective Time all shares of Common Stock shall cease to be outstanding and shall be cancelled and retired and shall cease to exist, and each holder of shares of Common Stock (other than Merger Sub, Purchaser and the Company) shall thereafter cease to have any rights with respect to such shares of Common Stock, except the right to receive, without interest, the Merger Consideration in accordance with SECTION 5.3 upon the surrender of a certificate or certificates (a "CERTIFICATE") representing such shares of Common Stock.

(c) Each share of Common Stock issued and held in the Company's treasury at the Effective Time shall, by virtue of the Merger, cease to be outstanding and shall be cancelled and retired without payment of any consideration therefor.

(d) All options (individually, an "OPTION" and collectively, the "OPTIONS") outstanding immediately prior to the Effective Time under any Company stock option plan (the "STOCK OPTION PLANS"), whether or not then exercisable, shall be cancelled and each holder of an Option will be entitled to receive from the Surviving Corporation, for each share of Common Stock subject to an Option, an amount in cash equal to the excess, if any, of the Merger Consideration over the per share exercise price of such Option, without interest. The amounts payable pursuant to this SECTION 5.2(d) shall be paid (i) with respect to shares of Common Stock subject to Options held by employees who are ranked for compensation purposes below the level of corporate vice-president of the Company and by non-employees of the Company or its Subsidiaries who hold Options, at the Effective Time and (ii) with respect to shares of Common Stock subject to Options held by employees who are ranked for compensation purposes at or above such level, at the time or times the Option or portion of an Option will become exercisable in accordance with its terms as in effect on the date hereof (or, to the extent the Option is already exercisable at the Effective Time, payment shall be made at the Effective Time), provided the holder of the Option continues in employment with the Company at the time the payment is due and provided further that the entire amount shall come due and payable if the holder of the Option shall be terminated without cause prior to the first anniversary of the Effective Time. All amounts payable pursuant to this SECTION 5.2(d) shall be subject to all applicable withholding

of taxes. The Company shall use its reasonable best efforts to obtain all necessary consents of the holders of Options, provided, however, that the failure of the Company to obtain any one or more of such consents shall have no effect on the Purchaser's and Merger Sub's obligation to consummate the Offer and the Merger and shall not afford any basis for them to assert the condition set forth in clause (ii) of paragraph (d) of Exhibit A.

5.3. EXCHANGE OF CERTIFICATES REPRESENTING COMMON STOCK.

(a) Prior to the Effective Time, Purchaser shall appoint a commercial bank or trust company having net capital of not less than $20 million, or such other party reasonably satisfactory to the Company, to act as paying agent hereunder for payment of the Merger Consideration upon surrender of Certificates (the "PAYING AGENT"). Purchaser shall cause the Surviving Corporation to provide the Paying Agent with cash in amounts necessary to pay for all the shares of Common Stock pursuant to SECTION 5.2(a) and, in connection with the Options, pursuant to SECTION 5.2(d), as and when such amounts are needed by the Paying Agent. Such amounts shall hereinafter be referred to as the "EXCHANGE FUND."

(b) Promptly after the Effective Time, Purchaser shall cause the Paying Agent to mail to each holder of record of shares of Common Stock (i) a letter of transmittal which shall specify that delivery shall be effected, and risk of loss and title to such Certificates shall pass, only upon delivery of the Certificates to the Paying Agent and which letter shall be in such form and have such other provisions as Purchaser may reasonably specify and (ii) instructions for effecting the surrender of such Certificates in exchange for the Merger Consideration. Upon surrender of a Certificate to the Paying Agent together with such letter of transmittal, duly executed and completed in accordance with the instructions thereto, and such other documents as may reasonably be required by the Paying Agent, the holder of such Certificate shall promptly receive in exchange therefor the amount of cash into which shares of Common Stock theretofore represented by such Certificate shall have been converted pursuant to SECTION 5.2, and the shares represented by the Certificate so surrendered shall forthwith be cancelled. No interest will be paid or will accrue on the cash payable upon surrender of any Certificate. In the event of a transfer of ownership of Common Stock which is not registered in the transfer records of the Company, payment may be made with respect to such Common Stock to such a transferee if the Certificate representing such shares of Common Stock is presented to the Paying Agent, accompanied by all documents required to evidence and effect such transfer and to evidence that any applicable stock transfer taxes have been paid.

(c) At or after the Effective Time, there shall be no transfers on the stock transfer books of the company of the shares of Common Stock which were outstanding immediately prior to the Effective Time. If, after the Effective Time,

Certificates are presented to the Surviving Corporation, they shall be cancelled and exchanged as provided in this ARTICLE 5.

(d) Any portion of the Exchange Fund (including the proceeds of any interest and other income received by the Paying Agent in respect of all such funds) that remains unclaimed by the former stockholders of the Company six months after the Effective Time shall be delivered to the Surviving Corporation. Any former stockholders of the Company who have not theretofore complied with this ARTICLE 5 shall thereafter look only to the Surviving Corporation for payment of any Merger Consideration that may be payable in respect of each share of Common Stock such stockholder holds as determined pursuant to this Agreement, without any interest thereon.

(e) None of Purchaser, the Company, the Surviving Corporation, the Paying Agent or any other person shall be liable to any former holder of shares of Common Stock for any amount properly delivered to a public official pursuant to applicable abandoned property, escheat or similar laws.

(F) If any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such Certificate to be lost, stolen or destroyed and, if required by the Surviving Corporation, the posting by such person of a bond in such reasonable amount as the Surviving Corporation may direct as indemnity against any claim that may be made against it with respect to such Certificate, the Paying Agent will issue in exchange for such lost, stolen or destroyed Certificate the Merger Consideration payable in respect thereof pursuant to this Agreement.

5.4. ADJUSTMENT OF MERGER CONSIDERATION. If, subsequent to the date of this Agreement but prior to the Effective Time, the outstanding shares of Common Stock shall have been changed into a different number of shares or a different class as a result of a stock split, reverse stock split, stock dividend, subdivision, reclassification, split, combination, exchange, recapitalization or other similar transaction, the Merger Consideration shall be appropriately adjusted.

5.5. DISSENTING COMPANY STOCKHOLDERS. Notwithstanding any provision of this Agreement to the contrary, if required by the DGCL but only to the extent required thereby, shares of Common Stock which are issued and outstanding immediately prior to the Effective Time and which are held by holders of such shares of Common Stock who have properly exercised appraisal rights with respect thereto in accordance with Section 262 of the DGCL (the "DISSENTING COMMON STOCK") will not be exchangeable for the right to receive the Merger Consideration, and holders of such shares of Dissenting Common Stock will be entitled to receive payment of the appraised value of such shares of Common Stock in accordance with the provisions of such Section 262 unless and until such holders fail to perfect or effectively withdraw or lose their rights to appraisal and payment under the

DGCL. If, after the Effective Time, any such holder fails to perfect or effectively withdraws or loses such right, such shares of Common Stock will thereupon be treated as if they had been converted into and to have become exchangeable for, at the Effective Time, the right to receive the Merger Consideration, without any interest thereon. The Company will give Purchaser prompt notice of any demands received by the Company for appraisals of shares of Common Stock. The Company shall not, except with the prior written consent of Purchaser, make any payment with respect to any demands for appraisal or offer to settle or settle any such demands.

5.6. MERGER WITHOUT MEETING OF STOCKHOLDERS. Notwithstanding the foregoing but subject to the provisions of Section 8.3(f), if Merger Sub, or any other direct or indirect subsidiary of Purchaser, shall acquire at least 90 percent of the outstanding shares of Common Stock, the parties hereto shall take all necessary and appropriate action to cause the Merger to become effective as soon as practicable after the expiration of the Offer without a meeting of stockholders of the Company, in accordance with Section 253 of the DGCL.

ARTICLE 6

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby represents and warrants to Purchaser and Merger Sub as follows:

6.1. EXISTENCE; GOOD STANDING; CORPORATE AUTHORITY. Each of the Company and its Significant Subsidiaries (as hereinafter defined) is (i) a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation and (ii) is duly licensed or qualified to do business as a foreign corporation and is in good standing under the laws of any other state of the United States in which the character of the properties owned or leased by it or in which the transaction of its business makes such qualification necessary, except where the failure to be so qualified or to be in good standing, individually or in the aggregate, would not have a Material Adverse Effect (as hereinafter defined). Each of the Company and its Significant Subsidiaries has all requisite corporate power and authority to own, operate and lease its properties and carry on its business as now conducted, except where the failure to have such power and authority, individually or in the aggregate, would not have a Material Adverse Effect. The Company has no reason to believe that the representations and warranties contained in the preceding two sentences are not also true of its Subsidiaries. The Company has heretofore delivered to Purchaser true and correct copies of the Company's Certificate of Incorporation and Bylaws as currently in effect.

6.2. AUTHORIZATION, VALIDITY AND EFFECT OF AGREEMENTS. The Company has the requisite corporate power and authority to execute and deliver

this Agreement and all agreements and documents contemplated hereby or executed in connection herewith (the "ANCILLARY DOCUMENTS") and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the Ancillary Documents by the Company and the consummation by the Company of the transactions contemplated hereby and thereby have been duly and validly authorized by the Board of Directors, and no other corporate proceedings on the part of the Company are necessary to authorize this Agreement and the Ancillary Documents or to consummate the transactions contemplated hereby and thereby (other than the approval of this Agreement by the holders of a majority of the shares of Common Stock if required by applicable law). This Agreement has been, and any Ancillary Document at the time of execution will have been, duly and validly executed and delivered by the Company, and (assuming this Agreement and such Ancillary Documents each constitutes a valid and binding obligation of the Purchaser and Merger Sub) constitutes and will constitute the valid and binding obligations of the Company, enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency, moratorium or other similar laws relating to creditors' rights and general principles of equity.

6.3. COMPLIANCE WITH LAWS. Except as set forth in the Company Reports (as hereinafter defined), each of the Company and its Subsidiaries is in compliance with all applicable foreign, federal, state or local laws, statutes, ordinances, rules, regulations, orders, judgments, rulings and decrees ("LAWS") of any foreign, federal, state or local judicial, legislative, executive, administrative or regulatory body or authority or any court, arbitration, board or tribunal ("GOVERNMENTAL ENTITY"), except where the failure to be in compliance, individually or in the aggregate, would not have a Material Adverse Effect.

6.4. CAPITALIZATION. The authorized capital stock of the Company consists of 45,000,000 shares of Common Stock and 5,000,000 shares of preferred stock, $.01 par value, of which 830,000 shares have been designated as Series A Junior Participating Preferred Stock ("PREFERRED STOCK"). As of June 6, 1996, (a) 19,731,068 shares of Common Stock were issued and outstanding, (b) 830,000 shares of Preferred Stock were subject to Preferred Stock Purchase Rights ("RIGHTS") issued pursuant to the Company's Rights Agreement and no other shares of Preferred Stock are issued and outstanding, (c) Options to purchase an aggregate of 2,017,515 shares of Common Stock were outstanding, 2,017,515 shares of Common Stock were reserved for issuance upon the exercise of outstanding Options and 42,666 shares were reserved for future grants under the Stock Option Plans, and there are no stock appreciation rights or limited stock appreciation rights outstanding other than those attached to such Options, (d) no shares of Common Stock were held by the Company in its treasury, and (e) no shares of capital stock of the Company were held by the Company's Subsidiaries. Except for the Rights, the Company has no outstanding bonds, debentures, notes or other obligations entitling the holders thereof to vote (or which are convertible into or exercisable for securities having the right to vote) with the stockholders of

the Company on any matter. Since June 6, 1996, the Company (i) has not issued any shares of Common Stock other than upon the exercise of Options, (ii) has granted no Options to purchase shares of Common Stock under the Stock Option Plans, and (iii) has not split, combined or reclassified any of its shares of capital stock. All issued and outstanding shares of Common Stock are duly authorized, validly issued, fully paid, nonassessable and free of preemptive rights. Except for the Rights and except as set forth in this SECTION 6.4 or in SCHEDULE 6.4, there are no other shares of capital stock or voting securities of the Company, and no existing options, warrants, calls, subscriptions, convertible securities, or other rights, agreements or commitments which obligate the Company or any of its Subsidiaries to issue, transfer or sell any shares of capital stock of, or equity interests in, the Company or any of its Subsidiaries. There are no outstanding obligations of the Company or any Subsidiaries to repurchase, redeem or otherwise acquire any shares of capital stock of the Company and there are no performance awards outstanding under the Stock Option Plan or any other outstanding stock related awards. After the Effective Time, the Surviving Corporation will have no obligation to issue, transfer or sell any shares of capital stock of the Company or the Surviving Corporation pursuant to any Company Benefit Plan (as defined in SECTION 6.11). There are no voting trusts or other agreements or understandings to which the Company or any of its Subsidiaries is a party with respect to the voting of capital stock of the Company or any of its Subsidiaries.

6.5. SUBSIDIARIES. Except as set forth in SCHEDULE 6.5, (i) the Company owns, directly or indirectly through a Subsidiary, all of the outstanding shares of capital stock (or other ownership interests having by their terms ordinary voting power to elect directors or others performing similar functions with respect to such Subsidiary) of each of the Company's Subsidiaries, and (ii) each of the outstanding shares of capital stock of each of the Company's Subsidiaries is duly authorized, validly issued, fully paid and nonassessable, and is owned, directly or indirectly, by the Company free and clear of all liens, pledges, security interests, claims or other encumbrances ("ENCUMBRANCES") except (in the case of Subsidiaries which are not Significant Subsidiaries for Encumbrances which individually or in the aggregate would not have a Material Adverse Effect. SCHEDULE 6.5 sets forth for each Subsidiary of the Company: (i) its name and jurisdiction of incorporation or organization; (ii) its authorized capital stock or share capital; (iii) the number of issued and outstanding shares of capital stock or share capital; (iv) the holder or holders of such shares; and (v) whether such Subsidiary is a Significant Subsidiary. Except for interests in the Company's Subsidiaries or as set forth in SCHEDULE 6.5, neither the Company nor any of its Subsidiaries owns directly or indirectly any interest or investment (whether equity or debt) in any corporation, partnership, joint venture, business, trust or other entity.

6.6. NO VIOLATION. Except as set forth in SCHEDULE 6.6, neither the execution and delivery by the Company of this Agreement or any of the Ancillary Documents nor the consummation by the Company of the transactions

contemplated hereby or thereby will: (i) violate, conflict with or result in a breach of any provisions of the Certificate of Incorporation or Bylaws of the Company; (ii) violate, conflict with, result in a breach of any provision of, constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, result in the termination or in a right of termination of, accelerate the performance required by or benefit obtainable under, result in the triggering of any payment or other obligations pursuant to, result in the creation of any Encumbrance upon any of the properties of the Company or its Subsidiaries under, or result in there being declared void, voidable, or without further binding effect, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust or any license, franchise, permit, lease, contract, agreement or other instrument, commitment or obligation to which the Company or any of its Subsidiaries is a party, or by which the Company or any of its Subsidiaries or any of their respective properties is bound (each, a "CONTRACT" and collectively, "CONTRACTS"), except for any of the foregoing matters which individually or in the aggregate would not have a Material Adverse Effect; (iii) other than the filings provided for in SECTION 2.3 and the filings required under the Exchange Act and the Securities Act of 1933, as amended (the "SECURITIES ACT"), require any consent, approval or authorization of, or declaration, filing or registration with, any Governmental Entity, the lack of which individually or in the aggregate would have a Material Adverse Effect or by Law prevent the consummation of the transactions contemplated hereby; and (iv) violate any Laws applicable to the Company, any of its Subsidiaries or any of their respective assets, except for violations which individually or in the aggregate would not have a Material Adverse Effect or materially adversely affect the ability of the Company to consummate the transactions contemplated hereby.

6.7. COMPANY REPORTS; OFFER DOCUMENTS.

(a) The Company has delivered to Purchaser each registration statement, report, proxy statement or information statement (as defined under the Exchange Act) prepared by it since January 1, 1993, each in the form (including exhibits and any amendments thereto) filed with the SEC (collectively, the "COMPANY REPORTS"). As of their respective dates, (i) the Company Reports filed since December 31, 1994 complied as to form in all material respects with the applicable requirements of the Securities Act, the Exchange Act, and the rules and regulations thereunder and (ii) the Company Reports did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading. Each of the consolidated balance sheets of the Company included in or incorporated by reference into the Company Reports (including the related notes and schedules) fairly presents the consolidated financial position of the Company and its Subsidiaries as of its date, and each of the consolidated statements of income, retained earnings and cash flows of the Company included in or incorporated by

reference into the Company Reports (including any related notes and schedules) fairly presents the results of operations, retained earnings or cash flows, as the case may be, of the Company and its Subsidiaries for the periods set forth therein, in each case in accordance with generally accepted accounting principles consistently applied during the periods involved, except as may be noted therein. Except as set forth in SCHEDULE 6.7, neither the Company nor any of its Subsidiaries has any liabilities or obligations, contingent or otherwise, except (i) liabilities and obligations in the respective amounts reflected or reserved against in the Company's consolidated balance sheet as of March 31, 1996 included in the Company Reports or (ii) liabilities and obligations incurred in the ordinary course of business since April 1, 1996 which individually or in the aggregate would not have a Material Adverse Effect.

(b) None of the Schedule 14D-9, the information statement, if any, filed by the Company in connection with the Offer pursuant to Rule 14f-1 under the Exchange Act (the "INFORMATION STATEMENT"), any schedule required to be filed by the Company with the SEC or any amendment or supplement thereto, at the respective times such documents are filed with the SEC or first published, sent or given to the Company's stockholders, will contain any untrue statement of a material fact or will omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading except that no representation is made by the Company with respect to information supplied by the Purchaser or Merger Sub specifically for inclusion in the Schedule 14D-9 or Information Statement or any amendment or supplement. None of the information supplied or to be supplied by the Company in writing specifically for inclusion or incorporation by reference in the Offer Documents will, at the date of filing with the SEC, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. If at any time prior to the Effective Time the Company shall obtain knowledge of any facts with respect to itself, any of its officers and directors or any of its Subsidiaries that would require the supplement or amendment to any of the foregoing documents in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or to comply with applicable Laws, such amendment or supplement shall be promptly filed with the SEC and, as required by Law, disseminated to the stockholders of the Company, and in the event Purchaser shall advise the Company as to its obtaining knowledge of any facts that would make it necessary to supplement or amend any of the foregoing documents, the Company shall promptly amend or supplement such document as required and distribute the same to its stockholders.

6.8. LITIGATION. Except as set forth in SCHEDULE 6.8 or in the Company Reports, (i) there are no claims, actions, suits, proceedings, arbitrations, investigations or audits (collectively, "LITIGATION") by a Governmental Entity pending

or, to the knowledge of the Company through receipt of written notice, threatened against the Company or any of its Subsidiaries, at law or in equity, other than those in the ordinary course of business which individually or in the aggregate would not have a Material Adverse Effect, and (ii) there are no claims, actions, suits, proceedings, or arbitrations by a non-Governmental Entity third party pending or, to the knowledge of the Company, threatened against the Company or any of its Subsidiaries, at law or at equity, other than those in the ordinary course of business which individually or in the aggregate would not have a Material Adverse Effect. Except as set forth in the Company Reports, no Governmental Entity has indicated in writing an intention to conduct any audit, investigation or other review with respect to the Company or any of its Subsidiaries which investigation or review, if adversely determined, individually or in the aggregate would have a Material Adverse Effect.

6.9. ABSENCE OF CERTAIN CHANGES. Except as set forth in SCHEDULE 6.9 or in the Company Reports, since December 31, 1995, the Company and its Subsidiaries have conducted their business only in the ordinary course of such business consistent with past practices, and there has not been (i) any events or states of fact which individually or in the aggregate would have a Material Adverse Effect; (ii) any declaration, setting aside or payment of any dividend or other distribution with respect to its capital stock; (iii) (during the period following May 31, 1996) any repurchase, redemption or any other acquisition by the Company or its Subsidiaries of any outstanding shares of capital stock or other securities of, or other ownership interests in, the Company or its Subsidiaries; (iv) any material change in accounting principles, practices or methods; (v) any entry into any employment agreement with, or any increase in the rate or terms (including, without limitation, any acceleration of the right to receive payment) of compensation payable or to become payable by the Company or any of its Subsidiaries to, their respective directors, officers or employees, except increases occurring, and employment agreements entered into, which are substantially consistent with the revised 1996 budget of the Company taken as a whole previously provided to the Purchaser (the " REVISED 1996 BUDGET") (it being understood that the acquisition of employees as part of the acquisition of hospitals or other healthcare facilities is not covered by this clause (v) or clause (vi) below); or (vi) any increase in the rate or terms (including, without limitation, any acceleration of the right to receive payment) of any bonus, insurance, pension or other employee benefit plan or arrangement covering any such directors, officers or employees, except increases which are consistent with the Revised 1996 Budget.

6.10. TAXES. Except as set forth in SCHEDULE 6.10, the Company and each of its Subsidiaries have timely filed all material Tax Returns required to be filed by any of them. All such Tax Returns are true, correct and complete, except for such instances which individually or in the aggregate would not have a Material Adverse Effect. All Taxes of the Company and its Subsidiaries which are (i) shown as due on such Returns, (ii) otherwise due and payable or (iii) claimed or asserted

by any taxing authority to be due, have been paid, except for those Taxes being contested in good faith and for which adequate reserves have been established in the financial statements included in the Company Reports in accordance with generally accepted accounting principles. The Company does not know of any proposed or threatened Tax claims or assessments which, if upheld, would individually or in the aggregate have a Material Adverse Effect. Except as set forth in SCHEDULE 6.10, the Company and each Subsidiary has withheld and paid over to the relevant taxing authority all Taxes required to have been withheld and paid in connection with payments to employees, independent contractors, creditors, stockholders or other third parties, except for such Taxes which individually or in the aggregate would not have a Material Adverse Effect. For purposes of this Agreement, (a) "TAX" (and, with correlative meaning, "TAXES") means any federal, state, local or foreign income, gross receipts, property, sales, use, license, excise, franchise, employment, payroll, premium, withholding, alternative or added minimum, ad valorem, transfer or excise tax, or any other tax, custom, duty, governmental fee or other like assessment or charge of any kind whatsoever, together with any interest or penalty, imposed by any Governmental Entity, and (b) "TAX RETURN" means any return, report or similar statement required to be filed with respect to any Tax (including any attached schedules), including, without limitation, any information return, claim for refund, amended return or declaration of estimated Tax.

6.11. EMPLOYEE BENEFIT PLANS. All employee benefit plans, compensation arrangements and other benefit arrangements covering employees of the Company or any of its Subsidiaries (the "COMPANY BENEFIT PLANS") and all employee agreements providing compensation, severance or other benefits to any employee or former employee of the Company or any of its Subsidiaries which are not disclosed in the Company Reports and which exceed $100,000 per annum are set forth in SCHEDULE 6.11. True and complete copies of the Company Benefit Plans have been made available to Purchaser. To the extent applicable, the Company Benefit Plans comply with the requirements of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the Internal Revenue Code of 1986, as amended (the "CODE"), and any Company Benefit Plan intended to be qualified under Section 401(a) of the Code has received a determination letter and, to the knowledge of the Company continues to satisfy the requirements for such qualification. Neither the Company nor any of its Subsidiaries nor any ERISA Affiliate of the Company maintains, contributes to or has maintained or contributed in the past six years to any benefit plan which is covered by Title IV of ERISA or Section 412 of the Code. No Company Benefit Plan nor the Company nor any Subsidiary has incurred any liability or penalty under Section 4975 of the Code or Section 502(i) of ERISA or, to the knowledge of the Company, engaged in any transaction that is reasonably likely to result in any such liability or penalty. Except as set forth on SCHEDULE 6.11, each Company Benefit Plan has been maintained and administered in compliance with its terms and with ERISA and the Code to the extent applicable thereto, except for such non-compliance which individually or in

the aggregate would not have a Material Adverse Effect. There is no pending or, to the knowledge of the Company, anticipated Litigation against or otherwise involving any of the Company Benefit Plans and no Litigation (excluding claims for benefits incurred in the ordinary course of Company Benefit Plan activities) has been brought against or with respect to any such Company Benefit Plan, except for any of the foregoing which individually or in the aggregate would not have a Material Adverse Effect. All contributions required to be made as of the date hereof to the Company Benefit Plans have been made or provided for. Except as described in the Company Reports or as required by Law, neither the Company nor any of its Subsidiaries maintains or contributes to any plan or arrangement which provides or has any liability to provide life insurance or medical or other employee welfare benefits to any employee or former employee upon his retirement or termination of employment, and neither the Company nor any of its Subsidiaries has ever represented, promised or contracted (whether in oral or written form) to any employee or former employee that such benefits would be provided. Except as set forth in SCHEDULE 6.11, the execution of, and performance of the transactions contemplated in, this Agreement will not (either alone or upon the occurrence of any additional or subsequent events) constitute an event under any benefit plan, policy, arrangement or agreement or any trust or loan that will or may result in any payment (whether of severance pay or otherwise), acceleration, forgiveness of indebtedness, vesting, distribution, increase in benefits or obligation to fund benefits with respect to any employee. Except as set forth in Schedule 6.11, no payment or benefit which will or may be made by the Company, any of its Subsidiaries, any ERISA Affiliate or Purchaser or Merger Sub with respect to any employee will constitute an "excess parachute payment" within the meaning of Section 280G(b)(1) of the Code.

For purposes of this Agreement "ERISA AFFILIATE" means any business or entity which is a member of the same "controlled group of corporations," under "common control" or an "affiliated service group" with an entity within the meanings of Sections 414(b), (c) or (m) of the Code, or required to be aggregated with the entity under Section 414(o) of the Code, or is under "common control" with the entity, within the meaning of Section 4001(a)(14) of ERISA, or any regulations promulgated or proposed under any of the foregoing Sections.

6.12. LABOR AND EMPLOYMENT MATTERS. Except as set forth in SCHEDULE 6.12, neither the Company nor any of its Subsidiaries is a party to, or bound by, any collective bargaining agreement or other Contracts or understanding with a labor union or labor organization. Except for such matters which, individually or in the aggregate, would not have a Material Adverse Effect, there is no (i) unfair labor practice, labor dispute (other than routine individual grievances) or labor arbitration proceeding pending or, to the knowledge of the Company, threatened against the Company or its Subsidiaries relating to their business, (ii) to the knowledge of the Company, activity or proceeding by a labor union or representative thereof to organize any employees of the Company or any of its

Subsidiaries, or (iii) lockouts, strikes, slowdowns, work stoppages or threats thereof by or with respect to such employees.

6.13. BROKERS. Except for the Financial Advisor, Merrill Lynch & Co., no broker, finder or financial advisor is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Company and (ii) the Company's fee arrangements with the Financial Advisor have been disclosed to the Purchaser.

6.14. LICENSES AND PERMITS. Except as set forth in SCHEDULE 6.14, the Company, its Subsidiaries and all of the hospitals and other healthcare facilities owned, leased or managed by the Company or any of its Subsidiaries (collectively, "HOSPITALS") have all necessary licenses, permits, certificates of need, approvals and authorizations (collectively, "PERMITS") required to lawfully conduct their respective businesses as presently conducted, except for those Permits the lack of which individually or in the aggregate would not have a Material Adverse Effect, and (a) no Permit is subject to revocation or forfeiture by virtue of any existing circumstances, (b) there is no Litigation pending or, to the knowledge of the Company, threatened to modify or revoke any Permit, and (c) no Permit is subject to any outstanding order, decree, judgment, stipulation, or, to the knowledge of the Company, investigation that would be likely to affect such Permit, where the effect of the foregoing individually or in the aggregate would have a Material Adverse Effect. Except as set forth in SCHEDULE 6.14, all of the Hospitals are accredited by the Joint Commission on Accreditation of Healthcare Organizations or the American Osteopathic Association, as indicated on such schedule.

6.15. MEDICARE PARTICIPATION/ACCREDITATION. All of the Hospitals are certified for participation or enrollment in the Medicare and Medicaid programs, have a current and valid provider contract with the Medicare and Medicaid programs, are in compliance with the conditions of participation of such programs and have received all approvals or qualifications necessary for capital reimbursement of the Company's assets, except where the failure to be in compliance individually or in the aggregate would not have a Material Adverse Effect. Except as set forth in SCHEDULE 6.15, neither the Company nor any of its Subsidiaries has received notice from any Governmental Entities or other regulatory authorities which enforce the statutory or regulatory provisions in respect of either the Medicare or the Medicaid program of any pending or threatened investigations, audits or surveys, and neither the Company nor any of its Subsidiaries has any reason to believe that any such investigations, audits or surveys are pending, threatened or imminent which, individually or in the aggregate, may have a Material Adverse Effect.

6.16. MEDICARE/MEDICAID COMPLIANCE.

(a) Except as set forth in SCHEDULE 6.16, (a) neither the Company nor any of its Subsidiaries has filed any required terminating Medicare cost report on any facility which the Company or any of its Subsidiaries has sold or no longer operates, for which it has not received a Notice of Program Reimbursement, and (b) neither the Company nor any of its Subsidiaries has received any Notice of Program Reimbursement (or similar document for Medicaid) with respect to any such facility's cost reports, including cost reports for those facilities it has sold or no longer operates, which requires a refund to the Governmental Entity responsible for the Medicare or Medicaid program, except for such refunds which (i) have been paid, (ii) have been reflected as a liability in the consolidated balance sheet of the Company and its Subsidiaries at December 31, 1995 included in the Company Reports (the "1995 BALANCE SHEET") or (iii) individually or in the aggregate would not have a Material Adverse Effect.

(b) The Company and each of its Subsidiaries have filed all other reports required to be filed in connection with all state and federal Medicare and Medicaid programs, which reports are complete and correct in all material respects. Except as set forth in SCHEDULE 6.16, there is no Litigation pending or threatened before any Governmental Entity, with respect to any Medicare or Medicaid claims filed by the Company or any of its Subsidiaries on or before the date hereof which individually or in the aggregate would have a Material Adverse Effect, and no validation review or program integrity review related to the Company or any of its Subsidiaries or any Hospitals has been conducted by any Governmental Entity in connection with the Medicare or Medicaid program, and to the knowledge of the Company, no such reviews are scheduled, pending or threatened against or affecting the Company or any of its Subsidiaries or any Hospitals.

6.17. ENVIRONMENTAL COMPLIANCE AND DISCLOSURE. (a) Except as set forth on SCHEDULE 6.17 or except for any matters which individually or in the aggregate would not have a Material Adverse Effect, (i) the Company and each of its Subsidiaries is in full compliance with all applicable Laws relating to Environmental Matters (as defined below); (ii) the Company and each of its Subsidiaries has obtained, and is in full compliance with, all Permits required by applicable Laws for the use, storage, treatment, transportation, release, emission and disposal of raw materials, by-products, wastes and other substances used or produced by or otherwise relating to the operations of any of them; (iii) to the Company's knowledge, there are no past or present events, conditions, activities or practices that would prevent compliance or continued compliance with any Law or give rise to any Environmental Liability (as defined below).

(b) As used in this Agreement, the term "ENVIRONMENTAL MATTERS" means any matter arising out of or relating to pollution or protection of the environment, human safety or health, or sanitation, including matters relating to

emissions, discharges, releases, exposures, or threatened releases of pollutants, contaminants, or hazardous or toxic materials or wastes including petroleum and its fractions, radiation, biohazards and all toxic agents of whatever type or nature into ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants or hazardous or toxic materials or wastes including petroleum and its fractions, radiation, biohazards and all toxic agents of whatever type or nature. "ENVIRONMENTAL LIABILITY" shall mean any liability or obligation arising under any Law or under any other current theory of law or equity (including, without limitation, any liability for personal injury, property damage or remediation) that results from, or is based upon or related to, the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling, or the emission, discharge, release, exposures or threatened release into the environment, of any pollutant, contaminant, chemical, or industrial, toxic or hazardous substance or waste.

6.18. TITLE TO ASSETS. (a) Except as set forth in the 1995 Balance Sheet, the Company and each of its Subsidiaries have good and marketable title to all of their real and personal properties and assets reflected on the 1995 Balance Sheet (other than assets disposed of since December 31, 1995 in the ordinary course of business consistent with past practice) or acquired since December 31, 1995, in each case free and clear of all Encumbrances except for (i) Encumbrances which secure indebtedness which is properly reflected in the 1995 Balance Sheet; (ii) liens for Taxes accrued but not yet payable; (iii) liens arising as a matter of law in the ordinary course of business with respect to obligations incurred after the date of the 1995 Balance Sheet, provided that the obligations secured by such liens are not delinquent; and (iv) such imperfections of title and Encumbrances, if any, as individually or in the aggregate would not have a Material Adverse Effect. Except as set forth in SCHEDULE 6.18, the Company and each of its Subsidiaries either own, or have valid leasehold interests in, all properties and assets used by them in the conduct of their business except where the absence of such ownership or leasehold interest would not individually or in the aggregate have a Material Adverse Effect.

(b) Except as set forth in SCHEDULE 6.18, neither the Company nor any of its Subsidiaries has any legal obligation, absolute or contingent, to any other person to sell or otherwise dispose of any interest in any of the Hospitals, or to sell or dispose of any of its other assets with an individual value of $1,000,000 or an aggregate value in excess of $5,000,000.

6.19. MATERIAL CONTRACTS. SCHEDULE 6.19 sets forth a list of all (i) Contracts for borrowed money or guarantees thereof involving a currently outstanding principal amount in excess of $1,000,000, (ii) Contracts to acquire or dispose of Hospitals, (iii) Contracts containing non-compete covenants by the Company or any Subsidiary and (iv) other Contracts (other than national supply and national purchasing Contracts for the purchase of supplies in the ordinary course of

business) which involve the payment or receipt of $1 million or more per year. All Contracts to which the Company or any of its Subsidiaries is a party or by which any of their respective assets is bound are valid and binding, in full force and effect and enforceable against the Company or any of its Subsidiaries, as the case may be, and to the knowledge of the Company, the other parties thereto in accordance with their respective terms, subject to applicable bankruptcy, insolvency or other similar laws relating to creditors' rights and general principles of equity, except where the failure to be so valid and binding, in full force and effect or enforceable would not individually or in the aggregate have a Material Adverse Effect.

6.20. REQUIRED VOTE OF COMPANY STOCKHOLDERS. Unless the Merger may be consummated in accordance with Section 253 of the DGCL, the only vote of the stockholders of the Company required to adopt this Agreement and approve the Merger is the affirmative vote of the holders of a majority of the outstanding shares of Common Stock.

6.21. RIGHTS AGREEMENT. The Company has amended the Rights Agreement so that the Rights Agreement will not be applicable to this Agreement, the Offer, the announcement of the Offer, the purchase of shares of Common Stock by Parent or Merger Sub pursuant to the Offer, the Merger, or any other action contemplated hereby.

ARTICLE 7

REPRESENTATIONS AND WARRANTIES OF PURCHASER AND MERGER SUB

Purchaser and Merger Sub hereby represent and warrant to the Company as follows:

7.1. EXISTENCE; GOOD STANDING; CORPORATE AUTHORITY. Each of Purchaser and Merger Sub is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation and has all requisite corporate power and authority to own, operate and lease its properties and carry on its business as now conducted, except where the failure to have such power and authority individually or in the aggregate would not materially adversely affect the Purchaser and Merger Sub, taken as a whole.

7.2. AUTHORIZATION, VALIDITY AND EFFECT OF AGREEMENTS. Each of Purchaser and Merger Sub has the requisite corporate power and authority to execute and deliver this Agreement and the Ancillary Documents and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the Ancillary Documents and the consummation by Purchaser and Merger Sub of the transactions contemplated hereby and thereby have been duly and validly authorized by the respective Boards of Directors of

Purchaser and Merger Sub and by Purchaser as the sole stockholder of Merger Sub and no other corporate proceedings on the part of Purchaser or Merger Sub are necessary to authorize this Agreement and the Ancillary Documents or to consummate the transactions contemplated hereby and thereby. This Agreement has been, and any Ancillary Documents at the time of execution will have been, duly and validly executed and delivered by Purchaser and Merger Sub, and (assuming this Agreement and such Ancillary Documents each constitutes a valid and binding obligation of the Company) constitutes and will constitute the valid and binding obligations of each of Purchaser and Merger Sub, enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency, moratorium or other similar laws relating to creditors' rights and general principles of equity.

7.3. OFFER DOCUMENTS. None of the Offer Documents, any schedule required to be filed by Purchaser or Merger Sub with the SEC or any amendment or supplement will contain, on the date of filing with the SEC, any untrue statement of a material fact or will omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they are made, not misleading, except that no representation is made by the Purchaser or Merger Sub with respect to information supplied by the Company specifically for inclusion in the Offer Documents, any schedule required to be filed with the SEC or any amendment or supplement. None of the information supplied by the Purchaser or Merger Sub in writing specifically for inclusion or incorporation by reference in the Schedule 14D-9 will, at the date of filing with the SEC, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. If at any time prior to the Effective Time either the Purchaser or Merger Sub shall obtain knowledge of any facts with respect to itself, any of its officers and directors or any of its Subsidiaries that would require the supplement or amendment to any of the foregoing documents in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or to comply with applicable Laws, such amendment or supplement shall be promptly filed with the SEC and, as required by Law, disseminated to the stockholders of the Company, and in the event the Company shall advise the Purchaser or Merger Sub as to its obtaining knowledge of any facts that would make it necessary to supplement or amend any of the foregoing documents, the Purchaser or Merger Sub shall promptly amend or supplement such document as required and distribute the same to the stockholders of the Company.

7.4. NO VIOLATION. Neither the execution and delivery of this Agreement or any of the Ancillary Documents by the Purchaser and Merger Sub nor the consummation by them of the transactions contemplated hereby or thereby will (i) violate, conflict with or result in any breach of any provision of the respective Certificates of Incorporation or By-Laws of the Purchaser or Merger Sub; (ii) other

than the filings provided for in SECTION 2.3 and the filings required under the Exchange Act and the Securities Act, require any consent, approval or authorization of, or declaration, filing or registration with, any Governmental Entity, the lack of which individually or in the aggregate would have a material adverse effect on the ability of the Purchaser or Merger Sub to consummate the transactions contemplated hereby, (iii) violate any Laws applicable to the Purchaser or the Merger Sub or any of their respective assets, except for violations which individually or in the aggregate would not have a material adverse effect on the ability of the Purchaser or Merger Sub to consummate the transactions contemplated hereby, and (iv) violate, conflict with or result in a breach of any provision of, constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, result in the termination or in a right of termination of, accelerate the performance required by or benefit obtainable under, result in the creation of any Encumbrance upon any of the properties of the Purchaser or Merger Sub under, or result in there being declared void, voidable, or without further binding effect, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust or any license, franchise, permit, lease, contract, agreement or other instrument, commitment or obligation to which the Purchaser or Merger Sub is bound, except for any of the foregoing matters which would not individually or in the aggregate have a material adverse effect on the Purchaser and Merger Sub, taken as a whole.

7.5. FINANCING. At the consummation of the Offer and at the Effective Time, the Purchaser will cause the Merger Sub to have funds available to it sufficient to consummate the Offer and the Merger on the terms contemplated hereby. Affiliates of the Purchaser have, in the aggregate, committed capital of approximately $1.0 billion and the Purchaser intends to use a portion of those funds together with bank borrowings (together, the "FINANCING") in order to consummate the Offer and the Merger. The Purchaser has received from Chemical Bank and Chase Securities Inc. a commitment letter (the "COMMITMENT LETTER") confirming their commitments, subject to the terms and conditions thereof, to lend $900 million in senior debt financing. True and complete copies of the Commitment Letter have been delivered to the Company. To the extent that such bank borrowings are unavailable, the Purchaser will arrange for alternate financing for the transactions contemplated hereby.

ARTICLE 8

COVENANTS

8.1. NO SOLICITATION. Neither the Company nor any of its Subsidiaries, nor any of their respective officers, directors, employees, representatives, agents or affiliates, shall, directly or indirectly, encourage, solicit, initiate or, except as is required in the exercise of the fiduciary duties of the Company's directors to the Company or its stockholders after consultation with

outside counsel (as hereinafter defined) to the Company, participate in any way in any discussions or negotiations with, or provide any information to, or afford any access to the properties, books or records of the Company or any of its Subsidiaries to, or otherwise assist, facilitate or encourage, any corporation, partnership, person or other entity or group (other than the Purchaser or any affiliate or associate of the Purchaser) concerning any merger, consolidation, business combination, liquidation, reorganization, sale of substantial assets, sale of shares of capital stock or similar transactions involving the Company or any Subsidiary or any division of any thereof (an "ALTERNATIVE PROPOSAL"), and shall immediately cease and cause to be terminated any existing activities, discussions or negotiations with any parties conducted heretofore with respect to any of the foregoing; provided, however, that nothing contained in this SECTION 8.1 shall prohibit the Company or its Board of Directors from complying with Rule 14e-2(a) promulgated under the Exchange Act or from making such disclosure to the Company's stockholders or from taking such action which, in the judgment of the Board of Directors with the advice of outside counsel, may be required under applicable law. The Company will promptly notify the Purchaser if any such information is requested from it or any such negotiations or discussions are sought to be initiated with the Company.

8.2. INTERIM OPERATIONS.

(a) From the date of this Agreement to the Effective Time, except as set forth in SCHEDULE 8.2(a), unless Purchaser has consented in writing thereto, the Company shall, and shall cause each of its Subsidiaries to, (i) conduct its operations according to its usual, regular and ordinary course of business consistent with past practice; (ii) use its reasonable best efforts to preserve intact their business organizations and goodwill, maintain in effect all existing qualifications, licenses, permits, approvals and other authorizations referred to in SECTIONS 6.1 and 6.14, keep available the services of their officers and employees and maintain satisfactory relationships with those persons having business relationships with them; (iii) promptly upon the discovery thereof notify Purchaser of the existence of any breach of any representation or warranty contained herein (or, in the case of any representation or warranty that makes no reference to Material Adverse Effect, any breach of such representation or warranty in any material respect) or the occurrence of any event that would cause any representation or warranty contained herein no longer to be true and correct (or, in the case of any representation or warranty that makes no reference to Material Adverse Effect, to no longer be true and correct in any material respect); and (iv) promptly deliver to Purchaser true and correct copies of any report, statement or schedule filed with the SEC subsequent to the date of this Agreement, any internal monthly reports prepared for or delivered to the Board of Directors after the date hereof and monthly financial statements for the Company and its Subsidiaries for and as of each month end subsequent to the date of this Agreement.

(b) From and after the date of this Agreement to the Effective Time, except as set forth on SCHEDULE 8.2(b), unless Purchaser has consented in writing thereto, the Company shall not, and shall not permit any of its Subsidiaries to, (i) amend its Certificate of Incorporation or Bylaws or comparable governing instruments; (ii) issue, sell or pledge any shares of its capital stock or other ownership interest in the Company (other than issuances of Common Stock in respect of any exercise of Options outstanding on the date hereof and disclosed in SCHEDULE 6.4) or any of the Subsidiaries, or any securities convertible into or exchangeable for any such shares or ownership interest, or any rights, warrants or options to acquire or with respect to any such shares of capital stock, ownership interest, or convertible or exchangeable securities; or accelerate any right to convert or exchange or acquire any securities of the Company or any of its Subsidiaries for any such shares or ownership interest; (iii) effect any stock split or otherwise change its capitalization as it exists on the date hereof; (iv) grant, confer or award any option, warrant, convertible security or other right to acquire any shares of its capital stock or take any action to cause to be exercisable any otherwise unexercisable option under any existing stock option plan; (v) declare, set aside or pay any dividend or make any other distribution or payment with respect to any shares of its capital stock or other ownership interests (other than such payments by a wholly-owned Subsidiary); (vi) directly or indirectly redeem, purchase or otherwise acquire any shares of its capital stock or capital stock of any of its Subsidiaries; (vii) sell, lease or otherwise dispose of any of its assets (including capital stock of Subsidiaries), except in the ordinary course of business, none of which dispositions individually or in the aggregate will be material; (viii) settle or compromise any pending or threatened Litigation, other than settlements which involve solely the payment of money (without admission of liability) not to exceed $500,000 in any one case; (ix) acquire by merger, purchase or any other manner, any business or entity or otherwise acquire any assets that are material, individually or in the aggregate, to the Company and its Subsidiaries taken as a whole, except for purchases of inventory, supplies or capital equipment in the ordinary course of business consistent with past practice; (x) incur or assume any long-term or short-term debt, except for working capital purposes in the ordinary course of business under the Company's existing credit agreement set forth in SCHEDULE 6.19; (xi) assume, guarantee or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other person except wholly owned Subsidiaries of the Company; (xii) make or forgive any loans, advances or capital continuations to, or investments in, any other person other than loans and advances to employees in the ordinary course of business which do not exceed $500,000 in the aggregate at any one time outstanding; (xiii) make any Tax election or settle any Tax liability other than settlements involving solely the payment of money, which settlement would be permitted by clause (viii); (xiv) grant any stock related or performance awards except for grants which are substantially consistent with the Revised 1996 Budget; (xv) enter into any new employment, severance, consulting or salary continuation agreements with any officers, directors or employees or grant any increases in compensation or benefits to employees

other than increases which are substantially consistent with the Revised 1996 Budget (it being understood that the acquisition of employees as part of the acquisition of hospitals or other healthcare facilities is not covered by this clause (xv)); (xvi) adopt, amend in any material respect or terminate any employee benefit plan or arrangement; (xvii) amend, change or waive (or exempt any person or entity from the effect of) the Rights Agreement, except in connection with the exercise of its fiduciary duties by the Board of Directors as set forth in SECTION 8.1 of this Agreement or as contemplated by SECTION 6.23; (xviii) permit any insurance policy naming the Company or any Subsidiary as a beneficiary or a loss payee to be cancelled or terminated other than in the ordinary course of business; and (xix) agree in writing or otherwise to take any of the foregoing actions.

8.3. COMPANY STOCKHOLDER APPROVAL; PROXY STATEMENT.

(a) If approval or action in respect of the Merger by the stockholders of the Company is required by applicable law, the Company, acting through the Board of Directors, shall (i) call a meeting of its stockholders (the "STOCKHOLDERS MEETING") for the purpose of voting upon the Merger, (ii) hold the Stockholder Meeting as soon as practicable following the purchase of shares of Common Stock pursuant to the Offer, and (iii) subject to its fiduciary duties under applicable law as advised by outside counsel, recommend to its stockholders the approval of the Merger. The record date for the Stockholders Meeting shall be a date subsequent to the date Purchaser or Merger Sub becomes a record holder of Common Stock purchased pursuant to the Offer.

(b) If required by applicable law, the Company will, as soon as practicable following the expiration of the Offer, prepare and file a preliminary Proxy Statement (such proxy statement, and any amendments or supplements thereto, the "PROXY STATEMENT") or, if applicable, an Information Statement with the SEC with respect to the Stockholders Meeting and will use its best efforts to respond to any comments of the SEC or its staff and to cause the Proxy Statement to be cleared by the SEC. The Company will notify Purchaser of the receipt of any comments from the SEC or its staff and of any request by the SEC or its staff for amendments or supplements to the Proxy Statement or for additional information and will supply Purchaser with copies of all correspondence between the Company or any of its representatives, on the one hand, and the SEC or its staff, on the other hand, with respect to the Proxy Statement or the Merger. The Company shall give Purchaser and its counsel the opportunity to review the Proxy Statement prior to its being filed with the SEC and shall give Purchaser and its counsel the opportunity to review all amendments and supplements to the Proxy Statement and all responses to requests for additional information and replies to comments prior to their being filed with, or sent to, the SEC. Each of the Company and Purchaser agrees to use its best efforts, after consultation with the other parties hereto, to respond promptly to all such comments of and requests by the SEC. As promptly as practicable after the Proxy Statement has been cleared by the SEC, the Company

shall mail the Proxy Statement to the stockholders of the Company. If at any time prior to the approval of this Agreement by the Company's stockholders there shall occur any event that should be set forth in an amendment or supplement to the Proxy Statement, the Company will prepare and mail to its stockholders such an amendment or supplement.

(c) The Company represents and warrants that the Proxy Statement will comply as to form in all material respects with the Exchange Act and, at the respective times filed with the SEC and distributed to stockholders of the Company, will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, that the Company makes no representation or warranty as to any information included in the Proxy Statement which was provided by Purchaser or Merger Sub. The Purchaser represents and warrants that none of the information supplied by Purchaser or Merger Sub for inclusion in the Proxy Statement will, at the respective times filed with the SEC and distributed to stockholders of the Company, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(d) The Company shall use its best efforts to obtain the necessary approvals by its stockholders of the Merger, this Agreement and the transactions contemplated hereby.

(e) Purchaser agrees, subject to applicable law, to cause all shares of Common Stock purchased by Merger Sub pursuant to the Offer and all other shares of Common Stock owned by Purchaser, Merger Sub or any other subsidiary or affiliate of Purchaser to be voted in favor of the approval of the Merger.

(f) Notwithstanding anything in this Agreement to the contrary, Purchaser and Merger Sub, in their sole discretion, shall have the right to defer the closing of the Merger for a period of 135 days following the consummation of the Offer if, in Purchaser's and Merger Sub's sole judgment, such deferral is necessary in order to enable the Company to effect a covenant defeasance under the indenture (the "INDENTURE") related to the Company's 10 1/4% Senior Subordinated Debentures due 2003 (the "DEBENTURES").

8.4. FILINGS; OTHER ACTION.

(a) Subject to the terms and conditions herein provided, the Company, Purchaser, and Merger Sub shall: (a) use their best efforts to cooperate with one another in (i) determining which filings are required to be made prior to the Effective Time with, and which consents, approvals, permits, authorizations or

waivers are required to be obtained prior to the Effective Time from, Governmental Entities or other third parties in connection with the execution and delivery of this Agreement and any other Ancillary Documents and the consummation of the transactions contemplated hereby and thereby and (ii) timely making all such filings and timely seeking all such consents, approvals, permits, authorizations and waivers; and (b) use their best efforts to take, or cause to be taken, all other action and do, or cause to be done, all other things necessary, proper or appropriate to consummate and make effective the transactions contemplated by this Agreement. If, at any time after the Effective Time, any further action is necessary or desirable to carry out the purpose of this Agreement, the proper officers and directors of Purchaser and the Surviving Corporation shall take all such necessary action.

(b) Concurrently with the commencement of the Offer, the Company shall commence (i) an offer (the "DEBENTURE OFFER") to purchase all of the outstanding Debentures, and (ii) a solicitation as part of the Debenture Offer (the "SOLICITATION") of consents to amendments to the Indenture from the holders of not less than a majority in aggregate principal amount of the Debentures outstanding (the consents from such holders, the "REQUISITE CONSENTS"). The Debenture Offer and Solicitation (including the amendments) shall be on terms determined by Purchaser, provided that the Company shall not be required to purchase the Debentures pursuant to the Debenture Offer, and the proposed amendments, if approved, shall not become operative, unless (i) Purchaser has consummated the Offer and (ii) the Company has received the proceeds of financing arranged by Purchaser in an amount sufficient to (a) consummate the Debenture Offer and pay all fees and expenses associated therewith, and (b) refinance any indebtedness of the Company coming due by reason of the Debenture Offer and Solicitation and consummation thereof. The Company agrees that promptly following the date the Requisite Consents are obtained it will execute a supplemental indenture containing the proposed amendments that by their terms shall become operative only upon consummation of the Offer and the Debenture Offer.

8.5. ACCESS TO INFORMATION.

(a) From the date of this Agreement to the Closing, the Company shall, and shall cause its Subsidiaries to, (i) give Purchaser and its authorized representatives and lender banks full access to all books, records, personnel, offices and other facilities and properties of the Company and its Subsidiaries and their accountants and accountants' work papers, (ii) permit Purchaser to make such copies and inspections thereof as Purchaser may reasonably request and (iii) furnish Purchaser with such financial and operating data and other information with respect to the business and properties of the Company and its Subsidiaries as Purchaser may from time to time reasonably request; provided that no investigation or information furnished pursuant to this SECTION 8.5 shall affect any representations or warranties made by the Company herein or the conditions to the obligations of the Purchaser to consummate the transactions contemplated hereby.

(b) All such information and access shall be subject to the provisions of the letter agreement between an affiliate of Purchaser and the Company (the "CONFIDENTIALITY AGREEMENT") relating to the confidential treatment of "Proprietary Information" (as defined therein).

8.6. PUBLICITY. The initial press release relating to this Agreement shall be a joint press release and thereafter the Company and Purchaser shall, subject to their respective legal obligations, consult with each other before issuing any such press release or otherwise making public statements with respect to the transactions contemplated hereby and in making any filings with any Governmental Entity or with any national securities exchange with respect thereto.

8.7. FURTHER ACTION. Each party hereto shall, subject to the fulfillment at or before the Effective Time of each of the conditions of performance set forth herein or the waiver thereof, perform such further acts and execute such documents as may be reasonably required to effect the Merger.

8.8. INSURANCE; INDEMNITY.

(a) The Purchaser will cause the Surviving Corporation to purchase a three-year pre-paid noncancellable directors and officers insurance policy expiring not earlier than October 7, 1999, covering the current and all former directors and officers with respect to acts or failures to act prior to the Effective Time, in a single aggregate amount over the period expiring not earlier than October 7, 1999 equal to the policy limit for the Company's current directors and officers insurance policy (the "CURRENT POLICY"). If such insurance is not obtainable at a cost not in excess of the annual premium paid by the Company for the Current Policy (the "CAP") times 3.25, then the Purchaser will cause the Surviving Corporation to purchase policies providing at least the same coverage as the Current Policy and containing terms and conditions no less advantageous to the current and former directors and officers of the Company than the Current Policy with respect to acts or failures to act prior to the Effective Time; provided, however, that the Purchaser and the Surviving Corporation shall not be required to obtain policies providing such coverage except to the extent that such coverage can be provided at an annual cost of no greater than the Cap; and if equivalent coverage cannot be obtained, or can be obtained only by paying an annual premium in excess of the Cap, the Purchaser or the Surviving Corporation shall only be required to obtain as much coverage as can be obtained by paying an annual premium equal to the Cap.

(b) The Purchaser shall cause the Surviving Corporation to keep in effect in its By-Laws a provision for a period of not less than three years from the Effective Time (or, in the case of matters occurring prior to the Effective Time which have not been resolved prior to the third anniversary of the Effective Time,

until such matters are finally resolved) which provides for indemnification of the past and present officers and directors of the Company to the fullest extent permitted by the DGCL.

(c) From and after the Effective Time, the Purchaser shall indemnify and hold harmless, to the fullest extent permitted under applicable law, each person who is, or has been at any time prior to the date hereof or who becomes prior to the Effective Time, an officer or director of the Company or any Subsidiary against all losses, claims, damages, liabilities, costs or expenses (including attorneys' fees), judgments, fines, penalties and amounts paid in settlement (collectively, "LOSSES") in connection with any Litigation arising out of or pertaining to acts or omissions, or alleged acts or omissions, by them in their capacities as such, which acts or omissions existed or occurred at or prior to the Effective Time, whether commenced, asserted or claimed before or after the Effective Time, including, without limitation, liabilities arising under the Securities Act, the Exchange Act and state corporation laws in connection with the transactions contemplated hereby. Without limiting the foregoing, the Company and after the Effective Time the Purchaser shall periodically advance expenses as incurred with respect to the foregoing to the fullest extent permitted under applicable law provided that the person to whom the expenses are advanced provides an undertaking to repay such advance if it is ultimately determined that such person is not entitled to indemnification.

(d) If the Merger shall have been consummated, the Surviving Corporation shall, to the fullest extent permitted under applicable law, indemnify and hold harmless the Purchaser and any person or entity who was a stockholder, officer, director or affiliate of Purchaser prior to the Effective Time against any Losses in connection with any Litigation arising out of or pertaining to any of the transactions contemplated by this Agreement or the Ancillary Documents. The Purchaser shall periodically advance expenses as incurred with respect to the foregoing to the fullest extent permitted under applicable law provided that the person to whom the expenses are advanced provides an undertaking to repay such advance if it is ultimately determined that such person is not entitled to indemnification.

(e) If any Litigation described in paragraph (c) or (d) of this SECTION 8.8 (each, an "ACTION") arises or occurs, the Surviving Corporation shall control the defense of such Action through its counsel, but counsel for the party seeking indemnification pursuant to paragraph (c) or (d) of this SECTION 8.8 (each, an "INDEMNIFIED PARTY") shall be selected by the Indemnified Party, which counsel shall be reasonably acceptable to the Surviving Corporation, and the Indemnified Parties shall be permitted to participate in the defense of such Action through such counsel at the Corporation's expense. If there is any conflict between the Surviving Corporation and any Indemnified Parties or there are additional defenses available to any Indemnified Parties, the Indemnified Parties shall be permitted to

participate in the defense of such Action with counsel selected by the Indemnified Parties, which counsel shall be reasonably acceptable to the Surviving Corporation; provided that the Surviving Corporation shall not be obligated to pay the reasonable fees and expenses of more than one counsel for all Indemnified Parties in any single Action except to the extent that, in the opinion of counsel for the Indemnified Parties, two or more of such Indemnified Parties have conflicting interests in the outcome of such Action. The Surviving Corporation shall not be liable for any settlement effected without its written consent, which consent shall not unreasonably be withheld. The Purchaser shall cause the Surviving Corporation to cooperate in the defense of any Action.

(f) This Section 8.8 is intended to benefit each of the persons referred to herein and shall be binding on all successors and assigns of the Company and the Purchaser.

8.9. RESTRUCTURING OF MERGER. Upon the mutual agreement of Purchaser and the Company, the Merger shall be restructured in the form of a forward subsidiary merger of the Company into Merger Sub, with Merger Sub being the surviving corporation, or as a merger of the Company into Purchaser, with Purchaser being the surviving corporation. In such event, this Agreement shall be deemed appropriately modified to reflect such form of merger.

8.10. EMPLOYEE BENEFIT PLANS.

(a) From and after the Effective Time, the Surviving Corporation and their respective subsidiaries will honor and assume, and Purchaser will cause the Surviving Corporation to honor and assume, in accordance with their terms, all existing employment and severance agreements between the Company or any of its Subsidiaries and any officer, director, or employee of the Company or any of its Subsidiaries and all benefits or other amounts earned or accrued to the extent vested or which becomes vested in the ordinary course, through the Effective Time under all employee benefit plans of the Company and any of its Subsidiaries.

(b) The Purchaser confirms that it is the Purchaser's intention that, until the first anniversary of the Effective Time, the Surviving Corporation and its Subsidiaries will provide benefits to their employees (excluding employees covered by collective bargaining agreements, if any) which benefits will, in the aggregate, be substantially equivalent to those currently provided by the Company and its Subsidiaries to such employees (other than pursuant to stock option, stock purchase or other stock based plans). The Purchaser intends that, after the first anniversary of the Effective Time, the Surviving Corporation and its Subsidiaries will provide benefits to their employees (excluding employees covered by collective bargaining agreements, if any) which benefits are appropriate in the judgment of the Surviving Corporation, taking into account all relevant factors, including, without

limitation, the businesses in which the Surviving Corporation and its Subsidiaries are engaged.

8.11. NO LIABILITY FOR FAILURE TO OBTAIN CONSENT OF LENDERS. The Purchaser and Merger Sub hereby agree that neither the Company nor any of its Affiliates (as defined below) will incur any liability to Purchaser or Merger Sub if the transactions contemplated hereby are not consummated because of the failure or inability to obtain any consent, approval or waiver under the terms of the Amended and Restated Credit Agreements, dated as of May 12, 1995, by and among the Company, certain Subsidiaries, the lenders named therein, NationsBank of Tennessee, N.A., as Administrative Agent, and First Union National Bank of North Carolina, as Co-Agent and Issuing Bank. As used in this Section 8.11, the term "Affiliates" shall mean any person directly or indirectly controlling the Company (including all directors, officers and employees), directly or indirectly controlled by or under direct or indirect common control with the Company.

ARTICLE 9

CONDITIONS

9.1. CONDITIONS TO EACH PARTY'S OBLIGATION TO EFFECT THE MERGER. The respective obligation of each party to effect the Merger shall be subject to the satisfaction or waiver, where permissible, prior to the Effective Time, of the following conditions:

(a) If approval of this Agreement and the Merger by the holders of Common Stock is required by applicable law, this Agreement and the Merger shall have been approved by the requisite vote of such holders.

(b) There shall not have been issued any injunction or issued or enacted any Law which prohibits or has the effect of prohibiting the consummation of the Merger or makes such consummation illegal.

9.2. CONDITIONS TO OBLIGATION OF PURCHASER AND MERGER SUB TO EFFECT THE MERGER. The obligations of Purchaser and Merger Sub to effect the Merger shall be further subject to the satisfaction or waiver on or prior to the Effective Time of the condition that Purchaser shall have accepted for payment and paid for shares of Common Stock tendered pursuant to the Offer; provided that this condition shall be deemed satisfied if the Purchaser's failure to accept for payment and pay for such shares breaches this Agreement or violates the terms and conditions of the Offer.

ARTICLE 10

TERMINATION; AMENDMENT; WAIVER

10.1. TERMINATION. This Agreement may be terminated and the Merger contemplated hereby may be abandoned at any time notwithstanding approval thereof by the stockholders of the Company, but prior to the Effective Time:

(a) by mutual written consent of the Board of Directors of the Company (subject to SECTION 1.4) and the Purchaser;

(b) by the Purchaser or the Company:

(i) if the Effective Time shall not have occurred on or before December 31, 1996 (provided that the right to terminate this Agreement pursuant to this clause (i) shall not be available to any party whose failure to fulfill any obligation under this Agreement has been the cause of or resulted in the failure of the Effective Time to occur on or before such date);

(ii) if there shall be any statute, law, rule or regulation that makes consummation of the Offer or the Merger illegal or prohibited or if any court of competent jurisdiction in the United States or other Governmental Entity shall have issued an order, judgment, decree or ruling, or taken any other action restraining, enjoining or otherwise prohibiting the Merger and such order, judgment, decree, ruling or other action shall have become final and non-appealable;

(iii) after October 31, 1996 if, on account of the failure of any condition specified in EXHIBIT A, the Merger Sub has not purchased any shares of Common Stock in the Offer by that date (provided that the right to terminate this Agreement pursuant to this clause (iii) shall not be available to any party whose failure to fulfill any obligation under this Agreement has been the cause of or resulted in the failure of any such condition); or

(iv) upon a vote at a duly held meeting or upon any adjournment thereof, the stockholders of the Company shall have failed to give any approval required by applicable law;

(c) by the Company if there is an Alternative Proposal which the Board of Directors in good faith determines is more favorable from a financial point of view to the stockholders of the Company as compared to the Offer and the Merger, and the Board of Directors determines, after consultation with Skadden, Arps, Slate, Meagher & Flom ("OUTSIDE COUNSEL"), that failure to terminate this Agreement would be inconsistent with the compliance by the Board of Directors

with its fiduciary duties to stockholders imposed by law; provided, however, that the right to terminate this Agreement pursuant to this SECTION 10.1(c) shall not be available (i) if the Company has breached in any material respect its obligations under SECTION 8.1, or (ii) if the Alternative Proposal (x) is subject to a financing condition or (y) involves consideration that is not entirely cash or does not permit stockholders to receive the payment of the offered consideration in respect of all shares at the same time, unless the Board of Directors has been furnished with a written opinion of the Financial Advisor or other nationally recognized investment banking firm to the effect that (in the case of clause (x)) the Alternative Proposal is readily financeable and (in the case of clause (y)) that such offer provides a higher value per share than the consideration per share pursuant to the Offer or the Merger, or (iii) if, prior to or concurrently with any purported termination pursuant to this SECTION 10.1(c), the Company shall not have paid the fees and expenses contemplated by SECTION 11.5, or (iv) if the Company has not provided Purchaser and Merger Sub with prior written notice of its intent to so terminate this Agreement and delivered to the Purchaser and Merger Sub a copy of the written agreement embodying the Alternative Proposal in its then most definitive form concurrently with the earlier of (x) the public announcement of, or (y) filing with the SEC of any documents relating to, the Alternative Proposal; and

(d) by the Purchaser if the Board of Directors shall have failed to recommend, or shall have withdrawn, modified or amended in any material respect, its approval or recommendation of the Offer or the Merger, or shall have recommended acceptance of any Alternative Proposal, or shall have resolved to do any of the foregoing.

10.2. EFFECT OF TERMINATION. If this Agreement is terminated and the Merger is abandoned pursuant to SECTION 10.1 hereof, this Agreement, except for the provisions of SECTIONS 1.3(c), 8.5(b), 8.6 and ARTICLE 11, shall terminate, without any liability on the part of any party or its directors, officers or stockholders. Nothing herein shall relieve any party to this Agreement of liability for breach of this Agreement or prejudice the ability of the non-breaching party to seek damages from any other party for any breach of this Agreement, including without limitation, attorneys' fees and the right to pursue any remedy at law or in equity.

10.3. AMENDMENT. To the extent permitted by applicable law, this Agreement may be amended by action taken by or on behalf of the Board of Directors of the Company (subject to SECTION 1.4) and the Purchaser at any time before or after adoption of this Agreement by the stockholders of the Company but, after any such stockholder approval, no amendment shall be made which decreases the Merger Consideration or which adversely affects the rights of the Company's stockholders hereunder without the approval of such stockholders. This Agreement may not be amended except by an instrument in writing signed on behalf of all of the parties.

10.4. EXTENSION; WAIVER. At any time prior to the Effective Time, the parties hereto, by action taken by or on behalf of the Board of Directors of the Company (subject to SECTION 1.4) and the Purchaser, may (i) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (ii) waive any inaccuracies in the representations and warranties contained herein by any other applicable party or in any document, certificate or writing delivered pursuant hereto by any other applicable party or (iii) waive compliance with any of the agreements or conditions contained herein. Any agreement on the part of any party to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party.

ARTICLE 11

GENERAL PROVISIONS

11.1. NONSURVIVAL OF REPRESENTATIONS AND WARRANTIES. None of the representations and warranties in this Agreement or in any instrument delivered pursuant to this Agreement shall survive the Effective Time.

11.2. NOTICES. Any notice required to be given hereunder shall be sufficient if in writing, and sent by facsimile transmission (with a confirmatory copy sent by overnight courier), by courier service (with proof of service), hand delivery or certified or registered mail (return receipt requested and first-class postage prepaid), addressed as follows:

If to Purchaser or Merger Sub:	If to the Company:
FLCH Holdings Corp. FLCH Acquisition Corp. c/o Forstmann Little & Co. 767 Fifth Avenue New York, NY 10153 Attn: Ms. Sandra Horbach Facsimile: (212) 759-9059	Community Health Systems, Inc. 155 Franklin Road Suite 400 Brentwood, TN 37027-4600 Attn: Chairman of the Board and Chairman of the Special Committee Facsimile: (615) 377-1172

With a copy to:	With a copy to:
Stephen Fraidin, P.C. Fried, Frank, Harris, Shriver & Jacobson One New York Plaza New York, New York 10004 Facsimile: (212) 859-4000	J. Michael Schell, Esq. Skadden, Arps, Slate, Meagher & Flom 919 Third Avenue New York, New York 10022 Facsimile: (212) 735-2000

or to such other address as any party shall specify by written notice so given, and such notice shall be deemed to have been delivered as of the date so telecommunicated, personally delivered or mailed.

11.3. ASSIGNMENT; BINDING EFFECT. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other parties; provided, however, that either Purchaser or Merger Sub (or both) may assign its rights hereunder (including without limitation the right to make the Offer and/or to purchase shares of Common Stock in the Offer) to an affiliate but nothing shall relieve the assignor from its obligations hereunder. Subject to the preceding sentence, this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns. Notwithstanding anything contained in this Agreement to the contrary, except for the provisions of SECTION 8.8, nothing in this Agreement, expressed or implied, is intended to confer on any person other than the parties hereto or their respective heirs, successors, executors, administrators and assigns any rights, remedies, obligations or liabilities under or by reason of this Agreement.

11.4. ENTIRE AGREEMENT. This Agreement, the Confidentiality Agreement, the Schedules, the Exhibits, the Ancillary Documents and any other documents delivered by the parties in connection herewith constitute the entire agreement among the parties with respect to the subject matter hereof and supersede all prior agreements and understandings among the parties with respect thereto.

11.5. FEES AND EXPENSES.

(a) Except as provided in SECTION 11.5(b), whether or not the Offer or the Merger is consummated, all costs and expenses incurred in connection with the transactions contemplated by this Agreement shall be paid by the party incurring such expenses.

(b)(1) To compensate Forstmann Little & Co. and its affiliates for incurring the costs and expenses related to the transactions contemplated hereby

and the forgoing by Forstmann Little & Co. or its affiliates of the opportunity with respect to their investment in Purchaser in connection herewith, the Company agrees that it shall pay to Forstmann Little & Co. and its affiliates, in such manner as is designated by Forstmann Little & Co., an aggregate amount equal to $45,000,000 (the "COMMITMENT AMOUNT") if this Agreement is terminated (i) by the Company pursuant to SECTION 10.1(c); (ii) by the Purchaser (x) pursuant to SECTION 10.1(d) (unless the event described therein occurs solely as a result of the Purchaser's willful breach in any material respect of its representations, warranties or obligations contained herein) or (y) pursuant to SECTION 10.1(b)(iii) because of the failure of the condition set forth in paragraph (d) of EXHIBIT A as a result of the Company's willful breach or willful failure to comply in any material respect with any of its material obligations under this Agreement; or (iii) pursuant to SECTION 10.1(b)(iii) at a time when the Minimum Condition shall not have been satisfied and, either (x) during the term of this Agreement or within 12 months after the termination of this Agreement, the Board of Directors recommends an Alternative Proposal or the Company enters into an agreement providing for an Alternative Proposal or a majority of the outstanding shares of Common Stock is acquired by a third party (including a "group" as defined in the Exchange Act) (a "STOCK ACQUISITION") which Alternative Proposal (or another Alternative Proposal by the same or a related person or entity) was made prior to the termination of this Agreement, or (y) during the term of this Agreement or within two months after the termination of this Agreement, the Board of Directors recommends an Alternative Proposal or the Company enters into an agreement providing for an Alternative Proposal or a Stock Acquisition occurs.

The Commitment Amount shall be payable (x) at the time of termination if such Amount becomes payable pursuant to clause (i) above, (y) on the next business day following termination if such Amount becomes payable pursuant to clause (ii) above, and (z) on the next business day following the earliest of the recommendation of an Alternative Proposal, the entering into of an agreement providing for an Alternative Proposal or the occurrence of an Alternative Proposal, if such Amount becomes payable pursuant to clause (iii) above.

(2) The Company shall reimburse the Purchaser and its affiliates for the documented reasonable out-of-pocket expenses of the Purchaser and its affiliates, but not in excess of $15,000,000 in the aggregate, incurred in connection with or arising out of the Offer, the Merger, this Agreement and the Ancillary Documents and the transactions contemplated hereby (including, without limitation, amounts paid or payable to banks and investment bankers, fees and expenses of counsel, accountants and consultants, and printing expenses), regardless of when those expenses are incurred, if this Agreement is terminated (i) by the Company pursuant to SECTION 10.1(c); (ii) by the Purchaser (x) pursuant to SECTION 10.1(d) (unless the event described therein occurs solely as a result of the Purchaser's willful breach in any material respect of its representations, warranties or obligations contained herein) or (y) pursuant to SECTION 10.1(b)(iii)

because of the failure of the condition set forth in paragraph (d) of EXHIBIT A, or (iii) pursuant to SECTION 10.1(b)(iii) at a time when the Minimum Condition shall not have been satisfied and, either (x) during the term of this Agreement or within 12 months after the termination of this Agreement, the Board of Directors recommends an Alternative Proposal or the Company enters into an agreement providing for an Alternative Proposal or a Stock Acquisition occurs which Alternative Proposal (or another Alternative Proposal by the same or a related person or entity) was made prior to the termination of this Agreement, or (y) during the term of this Agreement or within two months after the termination of this Agreement, the Board of Directors recommends an Alternative Proposal or the Company enters into an agreement providing for an Alternative Proposal or a Stock Acquisition occurs. No amounts in reimbursement of expenses shall be payable pursuant to this paragraph (2) if the Commitment Amount has been paid. If the Company shall have reimbursed the Purchaser for expenses incurred by the Purchaser and its affiliates pursuant to this paragraph (2) and thereafter the Commitment Amount shall become payable pursuant to paragraph (1) of this Section 11.5(b), then the Commitment Amount shall be reduced by the amount of any reimbursed expenses.

(3) The Company acknowledges that the agreements contained in this SECTION 11.5(b) are an integral part of the transactions contemplated by this Agreement, and that, without these agreements, the Purchaser would not enter into this Agreement. Accordingly, if the Company fails to promptly pay any amounts owing pursuant to this SECTION 11.5(b) when due, the Company shall in addition thereto pay to the Purchaser and its affiliates all costs and expenses (including fees and disbursements of counsel) incurred in collecting such amounts, together with interest on such amounts (or any unpaid portion thereof) from the date such payment was required to be made until the date such payment is received by the Purchaser at the prime rate of Chemical Bank as in effect from time to time during such period; provided, however, that no costs, expenses, or interest shall be paid in respect of any payment owing under clause (y) of SECTION 11.5(b)(1)(ii). If the Company shall fail to pay the Commitment Amount when due, and the Purchaser shall notify the Company of such failure to pay, the Purchaser agrees that it will include in its notice to the Company a statement as to which clause of Section 11.5(b)(1) the Purchaser believes entitles it to payment.

11.6. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without regard to its rules of conflict of laws. Each of the Company, Purchaser and Merger Sub hereby irrevocably and unconditionally consents to submit to the exclusive jurisdiction of the courts of the State of Delaware and of the United States of America located in the State of Delaware (the "DELAWARE COURTS") for any litigation arising out of or relating to this Agreement and the transactions contemplated hereby (and agrees not to commence any litigation relating thereto except in such courts), waives any objection to the laying of venue of any such litigation in the

Delaware Courts and agrees not to plead or claim in any Delaware Court that such litigation brought therein has been brought in an inconvenient forum.

11.7. HEADINGS. Headings of the Articles and Sections of this Agreement are for the convenience of the parties only, and shall be given no substantive or interpretive effect whatsoever.

11.8. INTERPRETATION. In this Agreement, unless the context otherwise requires, words describing the singular number shall include the plural and vice versa, and words denoting any gender shall include all genders and words denoting natural persons shall include corporations and partnerships and vice versa. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." As used in this Agreement, "Subsidiary" shall mean, when used with respect to any party, any corporation or other organization, whether incorporated or unincorporated, of which such party directly or indirectly owns or controls at least a majority of the securities or other interests having by their terms ordinary voting power to elect a majority of the board of directors or others performing similar functions with respect to such corporation or other organization. "Significant Subsidiaries" shall refer to Subsidiaries (as defined above) which constitute "significant subsidiaries" under Rule 12b-2 under the Exchange Act. As used in this Agreement, "MATERIAL ADVERSE EFFECT" shall mean a material adverse effect on the business, results of operations, assets or financial condition of the Company and its Subsidiaries taken as a whole.

11.9. INVESTIGATIONS. No action taken pursuant to this Agreement, including, without limitation, any investigation by or on behalf of any party, shall be deemed to constitute a waiver by the party taking such action of compliance with any representations, warranties, covenants or agreements contained in this Agreement.

11.10. SEVERABILITY. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable.

11.11. ENFORCEMENT OF AGREEMENT. The parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with its specific terms or was otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce

specifically the terms and provisions hereof in any Delaware Court, this being in addition to any other remedy to which they are entitled at law or in equity.

11.12. COUNTERPARTS. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument. Each counterpart may consist of a number of copies hereof each signed by less than all, but together signed by all, of the parties hereto.

IN WITNESS WHEREOF, the parties have executed this Agreement and caused the same to be duly delivered on their behalf on the day and year first written above.

COMMUNITY HEALTH SYSTEMS, INC.

By:

Name:
Title:

FLCH HOLDINGS CORP.

By:

Name:
Title:

FLCH ACQUISITION CORP.

By:

Name:
Title:

EXHIBIT A

CONDITIONS OF THE OFFER

Notwithstanding any other term of the Offer, Merger Sub shall not be required to accept for payment or pay for, subject to any applicable rules and regulations of the SEC, including Rule 14e-1(c) of the Exchange Act, any shares of Common Stock not theretofore accepted for payment or paid for and may terminate or amend the Offer as to such shares of Common Stock unless there shall have been validly tendered and not withdrawn prior to the expiration of the Offer that number of shares of Common Stock which would represent at least a majority of the outstanding shares of Common Stock on a fully diluted basis (the "MINIMUM CONDITION"). Furthermore, notwithstanding any other term of the Offer or this Agreement, Merger Sub shall not be required to accept for payment or, subject as aforesaid, to pay for any shares of Common Stock not theretofore accepted for payment or paid for, and may terminate or amend the Offer if at any time on or after the date of this Agreement and before the acceptance of such shares of Common Stock for payment or the payment therefor, any of the following conditions exist or shall occur and remain in effect:

(a) there shall have been instituted or pending any litigation by the Government of the United States of America or any agency or instrumentality thereof (i) which seeks to challenge the acquisition by Purchaser or Merger Sub (or any of its affiliates) of shares of Common Stock pursuant to the Offer or restrain, prohibit or delay the making or consummation of the Offer or the Merger, (ii) which seeks to make the purchase of or payment for some or all of the shares of Common Stock pursuant to the Offer or the Merger illegal, (iii) which seeks to impose limitations on the ability of Purchaser or Merger Sub (or any of their affiliates) effectively to acquire or hold, or to require the Purchaser, Merger Sub or the Company or any of their respective affiliates or subsidiaries to dispose of or hold separate, any material portion of their assets or business, (iv) which seeks to impose limitations on the ability of Purchaser, Merger Sub or their affiliates to exercise full rights of ownership of the shares of Common Stock purchased by it, including, without limitation, the right to vote the shares purchased by it on all matters properly presented to the stockholders of the Company, or (v) which seeks to limit or prohibit any future business activity by Purchaser, Merger Sub or any of their affiliates, including, without limitation, requiring the prior consent of any person or entity (including the Government of the United States of America or any agency or instrumentality thereof) to future transactions by Purchaser, Merger Sub or any of their affiliates; or

(b) there shall have been promulgated, enacted, entered, enforced or deemed applicable to the Offer or the Merger, by any Governmental Entity, any Law or there shall have been issued any injunction that results in any of the consequences referred to in subsection (a) above; or

(c) this Agreement shall have been terminated in accordance with its terms; or

(d) (i) any of the representations and warranties made by the Company in this Agreement shall not have been true and correct in all material respects when made, or shall thereafter have ceased to be true and correct in all material respects as if made as of such later date (other than representations and warranties made as of a specified date) or (ii) the Company shall have breached or failed to comply in any material respect with any of its obligations under this Agreement; or

(e) any corporation, entity, "group" or "person" (as defined in the Exchange Act), other than Purchaser or Merger Sub, shall have acquired beneficial ownership of more than 49% of the outstanding shares of Common Stock; or

(f) except as set forth in the Company Reports or the Schedules to the Agreement, any change shall have occurred or be threatened which individually or in the aggregate has had or is continuing to have a material adverse effect on the prospects of the Company and its Subsidiaries, taken as a whole; or

(g) there shall have occurred (i) any general suspension of, or limitation on prices for, trading in securities on any national securities exchange or in the over the counter market in the United States, (ii) a declaration of any banking moratorium by federal or state authorities or any suspension of payments in respect of banks or any limitation (whether or not mandatory) imposed by federal or state authorities on the extension of credit by lending institutions in the United States, (iii) a commencement of a war, armed hostilities or any other international or national calamity directly or indirectly involving the United States, other than any war, armed hostilities or other international calamity involving the former Yugoslavia, (iv) any mandatory limitation by the federal government on the extension of credit by banks or other financial institutions generally, (v) any increase of 500 or more basis points in the prime rate as announced by Chemical Bank, measured from the date of this Agreement, or (vi) in the case of the foregoing clause (iii), if existing at the time of the commencement of the Offer, in the reasonable judgment of the Purchaser, a material acceleration or worsening thereof.

The foregoing conditions are for the sole benefit of Purchaser and Merger Sub and may be asserted by Purchaser or Merger Sub regardless of the circumstances (including any action or inaction by the Purchaser or the Company) giving rise to any such condition and may be waived by Purchaser or Merger Sub, in whole or in part, at any time and from time to time, in the sole discretion of Purchaser. The failure by Purchaser or Merger Sub at any time to exercise any of the foregoing rights will not be deemed a waiver of any right, the waiver of such right with respect to any particular facts or circumstances shall not be deemed a waiver with respect to any other facts or circumstances, and each right will be deemed an ongoing right which may be asserted at any time and from time to time.

Should the Offer be terminated pursuant to the foregoing provisions, all tendered shares of Common Stock not theretofore accepted for payment shall forthwith be returned by the depositary to the tendering stockholders.

Exhibit 10.1

STOCK OPTION AGREEMENT (the "Agreement"), dated as of [[Date]], 1997, between Community Health Systems Holdings Corp., a Delaware corporation (together with its successors, the "Company"), and [[Name]] (the "Optionee").

1. GRANT OF OPTION.

1.1 GRANT. The Company hereby grants to the Optionee the right and option (the "Option") to purchase all or any part of an aggregate of 250 whole shares of Class A Common Stock, par value $.01 per share, of the Company (the "Class A Common Stock") (such number being subject to adjustment as provided in Section 8 hereof) on the terms and conditions set forth in this Agreement.

1.2 NON-QUALIFIED OPTION. The Option is not intended to qualify as an Incentive Stock Option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended.

2. PURCHASE PRICE. The price at which the Optionee shall be entitled to purchase shares of Class A Common Stock upon the exercise of this Option shall be $1,073.52 per share (such price being subject to adjustment as provided in Section 8 hereof) (the "Option Price").

3. DURATION OF OPTION. The Option shall be exercisable at any time to the extent and in the manner provided herein for a period of 10 years from the date hereof; provided, however, that the Option may be earlier terminated as provided in Section 4, Section 6, or Section 7 hereof.

4. EXERCISABILITY OF OPTION.

4.1 AMOUNT OF EXERCISE. Subject to the provisions of this Agreement, the Option shall be exercisable in accordance with the following schedule:

(a) on or after the first anniversary of the date hereof but before the second anniversary of the date hereof, the Option may be exercised to acquire up to one-third of the aggregate number of shares of Class A Common Stock which may be purchased pursuant to the Option as set forth in Section 1.1 hereof, less any shares previously acquired pursuant to the Option;

(b) on or after the second anniversary of the date hereof but before the third anniversary of the date hereof, the Option may be exercised to acquire up to two-thirds of the aggregate number of shares of Class A Common Stock which may be purchased pursuant to the Option as set forth

in Section 1.1 hereof, less any shares previously acquired pursuant to the Option;

(c) on or after the third anniversary of the date hereof but before the expiration of the term of the Option, the Option may be exercised to acquire up to 100% of the aggregate number of shares of Class A Common Stock which may be purchased pursuant to the Option as set forth in Section 1.1 hereof, less any shares previously acquired pursuant to the Option.

4.2 SALES OR OTHER EVENTS. The Company shall give the Optionee 10 days' notice (or, if not practicable, such shorter notice as may be practicable) prior to the anticipated date of the consummation of a Total Sale (as hereinafter defined) or the anticipated date of the consummation of a Partial Sale (as hereinafter defined) (the "Sale Notice"). Upon receipt of the Sale Notice, and for a period of five days thereafter (or such shorter period as the Board of Directors of the Company shall determine and so notify the Optionee), the Optionee shall be permitted to exercise the Option to the extent provided in this Section 4.2, whether or not the Option was otherwise so exercisable on the date the Sale Notice was given; provided, that, in the event of a Total Sale or a Partial Sale in which the Optionee would be required to participate pursuant to Section 2.3 or 2.4 of the Stockholder's Agreement attached hereto as Exhibit A (the "Stockholder's Agreement") were the Optionee then a party to such agreement, the Company may require the Optionee to exercise the Option to the extent necessary to enable the Optionee to participate therein or to forfeit the Option (or portion thereof, as applicable). In the case of a Total Sale, the Option may be exercised in whole or in part for up to the full amount of the shares of Class A Common Stock covered thereby (less the number of shares previously acquired by the Optionee upon exercise of the Option, if any). In the case of a Partial Sale, the Option may be exercised in whole or in part, but not for more than the excess, if any, of (a) the number of shares with respect to which the Optionee would be entitled to participate in the Partial Sale pursuant to Section 2.2 or 2.3, as applicable, of the Stockholder's Agreement (if the number of shares issuable pursuant to the unexercised portion of the Option were deemed shares held by the Optionee), and will so participate, over (b) the number of shares previously issued to the Optionee upon exercise of the Option and not disposed of in a prior Partial Sale. In the event the Total Sale or Partial Sale is not consummated, the Option will be deemed not to have been exercised and shall be exercisable thereafter to the extent it would have been exercisable if no such notice had been given. In lieu of permitting or requiring the Optionee to exercise the Option in the event of a Total Sale, the Board of Directors of the Company, in its sole discretion, may instead cause the Company to redeem the unexercised portion of the Option pursuant to Section 7 hereof. In lieu of permitting the Optionee to exercise the Option in connection

with a Public Offering of all or a portion of the shares of Class A Common Stock owned by the FL & Co. Companies (an "FL Public Offering"), the Company, at its option, may instead cause the Option and the underlying shares to be registered under applicable securities laws or make other arrangements consistent with such laws, so as to permit the Optionee to sell for a period of time after the FL Public Offering the same number of shares that he or she would have been able to sell in the FL Public Offering but for this sentence.

For purposes hereof, (a) the term "Total Sale" shall mean any of the following events: (i) the merger or consolidation of the Company with or into another corporation (other than a merger or consolidation in which the Company is the surviving corporation and which does not result in any capital reorganization or reclassification or other change of the then outstanding shares of Class A Common Stock), or (ii) the liquidation of the Company, or (iii) the sale to any person who is not a partner or an affiliate of either of Forstmann Little & Co. Equity Partnership - V, L.P., a Delaware limited partnership ("Equity-V"), or Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership - VI, L.P., a Delaware limited partnership ("MBO-VI"), (Equity-V and MBO-VI together, the "FL & Co. Companies") or an affiliate of such partner (a "Third Party") of all or substantially all of the assets of the Company pursuant to a plan of liquidation or otherwise, or (iv) the sale to a Third Party of Class A Common Stock (other than through a public offering); in each case, provided that, as a result thereof, the FL & Co. Companies, the direct or indirect partners of either of the FL & Co. Companies and any affiliates of any of the foregoing cease to own, directly or indirectly, any shares of the voting stock of the Company, and (b) the term "Partial Sale" shall mean any sale by the FL & Co. Companies of all or a portion of their shares of Class A Common Stock to a Third Party, including through any public offering, which sale is not a Total Sale.

4.3 TERMINATION OF OPTION. Subject to the provisions of Section 7 hereof, the Option shall terminate simultaneously with the consummation of a Total Sale to the extent that the Option has not theretofore been exercised.

5. MANNER OF EXERCISE AND PAYMENT.

5.1 NOTICE OF EXERCISE. Subject to the terms and conditions of this Agreement, the Option may be exercised by delivery of written notice to the Company. Such notice shall state that the Optionee is electing to exercise the Option, shall set forth the number of shares of Class A Common Stock in respect of which the Option is being exercised and shall be signed by the Optionee or, where applicable, the guardian, executor, administrator or other legal representative (each, a "Legal Representative") of the Optionee (all references herein to the "Optionee" being deemed to include the Optionee's Legal Representative, if any, unless the context otherwise

requires). The Company may require proof satisfactory to it as to the right of the Legal Representative to exercise the Option.

5.2 DELIVERIES. The notice of exercise described in Section 5.1 hereof shall be accompanied by (a) payment of the full purchase price for the shares in respect of which the Option is being exercised, by delivery to the Company of a certified or bank check payable to the order of the Company or cash by wire transfer or other immediately available funds to an account designated by the Company, and (b) a fully executed Stockholder's Agreement (a copy of which, in the form to be executed by the Optionee (which may differ from the form attached hereto), will be supplied to the Optionee upon request) and the undated stock power referred to in Section 4.12(a)(ii) of the Stockholder's Agreement.

5.3 ISSUANCE OF SHARES. Upon receipt of notice of exercise, full payment for the shares of Class A Common Stock in respect of which the Option is being exercised and a fully executed Stockholder's Agreement and stock power, the Company shall take such action as may be necessary under applicable law to effect the issuance to the Optionee of the number of shares of Class A Common Stock as to which such exercise was effected.

5.4 STOCKHOLDER RIGHTS. The Optionee shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Class A Common Stock subject to the Option until: (a) the Option shall have been exercised in accordance with the terms of this Agreement and the Optionee shall have paid the full purchase price for the number of shares in respect of which the Option was exercised, (b) the Optionee shall have delivered the fully executed Stockholder's Agreement and stock power to the Company, (c) the Company shall have issued the shares to the Optionee, and (d) the Optionee's name shall have been entered as a stockholder of record on the books of the Company. Upon the occurrence of all of the foregoing events, the Optionee shall have full ownership rights with respect to such shares, subject to the provisions of the Stockholder's Agreement.

5.5 PARTIAL EXERCISE. In the event the initial exercise of the Option is an exercise in part only, then, in the event of any further exercise of the Option, the Optionee, in lieu of executing a new Stockholder's Agreement, may, at the Company's option, re-execute the original Stockholder's Agreement, thereby reaffirming the representations, warranties, covenants and agreements contained in the Stockholder's Agreement as of the date of re-execution, but with an amended Annex A completed to set forth the number of shares of Class A Common Stock in respect of which the Option is then being exercised and the cumulative number of shares of Class A Common Stock which would then be subject to the Stockholder's Agreement. If the initial exercise of the Option is by the Optionee and any subsequent exercise of the Option is by the Legal Representative, then the Legal Representative shall execute, at

the Company's option, either a new Stockholder's Agreement or a counterpart of the original Stockholder's Agreement thereby agreeing to be bound by such agreement as though such person were an original signatory thereto and affirming the truth of the representations and warranties contained therein with respect to such person as of the date of such person's execution of such counterpart.

6. CERTAIN RESTRICTIONS.

6.1 NO SALE OR TRANSFER. The Optionee shall not sell, transfer, assign, exchange, pledge, encumber or otherwise dispose of the Option or any portion thereof, except in accordance with the provisions of this Agreement.

6.2 TERMINATION AS A DIRECTOR. (a) If the Optionee shall cease to serve as a director of the Company for any reason whatsoever (a "Termination"), the Option, to the extent it is not exercisable pursuant to Section 4.1 hereof on the date of such Termination, shall terminate and be of no further force and effect from and after the date of such Termination.

(b) If any portion of the Option is exercisable pursuant to Section 4.1 hereof on the date of the Optionee's Termination, (i) then the Optionee may exercise the Option, to the extent the Option was exercisable on the date of the Optionee's Termination, at any time within 30 days after the date of the Termination, and (ii) the Company agrees to make available the most recent audited financial statements of the Company for review by the Terminated Optionee at the principal offices of the Company during such 30-day period. The Option shall terminate and be of no further force and effect to the extent not exercised during such 30-day period.

7. TOTAL SALES.

7.1 CONTINUATION OF OPTION. Upon the effective date of any Total Sale, any unexercised portion of the Option shall terminate unless provision shall be made in writing in connection with such Total Sale for the continuance of such unexercised portion of the Option or for the assumption of such unexercised portion of the Option by a successor to the Company or for the substitution for such unexercised portion of the Option of new options covering shares of such successor with appropriate adjustments as to number and kind of shares and prices of shares subject to such new options, or unless the Company shall authorize the redemption of the unexercised portion of the Option pursuant to Section 7.2 hereof. In the event that provision in writing is made as aforesaid in connection with a Total Sale, the unexercised portion of the Option or the new options substituted therefor shall continue in the manner and under the terms provided in this Agreement and in such writing.

7.2 REDEMPTION IN CONNECTION WITH A TOTAL SALE. In connection with a Total Sale, the Board of Directors of the Company may, in its sole discretion, authorize the redemption of the unexercised portion of the Option for a consideration per share of Class A Common Stock issuable upon exercise of the unexercised portion of the Option equal to the excess of (i) the consideration payable per share of Class A Common Stock in connection with such Total Sale, adjusted as if all outstanding options and other rights to acquire equity interests in the Company had been exercised prior to the consummation of such Total Sale and further adjusted to take into account all other equity interests in the Company (provided, however, that no adjustment shall be made with respect to any option or other right to acquire equity interests in the Company if the exercise price for such option or other right is greater than the consideration that would be payable per share of Class A Common Stock in connection with such Total Sale if the adjustment were not made), over (ii) the Option Price. Any redemption pursuant to this Section 7.2 shall occur simultaneously with the occurrence of the Total Sale.

7.3 ALLOCABLE SHARE OF EXPENSES. In the event of a redemption pursuant to Section 7.2 hereof, the Optionee shall be responsible for and shall be obligated to pay a proportionate amount (determined as if the Optionee were a holder of the number of shares o f Class A Common Stock which would have been issuable upon exercise of the portion of the Option redeemed pursuant to Section 7.2 hereof) of the expenses, liabilities and obligations incurred or to be incurred by the stockholders of the Company in connection with such Total Sale (including, without limitation, the fees and expenses of investment bankers, legal counsel and other outside advisors and experts retained by or on behalf of the stockholders of the Company in connection with such Total Sale, amounts payable in respect of indemnification claims, amounts paid into escrow and amounts payable in respect of post-closing adjustments to the purchase price) ("Expenses of Sale").

7.4 POWER OF ATTORNEY. (a) The Optionee hereby irrevocably appoints the FL & Co. Companies, and each of them (individually and collectively, the "Representative"), the Optionee's true and lawful agent and attorney-in-fact, with full powers of substitution, to act in the Optionee's name, place and stead, to do or refrain from doing all such acts and things, and to execute and deliver all such documents, in connection with this Agreement or the Option as the Representative shall deem necessary or appropriate in connection with any Total Sale, including, without in any way limiting the generality of the foregoing, to receive on behalf of the Optionee any payments made in respect of the unexercised portion of the Option (including payments made in connection with any redemption) in connection with any Total Sale, to hold back from any such payments any amount which the Representative deems necessary to reserve against the Optionee's share of any Expenses of Sale, and to engage in any acts in which the Representative is authorized by and on behalf of the holders of any of the Company's capital stock to engage in connection with the Total Sale. The Optionee

hereby ratifies and confirms all that the Representative shall do or cause to be done by virtue of its appointment as the Optionee's Representative.

(b) In acting for the Optionee pursuant to the appointment set forth in paragraph (a) of this Section 7.4, the Representative shall not be responsible to the Optionee for any loss or damage the Optionee may suffer by reason of the performance by the Representative of its duties under this Agreement, except for loss or damage arising from willful violation of law or gross negligence in the performance of its duties hereunder. The appointment of the Representative shall be deemed coupled with an interest and shall be irrevocable, and any person dealing with the Representative may conclusively and absolutely rely, without inquiry, upon any act of the Representative as the act of the Optionee in all matters referred to in this Section 7.4.

(c) Notwithstanding the foregoing, this power of attorney does not empower the Representative to exercise the Option on behalf of the Optionee.

8. ADJUSTMENTS. In the event that shares of Class A Common Stock (whether or not issued) are changed into or exchanged for a different number or kind of shares of stock or other securities of the Company, whether through merger, consolidation, reorganization, recapitalization, stock dividend, stock split-up or other substitution of securities of the Company, the Board of Directors of the Company shall make appropriate adjustments to the number and kind of shares of stock subject to the Option and the Option Price. The Board of Directors' adjustment shall be final and binding for all purposes of this Agreement. No adjustment provided for in this Section 8 shall require the Company to issue a fractional share, and the total adjustment with respect to this Agreement shall be limited accordingly.

9. CERTAIN DEFINITIONS.

9.1. AFFILIATE. The term "affiliate" of any person shall mean any person that, directly or indirectly, controls, is controlled by, or is under common control with, the person of which it is an affiliate.

9.2. PERSON. The term "person" shall mean an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

10. NOTICES. All notices and other communications hereunder shall be in writing and, unless otherwise provided herein, shall be deemed to have been given when received by the party to whom such notice is to be given at its address set forth below, or such other address for the party as shall be specified by notice given pursuant hereto:

(a) If to the Company, to it:

c/o Community Health Systems, Inc.
155 Franklin Road, Suite 400
Brentwood, TN 37027-4600
Attention: President
with a copy to:

Forstmann Little & Co. Equity
Partnership-V, L.P.
767 Fifth Avenue, 44th Floor
New York, New York 10153
Attention: Ms. Sandra Horbach

(b) If to the Optionee or Legal Representative, to such person at the address as reflected in the records of the Company.

11. MODIFICATION OF AGREEMENT. This Agreement may be modified, amended or supplemented by written agreement of the parties hereto; provided, that the Company may modify, amend or supplement this Agreement in a writing signed by the Company without any further action by the Optionee if such modification, amendment or supplement does not adversely affect the Optionee's rights hereunder.

12. INVALIDITY OF PROVISIONS. The invalidity or unenforceability of any provision of this Agreement in any jurisdiction shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of this Agreement, including that provision, in any other jurisdiction. If any provision of this Agreement is held unlawful or unenforceable in any respect, such provision shall be revised or applied in a manner that renders it lawful and enforceable to the fullest extent possible.

13. BINDING EFFECT. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, legal representatives, successors and assigns. In addition, each of the FL & Co. Companies shall be a third party beneficiary of this Agreement and shall be entitled directly to enforce this Agreement.

14. HEADINGS; EXECUTION IN COUNTERPARTS. The headings and captions contained herein are for convenience only and shall not control or affect the meaning or construction of any provision hereof. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and which together shall constitute one and the same instrument.

15. ENTIRE AGREEMENT. This Agreement and, upon execution thereof, the Stockholder's Agreement, constitute the entire agreement, and supersede all prior agreements and understandings, oral and written, between the parties hereto with respect to the Option granted hereby.

16. RESOLUTION OF DISPUTES. Any dispute or disagreement which may arise under, or as a result of, or which may in any way relate to, the interpretation, construction or application of this Agreement shall be determined by the Board of Directors of the Company, in good faith, whose determination shall be final, binding and conclusive for all purposes.

17. GOVERNING LAW. This Agreement and the rights and obligations of the parties hereto shall be governed by, and construed and enforced in accordance with, the laws of the State of New York without giving effect to the principles of conflicts of laws thereof.

18. CONSENT TO JURISDICTION. Each party hereby irrevocably and unconditionally consents to submit to the exclusive jurisdiction of the courts of the State of New York and of the United States of America, in each case located in the County of New York, for any actions, suits or proceedings arising out of or relating to this Agreement and the transactions contemplated hereby ("Litigation") (and agrees not to commence any Litigation except in any such court), and further agrees that service of process, summons, notice or document by U.S. registered mail to such party's respective address set forth in Section 10 hereof shall be effective service of process for any Litigation brought against such party in any such court. Each party hereby irrevocably and unconditionally waives any objection to the laying of venue of any Litigation in the courts of the State of New York or of the United States of America, in each case located in the County of New York, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any Litigation brought in any such court has been brought in an inconvenient forum.

19. INVESTMENT INTENT. The Optionee hereby represents that the Optionee is acquiring the Option for his own account as principal for investment and not with a view to resale or distribution in whole or in part.

20. SPECIFIC PERFORMANCE. The parties hereto acknowledge that there will be no adequate remedy at law for a violation of any of the provisions of this Agreement and that, in addition to any other remedies which may be available, all of the provisions of this Agreement shall be specifically enforceable in accordance with their respective terms.

21. WITHHOLDING. The Company shall have the right to deduct from any amount payable under this Agreement any taxes or other amounts required by applicable law to be withheld.

IN WITNESS WHEREOF, this Agreement has been signed by or on behalf of each of the parties hereto, all as of the date first above written.

OPTIONEE

COMMUNITY HEALTH SYSTEMS HOLDINGS CORP.

_____

By: _____

Name: [[Name]]

Address: [[Address]]

The undersigned acknowledges that the undersigned has read the foregoing Agreement between Community Health Systems Holdings Corp. and the undersigned's spouse, understands that the undersigned's spouse has been granted an option to acquire shares of Class A Common Stock of Community Health Systems Holdings Corp., which option is subject to certain restrictions reflected in such Agreement and agrees to be bound by the foregoing Agreement.

Optionee's Spouse

Exhibit 10.2

Exhibit A to Stock Option Agreement

STOCKHOLDER'S AGREEMENT, dated as of _____, between Community Health Systems Holdings Corp., a Delaware corporation, and the undersigned (the "Director"), who was granted the right and option (the "Option") to acquire shares of Class A Common Stock, par value $.01 per share, of the Company pursuant to the terms and conditions of a Stock Option Agreement, dated as of May 21, 1997, between the Company and the Director (the "Option Agreement").

WHEREAS, the Director was at the time of the grant of the Option a member of the Board of Directors of the Company;

WHEREAS, Forstmann Little & Co. Equity Partnership-V, L.P., a Delaware limited partnership ("Equity-V"), and Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-V, L.P., a Delaware limited partnership ("MBO-VI"), purchased an aggregate of 449,123 shares of Class A Common Stock;

WHEREAS, the Option Agreement requires the Director to enter into a Stockholder's Agreement upon and as a condition to the exercise of the Option;

WHEREAS, the Director wishes to exercise the Option to acquire shares of Class A Common Stock; and

WHEREAS, the Director and the Company wish to provide for certain arrangements with respect to the Director's rights to hold and dispose of the shares of Class A Common Stock acquired by the Director upon exercise of the Option.

NOW, THEREFORE, the parties hereto agree as follows:

1. DEFINITIONS; EXERCISE OF OPTION.

1.1 DEFINITIONS; RULES OF CONSTRUCTION.

(a) The following terms, as used herein, shall have the following meanings:

"Act" shall mean the Securities Act of 1933, as amended.

"Affiliate" shall mean, with respect to any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person.

"Affiliate Securities" shall mean any securities issued by an Affiliate of the Company.

"Agreement" shall mean this Stockholder's Agreement, as amended, supplemented or modified from time to time.

"Capital Transaction" shall mean any Stock Dividend, recapitalization (including, without limitation, any special dividend or distribution), reclassification, spin-off, partial liquidation or similar capital adjustments (including, without limitation, through merger or consolidation).

"Class A Common Stock" shall mean the Class A Common Stock, par value $0.01 per share, of the Company. There shall be included within the term Class A Common Stock any Class A Common Stock now or hereafter authorized to be issued, and any and all securities of any kind whatsoever of the Company which may be issued after the date hereof in respect of, or in exchange for, shares of Class A Common Stock pursuant to a Capital Transaction or otherwise.

"Company" shall mean Community Health Systems Holdings Corp., a Delaware corporation, and shall include any successor thereto by merger, consolidation, acquisition of substantially all the assets thereof, or otherwise.

"Equity-V" shall have the meaning ascribed to such term in the second "Whereas" clause hereof.

"Expenses of Sale" shall mean all expenses incurred by the FL & Co. Companies in connection with the sale of the shares of the selling stockholders pursuant to Section 2.2, 2.3 or 2.4 hereof to the extent that such expenses are not paid or reimbursed by the Company.

"FL & Co. Companies" shall mean the collective reference to Equity-V and MBO-VI.

"Legal Representative" shall mean the guardian, executor, administrator or other legal representative of the Director. All references herein to the Director shall be deemed to include references to the Director's Legal Representative, if any, unless the context otherwise requires.

"Litigation" shall mean any actions, suits or proceedings arising out of or relating to this Agreement and the transactions contemplated hereby.

"MBO-VI" shall have the meaning ascribed to such term in the second "Whereas" clause hereof.

"Option" and "Option Agreement" shall have the respective meanings ascribed to such terms in the first paragraph hereof.

"Permitted Transferee" shall have the meaning ascribed to such term in Section 2.1(b) hereof.

"Person" shall mean an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Release Date" shall mean the date on which the FL & Co. Companies and their Affiliates shall cease to own in the aggregate directly or indirectly at least 25 percent of the then outstanding securities of the Company having the power to vote in the election of directors of the Company.

"Representative" shall have the meaning ascribed to such term in Section 4.12(b).

"Sale Obligations" shall mean any liabilities and obligations (including liabilities and obligations for indemnification, amounts paid into escrow and post-closing adjustments) incurred by the selling stockholders in connection with the sale of their shares pursuant to Section 2.2, 2.3 or 2.4 hereof.

"Section 2.2 Notice" shall have the meaning ascribed to such term in Section 2.2(a) hereof.

"Section 2.3 Notice" shall have the meaning ascribed to such term in Section 2.3(a) hereof.

"Stock Dividend" shall mean any stock split, stock dividend or reverse stock split.

"Third Party" shall mean any Person other than any of the FL & Co. Companies or an Affiliate or a partner of any of the FL & Co. Companies or an Affiliate of such partner.

"Transaction" shall mean any sale pursuant to Section 2.2, 2.3 or 2.4 hereof.

(b) In this Agreement, unless the context otherwise requires, words in the singular number or in the plural number shall each include the singular number and the plural number.

1.2. ACQUISITION OF CLASS A COMMON STOCK. The Director hereby elects to exercise the Option in respect of the shares of Class A Common Stock set forth in Annex A hereto. Promptly upon payment in full of the exercise price for the shares of Class A Common Stock in respect of which the Option is being exercised and full compliance by the Director with the terms of the Option Agreement and Section 4.12(a)(ii) hereof, the Company shall promptly issue a stock certificate in the name of the Director representing the shares of Class A Common Stock in respect of which the Option is being exercised and shall enter the Director's name on the books of the Company as the stockholder of record of such shares of Class A Common Stock.

2. RIGHTS AND RESTRICTIONS ON CLASS A COMMON STOCK.

2.1 NO SALE OR TRANSFER.

(a) The Director shall not sell, transfer, assign, exchange, pledge, encumber or otherwise dispose of any shares of Class A Common Stock acquired pursuant hereto or otherwise subject to this Agreement or grant any option or right to purchase such shares or any legal or beneficial interest therein, except in accordance with the provisions of this Agreement.

(b) The Director may transfer any shares of Class A Common Stock acquired hereunder or otherwise subject to this Agreement by will, but only to:

(i) any spouse, parent, child (whether natural or adopted), grandchild, brother or sister of the Director, or

(ii) any corporation or partnership which is controlled by any spouse, parent, child (whether natural or adopted), grandchild, brother or sister of the Director

(the person or persons to which shares of Class A Common Stock are transferred in accordance with this Section 2.1(b) being herein referred to as the "Permitted Transferee"); provided, that, for any transfer to the Permitted Transferee to be effective hereunder, the Permitted Transferee shall agree in writing to be bound by all the terms of this Agreement applicable to the Director (including, without limitation, Section 4.12(b) hereof) as if the Permitted Transferee originally had been a party hereto; and provided, further, that all of the stockholders of any Permitted Transferee that is a corporation and all of the partners of any Permitted Transferee that is a partnership shall

agree with the Company in writing not to transfer any shares they then own or may hereafter acquire in the corporate Permitted Transferee or any partnership interests they then own or may hereafter acquire in the partnership Permitted Transferee except to a person described in paragraph (i) or (ii) above that has made the same agreement in writing to the Company, so long as the corporate or partnership Permitted Transferee shall own any shares of Class A Common Stock. Any reference herein to the Director shall also be to the Permitted Transferee from and after the date the transfer is effected in accordance with this Section 2.1(b).

2.2 PARTICIPATION IN SALE OF CLASS A COMMON STOCK. The Director, at the Director's option, may participate proportionately (and the FL & Co. Companies shall allow the Director to participate proportionately) in any sale (other than a public offering, which shall be governed by Section 2.3 hereof) of all or a portion of the shares of Class A Common Stock owned by either of the FL & Co. Companies to any Third Party by selling to the Third Party the same percentage of the Director's shares of Class A Common Stock as the FL & Co. Companies propose to sell of their shares to the Third Party (determined on the basis of the aggregate number of such shares of Class A Common Stock owned, and the aggregate number of such shares being sold, by the FL & Co. Companies). For purposes of determining the number of shares of Class A Common Stock in respect of which the Director may participate in such sale pursuant to this Section 2.2, the Director shall be deemed to own the shares of Class A Common Stock acquired upon exercise of the Option at any time plus (a) if, at the time of such sale, the Director is still serving as a director of the Company, the shares of Class A Common Stock subject to any then unexercised portion of the Option, if any, or (b) if, at the time of such sale, the Director has ceased to serve as a director of the Company but has not yet exercised the Option pursuant to Section 6.2(b) of the Option Agreement, the shares of Class A Common Stock issuable upon exercise of the portion of the Option that is exercisable pursuant to Sections 6.2(b) and 4.1 of the Option Agreement, if any. The Company shall notify the Director in writing of the FL & Co. Companies' intention to effect such a sale to a Third Party and the nature and per share amount of consideration to be paid by such Third Party at least 10 days, or such shorter time as the Company deems practicable, before the closing of any such proposed sale of shares of Class A Common Stock (the "Section 2.2 Notice"), and the Director shall notify the Company in writing within five days after receipt of the Section 2.2 Notice of his or her intention to participate in such sale, including the number of shares of Class A Common Stock with respect to which he or she will so participate. Any failure by the Director to so notify the Company within such five-day period shall be deemed an election by the Director not to participate in such sale with respect to any of his or her shares. Any sale of shares of Class A Common Stock by the Director pursuant to this Section 2.2 shall be for the same consideration per share, on the same terms and subject to the same conditions as the sale of shares of Class A Common Stock owned by the FL & Co. Companies. If the Director sells any shares of Class A Common Stock pursuant to this

Section 2.2, the Director shall pay and be responsible for the Director's proportionate share of the Expenses of Sale and the Sale Obligations.

2.3 PUBLIC OFFERING OF CLASS A COMMON STOCK.

(a) If the FL & Co. Companies propose to sell all or any portion of the shares of Class A Common Stock owned by the FL & Co. Companies in a public offering, the Director shall be entitled and required to participate in such public offering by selling in the public offering the same percentage of the Director's shares of Class A Common Stock as the FL & Co. Companies propose to sell of their shares in the public offering (determined on the basis of the aggregate number of shares of Class A Common Stock owned, and the aggregate number of such shares being sold, by the FL & Co. Companies). For purposes of determining the number of shares of Class A Common Stock in respect of which the Director may participate in such public offering pursuant to this Section 2.3, the Director shall be deemed to own the shares of Class A Common Stock acquired upon exercise of the Option at any time plus (a) if, at the time of such sale, the Director is still serving as a director of the Company, the shares of Class A Common Stock subject to any then unexercised portion of the Option, if any, or (b) if, at the time of such sale, the Director has ceased to serve as a director of the Company but has not yet exercised the Option pursuant to Section 6.2(b) of the Option Agreement, the shares of Class A Common Stock issuable upon exercise of the portion of the Option that is exercisable pursuant to Sections 6.2(b) and 4.1 of the Option Agreement, if any. The Company shall notify the Director in writing of the FL & Co. Companies' intention to effect such public offering at least 10 days, or such shorter time as the Company deems practicable, before the filing with the Securities and Exchange Commission of the registration statement relating to such public offering (the "Section 2.3 Notice") and shall cause the Director's shares to be sold in such public offering to be included therein. The Director shall notify the Company in writing within five days after receipt of the Section 2.3 Notice of his or her intention to participate in such public offering, including the number of shares of Class A Common Stock with respect to which he or she will so participate. Any failure by the Director to so notify the Company within such five-day period shall be deemed an election by the Director not to participate in such public offering with respect to any of his or her shares. If the Director sells any shares of Class A Common Stock pursuant to this Section 2.3, the Director shall pay and be responsible for the Director's proportionate share of the Expenses of Sale and the Sale Obligations, including, without limitation, indemnifying the underwriters of such public offering, on a proportionate basis, to the same extent as the FL & Co. Companies are required to indemnify such underwriters.

(b) In connection with any proposed public offering of securities of the Company, whether by any of the FL & Co. Companies or the Company or otherwise, the Director agrees (i) to supply any information reasonably requested by the Company

in connection with the preparation of a registration statement and/or any other documents relating to such public offering, and (ii) to execute and deliver any agreements and instruments reasonably requested by the Company to effectuate such public offering, including, without limitation, an underwriting agreement, a custody agreement and a "hold back" agreement pursuant to which the Director will agree not to sell or purchase any securities of the Company (whether or not such securities are otherwise governed by this Agreement) for the same period of time following the public offering as is agreed to by the FL & Co. Companies with respect to themselves. If the Company requests that the Director take any of the actions referred to in clause (i) or (ii) of the previous sentence, the Director shall take such action promptly but in any event within five days following the date of such request.

2.4 REQUIRED PARTICIPATION IN SALE OF CLASS A COMMON STOCK BY THE FL & CO. COMPANIES. Notwithstanding any other provision of this Agreement to the contrary, if the FL & Co. Companies shall propose to sell (including by exchange, in a business combination or otherwise) all or any portion of their shares of Class A Common Stock in a bona fide arm's-length transaction, the FL & Co. Companies, at their option, may require that the Director sell the same percentage of the Director's shares of Class A Common Stock as the FL & Co. Companies propose to sell of their shares in the transaction (determined on the basis of the aggregate number of shares of Class A Common Stock owned, and the aggregate number of such shares then being sold, by the FL & Co. Companies) for the same consideration per share, on the same terms and subject to the same conditions in the same transaction and, if stockholder approval of the transaction is required and the Director is entitled to vote thereon, that the Director vote the Director's shares in favor thereof. For purposes of determining the number of shares of Class A Common Stock in respect of which the Director is to participate in such sale pursuant to this Section 2.4, the Director shall be deemed to own the shares of Class A Common Stock acquired upon exercise of the Option at any time plus (a) if, at the time of such sale, the Director is still serving as a director of the Company, the shares of Class A Common Stock subject to any then unexercised portion of the Option, if any, or (b) if, at the time of such sale, the Director has ceased to serve as a director of the Company but has not yet exercised the Option pursuant to Section 6.2(b) of the Option Agreement, the shares of Class A Common Stock issuable upon exercise of the portion of the Option that is exercisable pursuant to Sections 6.2(b) and 4.1 of the Option Agreement, if any. If the Director sells any shares pursuant to this Section 2.4, the Director shall pay and be responsible for the Director's proportionate share of the Expenses of Sale and the Sale Obligations.

2.5 TERMINATION OF RESTRICTIONS AND RIGHTS. Notwithstanding any other provision of this Agreement to the contrary, but subject to the restrictions of all applicable federal and state securities laws, including the restrictions in this Agreement relating thereto, from and after the Release Date any and all shares of Class A Common

Stock owned by the Director (a) may be sold, transferred, assigned, exchanged, pledged, encumbered or otherwise disposed of (and the Director may grant any option or right to purchase such shares or any legal or beneficial interest therein, or may continue to hold such shares), free of the restrictions contained in this Agreement and (b) shall no longer be entitled to any of the rights contained in this Agreement. Without limiting the generality of the foregoing, from and after the Release Date, the provisions of this Articles 2 (other than this Section 2.5) shall terminate and have no further force or effect.

3. STOCK CERTIFICATE LEGEND AND INVESTMENT REPRESENTATIONS; OTHER REPRESENTATIONS.

3.1 LEGEND. All certificates representing shares of Class A Common Stock acquired hereunder or otherwise subject to this Agreement (unless registered under the Act) shall bear the following legend:

> "The shares represented by this certificate have not been registered under the Securities Act of 1933, as amended, or any securities regulatory authority of any state, and may not be sold, transferred, assigned, exchanged, pledged, encumbered or otherwise disposed of except in compliance with all applicable securities laws and except in accordance with the provisions of a Stockholder's Agreement with the Company, a copy of which is available for inspection at the offices of the Company."

3.2 REPRESENTATIONS OF THE DIRECTOR. The Director represents and warrants that: (a) the Director understands that (i) the offer and sale of shares of Class A Common Stock in accordance with this Agreement have not been and will not be registered under the Act, and it is the intention of the parties hereto that the offer and sale of the securities be exempt from registration under the Act and the rules promulgated thereunder by the Securities and Exchange Commission; and (ii) the shares of Class A Common Stock being acquired hereunder cannot be sold, transferred, assigned, exchanged, pledged, encumbered or otherwise disposed of unless they are registered under the Act or an exemption from registration is available; (b) the Director is acquiring the shares of Class A Common Stock being acquired hereunder for investment for the Director's own account and not with a view to the distribution thereof; (c) the Director will not, directly or indirectly, sell, transfer, assign, exchange, pledge, encumber or otherwise dispose of any shares of Class A Common Stock being acquired hereunder except in accordance with this Agreement; (d) the Director has, or the Director together with the Director's advisers, if any, have, such knowledge and experience in financial and business matters that the Director is, or the Director together with the Director's advisers, if any, are, and will be capable of evaluating the merits and

risks relating to the Director's acquisition of shares of Class A Common Stock under this Agreement; (e) the Director has been given the opportunity to obtain information and documents relating to the Company and to ask questions of and receive answers from representatives of the Company concerning the Company and the Director's investment in the Class A Common Stock; (f) the Director's decision to invest in the Company has been based upon independent investigations made by the Director and the Director's advisers, if any; (g) the Director is able to bear the economic risk of a total loss of the Director's investment in the Company; and (h) the Director has adequate means of providing for the Director's current needs and foreseeable personal contingencies and has no need for the Director's investment in the Class A Common Stock to be liquid.

4. MISCELLANEOUS.

4.1 DISTRIBUTIONS. In the event of any dividend, distribution or exchange paid or made in respect of the Class A Common Stock consisting of Affiliate Securities, the restrictions and rights with respect to the Class A Common Stock that are contained in this Agreement shall be applicable to the Affiliate Securities without further action of the parties (with the references to Class A Common Stock being deemed references to the Affiliate Securities and the references to the Company being deemed references to the Affiliate).

4.2 FURTHER ASSURANCES. Each party hereto shall do and perform or cause to be done and performed all further acts and things and shall execute and deliver all other agreements, certificates, instruments, and documents as any other party hereto reasonably may request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

4.3 GOVERNING LAW. This Agreement and the rights and obligations of the parties hereto shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, without giving effect to the principles of conflicts of law thereof.

4.4 SPECIFIC PERFORMANCE. The parties hereto acknowledge that there will be no adequate remedy at law for a violation of any of the provisions of this Agreement and that, in addition to any other remedies which may be available, all of the provisions of this Agreement shall be specifically enforceable in accordance with their respective terms.

4.5 INVALIDITY OF PROVISIONS. The invalidity or unenforceability of any provision of this Agreement in any jurisdiction shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or

enforceability of this Agreement, including that provision, in any other jurisdiction. If any provision of this Agreement is held unlawful or unenforceable in any respect, such provision shall be revised or applied in a manner that renders it lawful and enforceable to the fullest extent possible.

4.6 NOTICE. All notices and other communications hereunder shall be in writing and, unless otherwise provided herein, shall be deemed to have been given when received by the party to whom such notice is to be given at its address set forth below, or such other address for the party as shall be specified by notice given pursuant hereto:

(a) If to the Company, to:

Community Health Systems Holdings Corp.
155 Franklin Road, Suite 400
Brentwood, TN 37027-4600
Attention: President

with a copy to:

Forstmann Little & Co. Equity Partnership-V, L.P.
767 Fifth Avenue, 44th Floor
New York, New York 10153
Attention: Ms. Sandra J. Horbach

(b) If to the Director, to the address set forth below the Director's signature, and if to the Legal Representative, to such Person at the address of which the Company is notified in accordance with this Section 4.6.

4.7 BINDING EFFECT. This Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their respective heirs, legal representatives, successors and assigns. In addition, each of the FL & Co. Companies shall be a third party beneficiary of this Agreement and shall be entitled to enforce this Agreement.

4.8 AMENDMENT AND MODIFICATION. This Agreement may be amended, modified or supplemented only by written agreement of the party against whom enforcement of such amendment, modification or supplement is sought.

4.9 HEADINGS; EXECUTION IN COUNTERPARTS. The headings and captions contained herein are for convenience only and shall not control or affect the meaning or construction of any provision hereof. This Agreement may be executed in any number

of counterparts, each of which shall be deemed to be an original and which together shall constitute one and the same instrument.

4.10 ENTIRE AGREEMENT. This Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, oral and written, between the parties hereto with respect to the subject matter hereof.

4.11 WITHHOLDING. The Company shall have the right to deduct from any amount payable under this Agreement any taxes or other amounts required by applicable law to be withheld. The Director agrees to indemnify the Company against any Federal, state and local withholding taxes for which the Company may be liable in connection with the Director's acquisition, ownership or disposition of any Class A Common Stock.

4.12 POSSESSION OF CERTIFICATES; POWER OF ATTORNEY.

(a) In order to provide for the safekeeping of the certificates representing the shares of Class A Common Stock acquired by the Director pursuant hereto or otherwise subject to this Agreement and to facilitate the enforcement of the terms and conditions hereof, (i) the Company shall retain physical possession of all certificates representing shares of Class A Common Stock issued to the Director, and (ii) concurrently with the Director's execution and delivery to the Company of this Agreement, the Director shall deliver to the Company an undated stock power, duly executed in blank, for each such certificate.

(b) The Director hereby irrevocably appoints the FL & Co. Companies, and each of them (individually and collectively, the "Representative"), the Director's true and lawful agent and attorney-in-fact, with full powers of substitution, to act in the Director's name, place and stead, to do or refrain from doing all such acts and things, and to execute and deliver all such documents, as the Representative shall deem necessary or appropriate in connection with a public offering of securities of the Company or a sale pursuant to Section 2.2, 2.3 or 2.4 hereof, including, without in any way limiting the generality of the foregoing, in the case of a sale pursuant to Section 2.2 or 2.4 hereof, to execute and deliver on behalf of the Director a purchase and sale agreement and any other agreements and documents that the Representative deems necessary in connection with any such sale, and in the case of a public offering, to execute and deliver on behalf of the Director an underwriting agreement, a "hold back" agreement, a custody agreement, and any other agreements and documents that the Representative deems necessary in connection with any such public offering, and in the case of any sale pursuant to Section 2.2 or 2.4 hereof and any public offering pursuant to Section 2.3(a) hereof, to receive on behalf of the Director the proceeds of the sale or public offering of the Director's shares, to hold back from any such proceeds any amount that the Representative deems necessary to reserve against the Director's share

of any Expenses of Sale and Sale Obligations and to pay such Expenses of Sale and Sale Obligations. The Director hereby ratifies and confirms all that the Representative shall do or cause to be done by virtue of its appointment as the Director's agent and attorney-in-fact. In acting for the Director pursuant to the appointment set forth in this Section 4.12(b), the Representative shall not be responsible to the Director for any loss or damage the Director may suffer by reason of the performance by the Representative of its duties under this Agreement, except for loss or damage arising from willful violation of law or gross negligence by the Representative in the performance of its duties hereunder. The appointment of the Representative shall be deemed coupled with an interest and as such shall be irrevocable and shall survive the death, incompetency, mental illness or insanity of the Director, and any person dealing with the Representative may conclusively and absolutely rely, without inquiry, upon any act of the Representative as the act of the Director in all matters referred to in this Section 4.12(b).

4.13 CONSENT TO JURISDICTION. Each party hereby irrevocably and unconditionally consents to submit to the exclusive jurisdiction of the courts of the State of New York and of the United States of America, in each case located in the County of New York, for any Litigation (and agrees not to commence any Litigation except in any such court), and further agrees that service of process, summons, notice or document by U.S. registered mail to such party's respective address set forth in Section 4.6 hereof shall be effective service of process for any Litigation brought against such party in any such court. Each party hereby irrevocably and unconditionally waives any objection to the laying of venue of any Litigation in the courts of the State of New York or of the United States of America, in each case located in the County of New York, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any Litigation brought in any such court has been brought in an inconvenient forum.

IN WITNESS WHEREOF, this Agreement has been signed by or on behalf of each of the parties hereto, all as of the date first above written.

DIRECTOR

_____
Name:
Address:

COMMUNITY HEALTH SYSTEMS HOLDINGS CORP.

By: _____
Title:

The undersigned hereby agree to be bound by the provisions of Sections 2.2 and 2.3 of the foregoing Agreement.

FORSTMANN LITTLE & CO. EQUITY PARTNERSHIP-V, L.P.

By: FLC XXX Partnership,
its general partner

By: _____
Sandra J. Horbach,
a general partner

FORSTMANN LITTLE & CO. SUBORDINATED DEBT AND EQUITY MANAGEMENT BUYOUT PARTNERSHIP-VI, L.P.

By: FLC XXIX Partnership,
its general partner

By: _____
Sandra J. Horbach,
a general partner

The undersigned acknowledges that the undersigned has read the foregoing Agreement between Community Health Systems Holdings Corp. and the undersigned's spouse, understands that the undersigned's spouse has acquired shares of Class A Common Stock of Community Health Systems Holdings Corp. as reflected in such Agreement and agrees to be bound by the foregoing Agreement.

_____
Director's Spouse

ANNEX A

Date	Number Of Shares In Respect Of Which Option Is Being Exercised On The Date Indicated	Cumulative Number Of Shares Subject To The Stockholder's Agreement On The Date Indicated

STOCKHOLDER'S AGREEMENT, dated as of _____, between Community Health Systems Holdings Corp., a Delaware corporation, and the undersigned (the "Employee"), who was granted the right and option (the "Option") to acquire shares of Class C Nonvoting Common Stock, par value $.01 per share, of the Company pursuant to the terms and conditions of the Community Health Systems Holdings Corp. Employee Stock Option Plan (the "Plan") and a Stock Option Agreement, dated as of March 31, 1999, between the Company and the Employee (the "Option Agreement").

WHEREAS, the Option Agreement requires the Employee to enter into a Stockholder's Agreement upon and as a condition to the exercise of the Option;

WHEREAS, the Employee wishes to exercise the Option to acquire shares of Class C Common Stock; and

WHEREAS, the Employee and the Company wish to provide for certain arrangements with respect to the Employee's rights to hold and dispose of the shares of Class C Common Stock acquired by the Employee upon exercise of the Option.

NOW, THEREFORE, the parties hereto agree as follows:

1. DEFINITIONS.

1.1 DEFINITIONS; RULES OF CONSTRUCTION.

(a) The following terms, as used herein, shall have the following meanings:

"Act" shall mean the Securities Act of 1933, as amended.

"Affiliate" shall mean, with respect to any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person.

"Affiliate Securities" shall mean any securities issued by an Affiliate of the Company.

"Agreement" shall mean this Stockholder's Agreement, as amended, supplemented or modified from time to time.

"Book Value of the Company" shall mean the sum of (i) the total assets minus the total liabilities of the Company on a consolidated basis, plus (ii) the

amount of any reduction in stockholders' equity resulting from the application of EITF Issue Summary No. 88-16, Basis in Leveraged Buyouts, as of the Valuation Date. For purposes of calculating the Book Value of the Company and the Book Value Per Share, (i) all options and other rights to acquire equity interests in the Company outstanding immediately prior to the date of the Repurchase Notice or exercised between the Valuation Date and the date of the Repurchase Notice shall be deemed to have been exercised on the Valuation Date, and (ii) the number of outstanding shares on the Valuation Date shall be increased by the number of shares subject to each such option or other right and the assets of the Company shall be increased by the aggregate exercise price payable in respect of the exercise of each such option or other right (with respect to clauses (i) and (ii), in the case of any such option or other right, unless the effect thereof would be to increase the Book Value Per Share).

"Book Value Per Share" shall mean the amount which would be payable on the Valuation Date in respect of one share of Class C Common Stock in the event of a dissolution, liquidation or winding-up of the affairs of the Company if the amount of assets available for distribution in the event of such dissolution, liquidation or winding-up with respect to all shares of capital stock of the Company outstanding (or deemed to be outstanding, as set forth in the definition of "Book Value of the Company") on the Valuation Date were equal to the Book Value of the Company. In the event there has been a Stock Dividend after the Valuation Date and prior to the date of the Repurchase Notice, the number of shares outstanding for purposes of determining Book Value Per Share shall be the number of shares that would have been outstanding immediately after the Stock Dividend on the Valuation Date had the Stock Dividend occurred on the Valuation Date.

"Capital Transaction" shall mean any Stock Dividend, recapitalization (including, without limitation, any special dividend or distribution), reclassification, spin-off, partial liquidation or similar capital adjustments (including, without limitation, through merger or consolidation).

"Certificate of Incorporation" shall mean the Restated Certificate of Incorporation of the Company, as in effect from time to time.

"CHS Hospital" shall have the meaning ascribed to such term in the definition of Competitor.

"Class A Common Stock" shall mean the Class A Common Stock, par value $0.01 per share, of the Company. There shall be included within the term Class A Common Stock any Class A Common Stock now or hereafter authorized to be issued, and any and all securities of any kind whatsoever of the Company which may be issued

after the date hereof in respect of, or in exchange for, shares of Class A Common Stock pursuant to a Capital Transaction or otherwise.

"Class C Common Stock" shall mean the Class C Nonvoting Common Stock, par value $0.01 per share, of the Company. There shall be included within the term Class C Common Stock any Class C Common Stock now or hereafter authorized to be issued, and any and all securities of any kind whatsoever of the Company which may be issued after the date hereof in respect of, or in exchange for, shares of Class C Common Stock pursuant to a Capital Transaction or otherwise. Without limiting the generality of the foregoing, all references herein to the Class C Common Stock shall include, and the provisions hereof (including, without limitation, Sections 3 and 4 hereof) shall also be applicable to, the Class A Common Stock for which the Class C Common Stock shall be exchanged pursuant to the Certificate of Incorporation.

"Class C Exchange Rate" shall have the meaning ascribed to such term in Section 3.2 hereof.

"Company" shall mean Community Health Systems Holdings Corp., a Delaware corporation, and shall include any successor thereto by merger, consolidation, acquisition of substantially all the assets thereof, or otherwise.

"Competing Hospital" shall have the meaning ascribed to such term in the definition of Competitive Activity.

"Competing Operations" shall have the meaning ascribed to such term in the definition of Competitive Activity.

"Competitive Activity" shall mean engaging in any of the following activities: (i) serving as a director of any Competitor; (ii) directly or indirectly (X) controlling any Competitor or (Y) owning any equity or debt interests in any Competitor (other than equity or debt interests which are publicly traded and do not exceed 2% of the particular class of interests then outstanding) (it being understood that, if any such interests in any Competitor are owned by an investment vehicle or other entity in which the Employee owns an equity interest, a portion of the interests in such Competitor owned by such entity shall be attributed to the Employee, such portion determined by applying the percentage of the equity interest in such entity owned by the Employee to the interests in such Competitor owned by such entity); (iii) directly or indirectly soliciting, diverting, taking away, appropriating or otherwise interfering with any of the customers or suppliers of the Company or any Affiliate controlled by the Company; or (iv) employment by (including serving as an officer of), or providing consulting services to, any Competitor; provided, however, that if the Competitor has more than one discrete and readily distinguishable part of its business, employment by

or providing consulting services to any Competitor shall be Competitive Activity only if (1) his or her employment duties are at or involving the part of the Competitor's business that competes with any of the businesses conducted by the Company or any of its subsidiaries (the "Competing Operations"), including serving in a capacity where any person at the Competing Operations reports to the Employee, or (2) the consulting services are provided to or involve the Competing Operations. For purposes of this definition, the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of any Competitor, whether through the ownership of equity or debt interests, by contract or otherwise. Notwithstanding the foregoing, the Employee shall not be deemed to be engaged in a Competitive Activity so long as his or her employment duties are not at or involving any general acute care hospital located within a 50-mile radius of any CHS Hospital (a "Competing Hospital"), including serving in a capacity where any person at the Competing Hospital reports to the Employee. For purposes hereof, a person shall be deemed to report to the Employee whether he or she reports directly to the Employee or indirectly through one or more other persons.

"Competitor" shall mean any Person that is engaged in owning, operating or acquiring directly or indirectly (through a corporation, trust, partnership or other Person) one or more short-term, general acute care hospitals located within a 50-mile radius of any hospital which, at the time the Employee is Terminated, is owned or operated by the Company or any of its subsidiaries or which the Company or any of its subsidiaries intend to own, operate or acquire (which intention was disclosed to the Employee prior to or in connection with his Termination) (a "CHS Hospital").

"Expenses of Sale" shall mean all expenses incurred by the FL & Co. Companies in connection with the sale of the shares of the selling stockholders pursuant to Section 3.2, 3.3 or 3.4 hereof to the extent that such expenses are not paid or reimbursed by the Company.

"FL & Co. Companies" shall mean the collective reference to Forstmann Little & Co. Equity Partnership-V, L.P., a Delaware limited partnership, and Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VI, L.P., a Delaware limited partnership.

"Legal Representative" shall mean the guardian, executor, administrator or other legal representative of the Employee. All references herein to the Employee shall be deemed to include references to the Employee's Legal Representative, if any, unless the context otherwise requires.

"Litigation" shall mean any actions, suits or proceedings arising out of or relating to this Agreement and the transactions contemplated hereby.

"Option," "Option Agreement" and "Plan" shall have the respective meanings ascribed to such terms in the first paragraph hereof.

"Permitted Transferee" shall have the meaning ascribed to such term in Section 3.1(b) hereof.

"Person" shall mean an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Prohibited Activity" shall have the meaning ascribed to such term in Section 4.1 hereof.

"Release Date" shall mean the date on which the FL & Co. Companies and their Affiliates shall cease to own in the aggregate directly or indirectly at least 25 percent of the then outstanding securities of the Company having the power to vote in the election of directors of the Company.

"Representative" shall have the meaning ascribed to such term in Section 6.13(b).

"Repurchase Notice" shall have the meaning ascribed to such term in Section 4.2 hereof.

"Sale Obligations" shall mean any liabilities and obligations (including liabilities and obligations for indemnification, amounts paid into escrow and post-closing adjustments) incurred by the selling stockholders in connection with the sale of their shares pursuant to Section 3.2, 3.3 or 3.4 hereof.

"Section 3.2 Notice" shall have the meaning ascribed to such term in Section 3.2(a) hereof.

"Section 3.3 Notice" shall have the meaning ascribed to such term in Section 3.3(a) hereof.

"Stock Dividend" shall mean any stock split, stock dividend, reverse stock split or similar transaction which changes the number of outstanding shares of capital stock of the Company.

"Terminated" or "Termination" shall mean that the Employee's employment on a full-time basis by the Company and its subsidiaries shall have ceased

for any reason whatsoever (including by reason of death, permanent disability or adjudicated incompetency).

"Third Party" shall mean any Person other than any of the FL & Co. Companies or an Affiliate or a partner of any of the FL & Co. Companies or an Affiliate of such partner.

"Transaction" shall mean any sale pursuant to Section 3.2, 3.3 or 3.4 hereof.

"Valuation Date" shall mean the last day of the fiscal year of the Company immediately preceding the fiscal year in which the Employee's employment is Terminated.

(b) In this Agreement, unless the context otherwise requires, words in the singular number or in the plural number shall each include the singular number and the plural number.

2. ACQUISITION OF CLASS C COMMON STOCK.

2.1 EXERCISE OF OPTION. The Employee hereby elects to exercise the Option in respect of the shares of Class C Common Stock set forth in Annex A hereto. Promptly upon payment in full of the exercise price for the shares of Class C Common Stock in respect of which the Option is being exercised and compliance by the Employee with the other provisions of Article 5 of the Option Agreement and Section 6.13(a)(ii) hereof, the Company shall issue a stock certificate in the name of the Employee representing the shares of Class C Common Stock in respect of which the Option is being exercised and shall enter the Employee's name on the books of the Company as the stockholder of record of such shares of Class C Common Stock.

3. RIGHTS AND RESTRICTIONS ON CLASS C COMMON STOCK.

3.1 NO SALE OR TRANSFER.

(a) The Employee shall not sell, transfer, assign, exchange, pledge, encumber or otherwise dispose of any shares of Class C Common Stock acquired hereunder or grant any option or right to purchase such shares or any legal or beneficial interest therein, except in accordance with the provisions of this Agreement.

(b) The Employee may transfer any shares of Class C Common Stock acquired hereunder by will, but only to:

(i) any spouse, parent, child (whether natural or adopted), grandchild, brother or sister of the Employee, or

(ii) any corporation or partnership which is controlled by any spouse, parent, child (whether natural or adopted), grandchild, brother or sister of the Employee

(the person or persons to which shares of Class C Common Stock are transferred in accordance with this Section 3.1(b) being herein referred to as the "Permitted Transferee"); provided, that, for any transfer to the Permitted Transferee to be effective hereunder, the Permitted Transferee shall agree in writing to be bound by all the terms of this Agreement applicable to the Employee (including, without limitation, Sections 4 and 6.13(b) hereof) as if the Permitted Transferee originally had been a party hereto; and provided, further, that all of the stockholders of any Permitted Transferee that is a corporation and all of the partners of any Permitted Transferee that is a partnership shall agree in writing not to transfer any shares they then own or may hereafter acquire in the corporate Permitted Transferee or any partnership interests they then own or may hereafter acquire in the partnership Permitted Transferee except to a person described in paragraph (i) or (ii) above that has made the same agreement in writing to the Company, so long as the corporate or partnership Permitted Transferee shall own any shares of Class C Common Stock. Any reference herein to the Employee shall be to the Permitted Transferee from and after the date the transfer is effected in accordance with this Section 3.1(b). Without limiting the generality of the foregoing, the provisions of Section 4.2 hereof shall be likewise applicable to any Permitted Transferee, commencing upon the date that such person becomes a Permitted Transferee, for the respective periods they would have applied to the Employee.

3.2 PARTICIPATION IN SALE OF CLASS A COMMON STOCK. The Employee, at the Employee's option, may participate proportionately (and the FL & Co. Companies shall allow the Employee to participate proportionately) in any sale (other than a public offering, which shall be governed by Section 3.3 hereof) of all or a portion of the shares of Class A Common Stock owned by either of the FL & Co. Companies to any Third Party by (a) exchanging (i) the same percentage of the Employee's shares of Class C Common Stock as the FL & Co. Companies propose to sell of their shares of Class A Common Stock to the Third Party (determined on the basis of the aggregate number of shares of Class A Common Stock owned, and the aggregate number of such shares being sold, by the FL & Co. Companies) for (ii) shares of Class A Common Stock in accordance with the Class C Exchange Rate, as defined in Subsection 5(d) of Section A of Article Fourth of the Certificate of Incorporation (the "Class C Exchange Rate"), and (b) selling the Class A Common Stock received in such exchange to the Third Party. Schedule I hereto sets forth an example illustrating the calculation of the Class C Exchange Rate. For purposes of determining the number of shares of Class C Common

Stock in respect of which the Employee may participate in such sale pursuant to this Section 3.2, the Employee shall be deemed to own the shares of Class C Common Stock acquired upon exercise of the Option at any time plus the shares of Class C Common Stock subject to any then unexercised portion of the Option, in each case other than any shares with respect to which any section of this Agreement (including Section 4.3 hereof) or the Option Agreement (including Section 6.2(c) thereof) provides that the Employee may not participate in such sale. The Company shall notify the Employee in writing of the FL & Co. Companies' intention to effect such a sale to a Third Party and the nature and per share amount of consideration to be paid by such Third Party, and shall set forth its calculation of the Class C Exchange Rate, at least 10 days, or such shorter time as the Company deems practicable, before the closing of any such proposed sale of shares of Class A Common Stock (the "Section 3.2 Notice"), and the Employee shall notify the Company in writing within five days after receipt of the Section 3.2 Notice of his or her intention to participate in such sale, including the number of shares of Class C Common Stock with respect to which he or she will so participate. Any failure by the Employee to so notify the Company within such five-day period shall be deemed an election by the Employee not to participate in such sale with respect to any of his or her shares. Any sale of shares of Class A Common Stock by the Employee pursuant to this Section 3.2 shall be for the same consideration per share, on the same terms and subject to the same conditions as the sale of shares of Class A Common Stock owned by the FL & Co. Companies. The Company shall, immediately prior to, and contingent upon, the consummation of such sale, exchange the shares of Class C Common Stock with respect to which the Employee will participate in the sale for shares of Class A Common Stock in accordance with the Class C Exchange Rate. If the Employee sells any shares of Class A Common Stock pursuant to this Section 3.2, the Employee shall pay and be responsible for the Employee's proportionate share of the Expenses of Sale and the Sale Obligations.

3.3 PUBLIC OFFERING OF CLASS A COMMON STOCK.

(a) If the FL & Co. Companies propose to sell all or any portion of the shares of Class A Common Stock owned by the FL & Co. Companies in a public offering, the Employee shall be entitled and required to participate in such public offering by selling in the public offering the same percentage of the Employee's shares of Class A Common Stock (such Class A Common Stock having been or being received by him pursuant to the Certificate of Incorporation, which provides that, upon the initial public offering of shares of Class A Common Stock, immediately prior to, and contingent upon, the consummation of the offering, all outstanding shares of Class C Common Stock shall be exchanged for shares of Class A Common Stock in accordance with the Class C Exchange Rate) as the FL & Co. Companies propose to sell of their shares in the public offering (determined on the basis of the aggregate number of shares of Class A Common Stock owned, and the aggregate number of such shares being sold,

by the FL & Co. Companies). For purposes of determining the number of shares of Class A Common Stock in respect of which the Employee may participate in such public offering pursuant to this Section 3.3, the Employee shall be deemed to own the shares of Class C Common Stock acquired upon exercise of the Option at any time plus the shares of Class C Common Stock subject to any then unexercised portion of the Option, in each case other than any shares with respect to which any section of this Agreement (including Section 4.3 hereof) or the Option Agreement (including Section 6.2(c) thereof) provides that the Employee may not participate in such public offering. The Company shall notify the Employee in writing of the FL & Co. Companies' intention to effect such public offering at least 10 days, or such shorter time as the Company deems practicable, before the filing with the Securities and Exchange Commission of the registration statement relating to such public offering (the "Section 3.3 Notice") and shall cause the Employee's shares to be sold in such public offering to be included therein. The Employee shall notify the Company in writing within five days after receipt of the Section 3.3 Notice of his or her intention to participate in such public offering, including the number of shares of Class C Common Stock with respect to which he or she will so participate. Any failure by the Employee to so notify the Company within such five-day period shall be deemed an election by the Employee not to participate in such public offering with respect to any of his or her shares. If the Employee sells any shares of Class A Common Stock pursuant to this Section 3.3, the Employee shall pay and be responsible for the Employee's proportionate share of the Expenses of Sale and the Sale Obligations, including, without limitation, indemnifying the underwriters of such public offering, on a proportionate basis, to the same extent as the FL & Co. Companies are required to indemnify such underwriters.

(b) In connection with any proposed public offering of securities of the Company, whether by any of the FL & Co. Companies or the Company or otherwise, the Employee agrees (i) to supply any information reasonably requested by the Company in connection with the preparation of a registration statement and/or any other documents relating to such public offering, and (ii) to execute and deliver any agreements and instruments reasonably requested by the Company to effectuate such public offering, including, without limitation, an underwriting agreement, a custody agreement and a "hold back" agreement pursuant to which the Employee will agree not to sell or purchase any securities of the Company (whether or not such securities are otherwise governed by this Agreement) for the same period of time following the public offering as is agreed to by the FL & Co. Companies with respect to themselves. If the Company requests that the Employee take any of the actions referred to in clause (i) or (ii) of the previous sentence, the Employee shall take such action promptly but in any event within five days following the date of such request.

3.4 REQUIRED PARTICIPATION IN SALE OF CLASS A COMMON STOCK BY THE FL & CO. COMPANIES. Notwithstanding any other provision of this Agreement to the

contrary, if the FL & Co. Companies shall propose to sell (including by exchange, in a business combination or otherwise) all or any portion of their shares of Class A Common Stock in a bona fide arm's-length transaction, the FL & Co. Companies, at their option, may require that (x) the Employee exchange the same percentage of the Employee's shares of Class C Common Stock as the FL & Co. Companies propose to sell of their shares in the transaction (determined on the basis of the aggregate number of shares of Class A Common Stock owned, and the aggregate number of such shares then being sold, by the FL & Co. Companies) for shares of Class A Common Stock in accordance with the Class C Exchange Rate, and (y) sell all the Class A Common Stock received in such exchange for the same consideration per share, on the same terms and subject to the same conditions in the same transaction and, if stockholder approval of the transaction is required and the Employee is entitled to vote thereon, that the Employee vote the Employee's shares in favor thereof. For purposes of determining the number of shares of Class C Common Stock in respect of which the Employee is to participate in such sale pursuant to this Section 3.4, the Employee shall be deemed to own the shares of Class C Common Stock acquired upon exercise of the Option at any time plus the shares of Class C Common Stock subject to any then unexercised portion of the Option, in each case other than any shares with respect to which any section of this Agreement (including Section 4.3 hereof) or the Option Agreement (including Section 6.2(c) thereof) provides that the Employee may not participate in such sale. The Company shall calculate the Class C Exchange Rate and shall, immediately prior to, and contingent upon, the consummation of the transaction, exchange the shares of Class C Common Stock with respect to which the Employee will participate in the transaction for shares of Class A Common Stock in accordance with the Class C Exchange Rate. If the Employee sells any shares pursuant to this Section 3.4, the Employee shall pay and be responsible for the Employee's proportionate share of the Expenses of Sale and the Sale Obligations.

3.5 TERMINATION OF RESTRICTIONS AND RIGHTS. Notwithstanding any other provision of this Agreement to the contrary, but subject to the restrictions of all applicable federal and state securities laws, including the restrictions in this Agreement relating thereto, from and after the Release Date any and all shares of Class C Common Stock owned by the Employee (a) may be sold, transferred, assigned, exchanged, pledged, encumbered or otherwise disposed of (and the Employee may grant any option or right to purchase such shares or any legal or beneficial interest therein, or may continue to hold such shares), free of the restrictions contained in this Agreement and (b) shall no longer be entitled to any of the rights contained in this Agreement. Without limiting the generality of the foregoing, from and after the Release Date, the provisions of Articles 3 and 4 hereof (other than this Section 3.5 and Section 4.1 hereof) shall terminate and have no further force or effect.

4. PROHIBITED ACTIVITIES.

4.1 PROHIBITION AGAINST CERTAIN ACTIVITIES. The Employee agrees that (a) the Employee will not, at any time during the Employee's employment (other than in the course of such employment) with the Company or any Affiliate thereof or after a Termination, directly or indirectly disclose or furnish to any other Person or use for the Employee's own or any other Person's account any confidential or proprietary knowledge or information or any other information which is not a matter of public knowledge and which was obtained in the course of the Employee's employment with, or other performance of services for, the Company or any Affiliate thereof or any predecessor of any of the foregoing, no matter from where or in what manner the Employee may have acquired such knowledge or information, and the Employee shall retain all such knowledge and information in trust for the benefit of the Company, its Affiliates and the successors and assigns of any of them, (b) if the Employee is Terminated, the Employee will not for 18 months following such Termination directly or indirectly solicit for employment, including without limitation recommending to any subsequent employer the solicitation for employment of, any employee of the Company (other than such Employee's secretary or administrative assistant), (c) the Employee will not, at any time during the Employee's employment with the Company or any Affiliate thereof or after a Termination, publish any statement or make any statement (under circumstances reasonably likely to become public or that the Employee might reasonably expect to become public) critical of the Company or any Affiliate of the Company, or in any way adversely affecting or otherwise maligning the business or reputation of any of the foregoing entities, and (d) the Employee will not breach the provisions of Section 3.1 hereof (any activity prohibited by clause (a), (b), (c) or (d) of this Section 4.1 being referred to as a "Prohibited Activity").

4.2 RIGHT TO PURCHASE SHARES. The Employee understands and agrees that the Company has granted to the Employee the right to acquire shares of Class C Common Stock to reward the Employee for the Employee's future efforts and loyalty to the Company and its Affiliates by giving the Employee the opportunity to participate in the potential future appreciation of the Company. Accordingly, (a) if the Employee engages in any Prohibited Activity, or (b) if, at any time during the Employee's employment with the Company or any of its Affiliates or during the 18 months following a Termination, the Employee engages in any Competitive Activity, or (c) if, at any time (whether during the Employee's employment or after any Termination thereof), the Employee is convicted of a crime against the Company or any of its Affiliates, then, in addition to any other rights and remedies available to the Company, the Company shall be entitled, at its option, exercisable by written notice (the "Repurchase Notice") to the Employee, to purchase all of the shares of Class C Common Stock then held by the Employee.

4.3 PURCHASE PRICE; CLOSING. The purchase price per share of the shares of Class C Common Stock purchased pursuant to this Article 4 shall be equal to the lesser of (a) $587.50 (adjusted to reflect any Capital Transaction effected after the date hereof and prior to the date of the Repurchase Notice) and (b) the Book Value Per Share. The closing of such purchase shall take place at the principal office of the Company 10 days following the date of the Repurchase Notice, except that if the Company is prohibited from repurchasing any shares of Class C Common Stock pursuant to this Article 4 by any contractual obligation of the Company or any of its Affiliates or by applicable law, the closing of such purchase shall take place on the first practicable date on which the Company is permitted to purchase such shares. At such closing, the Employee shall sell, convey, transfer, assign and deliver to the Company all right, title and interest in and to the shares of Class C Common Stock being purchased by the Company, which shall constitute (and, at the closing, the Employee shall certify the same to the Company in writing) good and unencumbered title to such shares, free and clear of all liens, security interests, encumbrances and adverse claims of any kind and nature (other than those in favor of the Company and the FL & Co. Companies pursuant to this Agreement), and shall deliver to the Company the certificates representing the shares duly endorsed for transfer, or accompanied by appropriate stock transfer powers duly executed, and with all necessary transfer tax stamps affixed thereto at the expense of the Employee, and the Company shall deliver to the Employee, in full payment of the purchase price payable pursuant to this Section 4.3 for the shares of Class C Common Stock purchased, a check payable to the order of the Employee in the amount of the aggregate purchase price for the shares purchased. Notwithstanding anything herein to the contrary, from and after the date of the Repurchase Notice, the Employee shall not have any rights with respect to any shares of Class C Common Stock which the Employee is required to sell to the Company pursuant to this Article 4 (including any rights pursuant to Section 3.2 or 3.3 hereof), except to receive the purchase price therefor.

4.4 TRANSACTION PROCEEDS. Notwithstanding anything to the contrary set forth in Section 3.2, 3.3 or 3.4 hereof, if at the time of a Transaction in which the Employee is participating, the Company is entitled to purchase the Employee's shares of Class C Common Stock pursuant to this Article 4, and if the purchase price per share for a purchase pursuant to this Article 4 would be less than the proceeds per share to the Employee from such Transaction, then the Employee shall be entitled to receive only the aggregate purchase price payable under this Article 4, with the balance of the proceeds of sale in the Transaction being remitted to the other stockholders of the Company participating in such Transaction pro rata in accordance with their respective participation in such Transaction.

5. STOCK CERTIFICATE LEGEND AND INVESTMENT REPRESENTATIONS; OTHER REPRESENTATIONS.

5.1 LEGEND. All certificates representing shares of Class C Common Stock acquired hereunder or hereafter by the Employee (unless registered under the Act) shall bear the following legend:

> "The shares represented by this certificate have not been registered under the Securities Act of 1933, as amended, or any securities regulatory authority of any state, and may not be sold, transferred, assigned, exchanged, pledged, encumbered or otherwise disposed of except in compliance with all applicable securities laws and except in accordance with the provisions of a Stockholder's Agreement with the Company, a copy of which is available for inspection at the offices of the Company."

5.2 REPRESENTATIONS OF THE EMPLOYEE. The Employee represents and warrants that: (a) the Employee understands that (i) the offer and sale of shares of Class C Common Stock in accordance with this Agreement have not been and will not be registered under the Act, and it is the intention of the parties hereto that the offer and sale of the securities be exempt from registration under the Act and the rules promulgated thereunder by the Securities and Exchange Commission; (ii) the shares of Class C Common Stock being acquired hereunder cannot be sold, transferred, assigned, exchanged, pledged, encumbered or otherwise disposed of unless they are registered under the Act or an exemption from registration is available; and (iii) the acquisition of Class C Common Stock hereunder does not entitle the Employee to participate in any other equity program of the Company, whether now existing or hereafter established; (b) the Employee is acquiring the shares of Class C Common Stock being acquired hereunder for investment for the Employee's own account and not with a view to the distribution thereof; (c) the Employee will not, directly or indirectly, sell, transfer, assign, exchange, pledge, encumber or otherwise dispose of any shares of Class C Common Stock being acquired hereunder except in accordance with this Agreement; (d) the Employee has, or the Employee together with the Employee's advisers, if any, have, such knowledge and experience in financial and business matters that the Employee is, or the Employee together with the Employee's advisers, if any, are, and will be capable of evaluating the merits and risks relating to the Employee's acquisition of shares of Class C Common Stock under this Agreement; (e) the Employee has been given the opportunity to obtain information and documents relating to the Company and to ask questions of and receive answers from representatives of the Company concerning the Company and the Employee's investment in the Class C Common Stock; (f) the Employee's decision to invest in the Company has been based upon independent investigations made by the Employee and the Employee's advisers, if any; (g) the

Employee is able to bear the economic risk of a total loss of the Employee's investment in the Company; and (h) the Employee has adequate means of providing for the Employee's current needs and foreseeable personal contingencies and has no need for the Employee's investment in the Class C Common Stock to be liquid.

6. MISCELLANEOUS.

6.1 DISTRIBUTIONS. In the event of any dividend, distribution or exchange paid or made in respect of the Class C Common Stock consisting of Affiliate Securities, (a) the restrictions and rights with respect to the Class C Common Stock that are contained in this Agreement shall be applicable to the Affiliate Securities without further action of the parties (with the references to Class C Common Stock being deemed references to the Affiliate Securities and the references to the Company being deemed references to the Affiliate), and (b) as a condition precedent to the receipt of the Affiliate Securities by the Employee, the Employee shall enter into a stockholder's agreement containing substantially equivalent terms with respect to the Affiliate Securities (but reflecting the economics of the dividend, distribution or exchange and the capitalization of the Affiliate) as are contained in Section 4.3 hereof. The Board of Directors of the Company, in good faith, shall determine such economics and its determination shall be final and binding on the Employee.

6.2 FURTHER ASSURANCES. Each party hereto shall do and perform or cause to be done and performed all further acts and things and shall execute and deliver all other agreements, certificates, instruments, and documents as any other party hereto reasonably may request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

6.3 GOVERNING LAW. This Agreement and the rights and obligations of the parties hereto shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, without giving effect to the principles of conflicts of law thereof.

6.4 SPECIFIC PERFORMANCE. The parties hereto acknowledge that there will be no adequate remedy at law for a violation of any of the provisions of this Agreement and that, in addition to any other remedies which may be available, all of the provisions of this Agreement shall be specifically enforceable in accordance with their respective terms.

6.5 INVALIDITY OF PROVISIONS. The invalidity or unenforceability of any provision of this Agreement in any jurisdiction shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of this Agreement, including that provision, in any other jurisdiction. If

any provision of this Agreement is held unlawful or unenforceable in any respect, such provision shall be revised or applied in a manner that renders it lawful and enforceable to the fullest extent possible.

6.6 NOTICE. All notices and other communications hereunder shall be in writing and, unless otherwise provided herein, shall be deemed to have been given when received by the party to whom such notice is to be given at its address set forth below, or such other address for the party as shall be specified by notice given pursuant hereto:

(a) If to the Company, to:

Community Health Systems Holdings Corp.
155 Franklin Road, Suite 400
Brentwood, TN 37027-4600
Attention: President

with a copy to:

Forstmann Little & Co. Equity Partnership-V, L.P.
767 Fifth Avenue, 44th Floor
New York, New York 10153
Attention: Ms. Sandra J. Horbach

(b) If to the Employee, to the address set forth below the Employee's signature, and if to the Legal Representative, to such Person at the address of which the Company is notified in accordance with this Section 6.6.

6.7 BINDING EFFECT. This Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their respective heirs, legal representatives, successors and assigns. In addition, each of the FL & Co. Companies shall be a third party beneficiary of this Agreement and shall be entitled to enforce this Agreement.

6.8 AMENDMENT AND MODIFICATION. This Agreement may be amended, modified or supplemented only by written agreement of the party against whom enforcement of such amendment, modification or supplement is sought.

6.9 HEADINGS; EXECUTION IN COUNTERPARTS. The headings and captions contained herein are for convenience only and shall not control or affect the meaning or construction of any provision hereof. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and which together shall constitute one and the same instrument.

6.10 ENTIRE AGREEMENT. This Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, oral and written, between the parties hereto with respect to the subject matter hereof.

6.11 WITHHOLDING. The Company shall have the right to deduct from any amount payable under this Agreement any taxes or other amounts required by applicable law to be withheld. The Employee agrees to indemnify the Company against any Federal, state and local withholding taxes (but not penalties or interest) for which the Company may be liable in connection with the Employee's acquisition, ownership or disposition of any Class C Common Stock.

6.12 NO RIGHT TO CONTINUED EMPLOYMENT. This Agreement shall not confer upon the Employee any right with respect to continuance of employment by the Company or any Affiliate thereof, nor shall it interfere in any way with the right of the Company or any Affiliate thereof to terminate the Employee's employment at any time.

6.13 POSSESSION OF CERTIFICATES; POWER OF ATTORNEY.

(a) In order to provide for the safekeeping of the certificates representing the shares of Class C Common Stock acquired by the Employee pursuant hereto and to facilitate the enforcement of the terms and conditions hereof, (i) the Company shall retain physical possession of all certificates representing shares of Class C Common Stock issued to the Employee, and (ii) concurrently with the Employee's execution and delivery to the Company of this Agreement, the Employee shall deliver to the Company an undated stock power, duly executed in blank, for each such certificate. The Employee shall be relieved of any obligation otherwise imposed by this Agreement to deliver certificates representing shares of Class C Common Stock if the same are in the custody of the Company.

(b) The Employee hereby irrevocably appoints the FL & Co. Companies, and each of them (individually and collectively, the "Representative"), the Employee's true and lawful agent and attorney-in-fact, with full powers of substitution, to act in the Employee's name, place and stead, to do or refrain from doing all such acts and things, and to execute and deliver all such documents, as the Representative shall deem necessary or appropriate in connection with a public offering of securities of the Company or a sale pursuant to Section 3.2, 3.4 or 4.2 hereof, including, without in any way limiting the generality of the foregoing, in the case of a sale pursuant to Section 3.2 or 3.4 hereof, to execute and deliver on behalf of the Employee a purchase and sale agreement and any other agreements and documents that the Representative deems necessary in connection with any such sale, and in the case of a public offering, to execute and deliver on behalf of the Employee an underwriting agreement, a "hold

back" agreement, a custody agreement, and any other agreements and documents that the Representative deems necessary in connection with any such public offering, and in the case of any sale pursuant to Section 3.2 or 3.4 hereof and any public offering pursuant to Section 3.3(a) hereof, to receive on behalf of the Employee the proceeds of the sale or public offering of the Employee's shares, to hold back from any such proceeds any amount that the Representative deems necessary to reserve against the Employee's share of any Expenses of Sale and Sale Obligations and to pay such Expenses of Sale and Sale Obligations. The Employee hereby ratifies and confirms all that the Representative shall do or cause to be done by virtue of its appointment as the Employee's agent and attorney-in-fact. In acting for the Employee pursuant to the appointment set forth in this Section 6.13(b), the Representative shall not be responsible to the Employee for any loss or damage the Employee may suffer by reason of the performance by the Representative of its duties under this Agreement, except for loss or damage arising from willful violation of law or gross negligence by the Representative in the performance of its duties hereunder. The appointment of the Representative shall be deemed coupled with an interest and as such shall be irrevocable and shall survive the death, incompetency, mental illness or insanity of the Employee, and any person dealing with the Representative may conclusively and absolutely rely, without inquiry, upon any act of the Representative as the act of the Employee in all matters referred to in this Section 6.13(b). The Representative shall advise the Employee in writing of any Sale Obligations imposed on the Employee in any document executed by the Representative as the Employee's attorney-in-fact pursuant to this Section 6.13(b).

6.14 CONSENT TO JURISDICTION. Each party hereby irrevocably and unconditionally consents to submit to the exclusive jurisdiction of the courts of the State of New York and of the United States of America, in each case located in the County of New York, for any Litigation (and agrees not to commence any Litigation except in any such court), and further agrees that service of process, summons, notice or document by U.S. registered mail to such party's respective address set forth in Section 6.6 hereof shall be effective service of process for any Litigation brought against such party in any such court. Each party hereby irrevocably and unconditionally waives any objection to the laying of venue of any Litigation in the courts of the State of New York or of the United States of America, in each case located in the County of New York, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any Litigation brought in any such court has been brought in an inconvenient forum.

IN WITNESS WHEREOF, this Agreement has been signed by or on behalf of each of the parties hereto, all as of the date first above written.

EMPLOYEE

_____
Name:
Address:

COMMUNITY HEALTH SYSTEMS HOLDINGS CORP.

By: _____
Title:

The undersigned hereby agree to be bound by the provisions of Sections 3.2 and 3.3 of the foregoing Agreement.

FORSTMANN LITTLE & CO. EQUITY PARTNERSHIP-V, L.P.

By: FLC XXX Partnership,
its general partner

By: _____
Sandra J. Horbach,
a general partner

FORSTMANN LITTLE & CO. SUBORDINATED DEBT AND EQUITY MANAGEMENT BUYOUT PARTNERSHIP-VI, L.P.

By: FLC XXIX Partnership,
its general partner

By: _____
Sandra J. Horbach,
a general partner

The undersigned acknowledges that the undersigned has read the foregoing Agreement between Community Health Systems Holdings Corp. and the undersigned's spouse, understands that the undersigned's spouse has acquired shares of Class C Common Stock of Community Health Systems Holdings Corp. as reflected in such Agreement and agrees to be bound by the foregoing Agreement.

_____

Employee's Spouse

ANNEX A

Date	Number Of Shares In Respect Of Which Option Is Being Exercised On The Date Indicated	Cumulative Number Of Shares Subject To The Stockholder's Agreement On The Date Indicated

SCHEDULE I

Assume: 1) Aggregate amount of assets available for distribution is $2,200,000,000. THERE IS NO ASSURANCE THAT THE ACTUAL AMOUNT OF ASSETS AVAILABLE FOR DISTRIBUTION WILL REACH THIS LEVEL.

2) 449,123 shares of Class A Common Stock and 39,600 shares of Class B Common Stock outstanding, and options granted to acquire 9,000 shares of Class C Common Stock and 1,600 shares of Class A Common Stock, all at the time of distribution.

STEP 1

					To CLASS A	To CLASS B	To CLASS C
First to A:	$1,073.52	x	450,723	=	$483,860,155		
Second to B:	357.84	x	39,600	=		$14,170,464	
Third to C:	587.50	x	9,000	=			$5,287,500
Fourth to A:	279.17	x	450,723	=	125,828,340		
and to C:	279.17	x	9,000	=			2,512,530
Fifth to A	3,140.93*	x	450,723	=			
and to B:	3,140.93*	x	39,600	=	1,415,691,577	124,381,020	28,268,414
and to C:	3,140.93*	x	9,000	=			
Total					$2,025,380,072	$138,551,484	$36,068,444

	PER SHARE PROCEEDS	COST OF SHARES	NET GAIN
STEP 2			
x = $ total for Class A divided by 450,723 =	$4,493.62	($1,073.52)	$3,420.10
STEP 3			
y = $ total for Class B divided by 39,600 =	$3,498.77	($357.84)	$3,140.93
STEP 4			
z = $ total for Class C divided by 9,000 =	$4,007.60	($587.50)	$3,420.10

Class B Exchange Rate = y/x or 0.779 of a share of Class A Common Stock for each share of Class B Common Stock.

Class C Exchange Rate = z/x or 0.892 of a share of Class A Common Stock for each share of Class C Common Stock.

- ---

* Equals $2,200,000,000 less the payments from the first, second, third and fourth steps ($631,658,989) divided by 499,323 (449,123 plus 39,600 plus 9,000 plus 1,600), rounded for presentation purposes.

Exhibit 10.4

COMMUNITY HEALTH SYSTEMS HOLDINGS CORP.

EMPLOYEE STOCK OPTION PLAN

1. PURPOSE. The purpose of the Community Health Systems Holdings Corp. Employee Stock Option Plan is to provide financial incentives to employees of the Company or its direct or indirect wholly owned subsidiaries whose entrepreneurial and management talents and commitments will contribute to the continued growth and expansion of the Company's business.

The options granted under the Plan are not intended to qualify as Incentive Stock Options within the meaning of Section 422 of the Code.

2. DEFINITIONS. For purposes of this Plan:

(a) "Affiliate" means any person directly or indirectly controlling, controlled by or under common control with the person of which it is an Affiliate.

(b) "Board" means the Board of Directors of the Company or the Executive Committee of the Board of Directors of the Company.

(c) "Class A Common Stock" means the Class A Common Stock, par value $.01 per share, of the Company and any other securities into which such shares are changed or for which such shares are exchanged.

(d) "Class C Common Stock" means the Class C Nonvoting Common Stock, par value $.01 per share, of the Company and any other securities into which such shares are changed or for which such shares are exchanged, including as described in Section 7 hereof.

(e) "Code" means the Internal Revenue Code of 1986, as amended.

(f) "Committee" means the Compensation Committee of the Board of Directors of the Company, unless otherwise specified by the Board, in which event the committee shall be as specified by the Board, which committee shall administer the Plan and perform the functions set forth herein.

(g) "Company" means Community Health Systems Holdings Corp., a Delaware corporation, and any successor to Community Health Systems Holdings Corp. by merger, consolidation or otherwise.

(h) "Eligible Person" means any employee of the Company or any of its direct or indirect wholly owned subsidiaries whom the Committee designates as eligible to receive Options under the Plan.

(i) "FL & Co. Companies" means individually and collectively Forstmann Little & Co. Equity Partnership-V, L.P., a Delaware limited partnership, and Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VI, L.P., a Delaware limited partnership.

(j) "Initial Public Offering" means the first Public Offering.

(k) "Legal Representative" means the guardian, executor, administrator or other legal representative of the Optionee. All references herein to the Optionee shall be deemed to include references to the Optionee's Legal Representative, if any, unless the context otherwise requires.

(l) "Option" means an option to purchase shares of Class C Common Stock granted under the Plan.

(m) "Optionee" means a person to whom an Option has been granted under the Plan.

(n) "Option Price" means the price at which a share of Class C Common Stock can be purchased pursuant to an Option.

(o) "Plan" means the Community Health Systems Holdings Corp. Employee Stock Option Plan as set forth in this instrument and as it may be amended from time to time.

(p) "Public Offering" means a public offering of Class A Common Stock registered under the Securities Act of 1933, as amended.

(q) "Stock Option Agreement" means the written agreement between an Optionee and the Company evidencing the grant of an Option under the Plan and setting forth the terms and conditions of that Option.

(r) "Stockholder's Agreement" means the Stockholder's Agreement governing the rights, duties and obligations of present or former employees of the Company with respect to shares of Class C Common Stock granted or sold to such persons, or issued pursuant to options granted or sold to such persons, in the form attached hereto as Annex I or such form as is in use by the Company at the time of exercise of the Option or any part thereof or such other form which the Company elects to require the Optionee to execute in connection with the Optionee's exercise of the Option. All references in any Stock Option Agreement to sections of a Stockholder's Agreement shall be to sections of the Stockholder's Agreement which is attached hereto or to the corresponding sections of any Stockholder's Agreement in use by the Company at the time of exercise of any Option or which the Company elects to require the Optionee to execute in connection with the Optionee's exercise of the Option.

(s) "Third Party" means any person or entity which is not any of the FL & Co. Companies or a partner or an Affiliate of any of the FL & Co. Companies or an Affiliate of such partner.

(t) "Total Private Sale" means any of the following events: (i) the merger or consolidation of the Company with or into another corporation (other than a merger or consolidation in which the Company is the surviving corporation and which does not result in any capital reorganization or reclassification or other change of

the then outstanding shares of Class A Common Stock), or (ii) the liquidation of the Company, or (iii) the sale to a Third Party of all or substantially all of the assets of the Company pursuant to a plan of liquidation or otherwise, or (iv) the sale to a Third Party of Class A Common Stock (other than through a Public Offering); in each case provided that, as a result thereof, the FL & Co. Companies, the direct and indirect partners of any of the FL & Co. Companies and any Affiliates of any of the foregoing cease to own, directly or indirectly, any shares of the voting stock of the Company.

3. ADMINISTRATION. The Plan shall be administered by the Committee, which shall hold meetings when it deems necessary and shall keep minutes of its meetings. The Committee shall have all of the powers necessary to enable it to carry out its duties under the Plan properly, including the power and duty to construe and interpret the Plan and to determine all questions arising under it. The Committee's interpretations and determinations shall be conclusive and binding upon all persons. The Committee may also establish, from time to time, such regulations, provisions, procedures and conditions regarding the Options and granting of Options which in its opinion may be advisable in administering the Plan. The acts of a majority of the total membership of the Committee at any meeting, or the acts approved in writing by all of its members, shall be the acts of the Committee; provided, that if at any time the Committee is the Board, the acts of a majority of the members of the Board present at any meeting, or the acts approved in writing by all of its members, shall be the acts of the Committee.

4. SHARES AVAILABLE FOR OPTION.

(a) The Committee shall have the authority to grant Options to purchase up to an aggregate of 9,000 shares of Class C Common Stock.

(b) In the event that an Option granted under the Plan to any Eligible Person expires or is for any other reason terminated, those shares of Class C Common Stock covered by any portion of such Option that has not been exercised prior thereto shall thereafter be available for the granting of future Options under the Plan.

(c) The Company may, but shall not be required to, reserve out of its authorized but unissued shares of Class C Common Stock, or out of shares of Class C Common Stock held in treasury, or partly out of each, as may be determined by the Board, shares of Class C Common Stock for issuance upon exercise of any Option.

5. GRANTING OPTIONS.

(a) Subject to the provisions of the Plan, the Committee shall have full and final authority to select those Eligible Persons who will receive Options. The Committee may also grant more than one Option to a given Eligible Person during the term of the Plan, either in addition to, or in substitution for, one or more Options previously granted that Eligible Person. Options shall be issued pursuant to a Stock Option Agreement, in form and substance approved by the Committee, executed by the Company and the Optionee.

(b) The Committee, in its sole discretion, shall establish the Option Price at the time an Option is granted.

(c) The terms of each Option granted under the Plan may differ from those of other Options granted under the Plan at the same time, or at some other time.

(d) An Option shall be exercisable in such installments (which need not be equal) and at such times as may be designated by the Committee and set forth in the Stock Option Agreement. To the extent not exercised, installments may accumulate and be exercisable, in whole or in part, at any time after becoming exercisable, but not later than the date the Option expires. The Committee may accelerate the exercisability of any Option or portion thereof at any time. In no event shall the term of any Option granted under the Plan exceed ten years.

(e) Options granted under the Plan shall not be transferable by the Optionee except as approved by the Committee as reflected in the Stock Option Agreement.

(f) Subject to the terms and conditions and within the limitations of the Plan, the Committee may modify, extend, replace or renew outstanding Options granted under the Plan, or accept the surrender of outstanding Options (to the extent they have not yet been exercised) and grant new Options in substitution for them. Notwithstanding the foregoing, however, no modification of an Option shall adversely alter or impair any rights or obligations under that Option without the affected Optionee's consent.

6. EXERCISE OF OPTIONS.

(a) To exercise an Option, in whole or in part, the Optionee shall deliver to the Committee a written notice of exercise specifying the number of shares of Class C Common Stock in respect of which the Option is being exercised. The Stock Option Agreement shall set forth the minimum number of shares of Class C Common Stock, if any, which may be purchased at any one time upon the exercise of an Option. An Optionee shall not be deemed the holder of any shares of Class C Common Stock subject to the Option or have any rights of a stockholder with respect thereto until the Option shall have been exercised in accordance with the terms of the Stock Option Agreement, the shares of Class C Common Stock in respect of which the Option was exercised shall have been issued to such Optionee and the name of such Optionee shall have been entered as a stockholder of record on the books of the Company. The Stock Option Agreement may contain such other conditions to the exercise of an Option as the Committee from time to time shall determine and may also contain provisions relating to the ownership of the shares of Class C Common Stock issued upon the exercise of the Option or may require the Optionee, as a condition of exercise of the Option, to execute a Stockholder's Agreement.

(b) Except as provided in the Stock Option Agreement, any Options held by an Optionee shall not be exercisable after the termination of the Optionee's employment with the Company. In addition, except as provided in the Stock

Option Agreement, Options granted under the Plan shall be exercisable only by the Optionee or the Optionee's Legal Representative.

(c) All certificates representing shares of Class C Common Stock issued pursuant to the exercise of an Option shall bear the following legend:

> "The shares represented by this certificate have not been registered under the Securities Act of 1933, as amended, or any securities regulatory authority of any state, and may not be sold, transferred, assigned, exchanged, pledged, encumbered or otherwise disposed of except in compliance with all applicable securities laws and except in accordance with the provisions of a Stockholder's Agreement with the Company, a copy of which is available for inspection at the offices of the Company."

or such other legend to the same effect as approved by the Committee.

(d) To the extent that an Option is not exercised prior to the expiration of its term or such shorter period of time prescribed by the Plan and the Stock Option Agreement, the Option shall lapse and all rights of the Optionee with respect thereto shall terminate.

7. CHANGES IN CLASS C COMMON STOCK.

(a) In the event that the outstanding shares of Class C Common Stock are changed into or exchanged for a different number or kind of shares of stock or other securities of the Company, whether through merger, consolidation, reorganization, recapitalization, stock dividend, stock split-up or other substitution of securities of the Company, the Committee shall make appropriate adjustments to the maximum number and kind of shares of stock as to which Options may be granted under the Plan and the number and kind of shares of stock with respect to which Options have been granted under the Plan, the Option Price for such shares and any other economic terms of the Option. The Committee's adjustment shall be final and binding for all purposes of the Plan and each Stock Option Agreement entered into under the Plan. No adjustment

provided for in this Section 7 shall require the Company to issue a fractional share, and with respect to each Stock Option Agreement the total adjustment as to the number of shares for which Options have been granted shall be effected by rounding down to the nearest whole number of shares.

(b) Upon the effective date of any Total Private Sale, the Plan and any unexercised Options granted under the Plan shall terminate unless provision shall be made in writing in connection with such Total Private Sale for the continuance of the Plan and such unexercised Options or for the assumption of such unexercised Options by a successor to the Company or for the substitution for such unexercised Options of new options covering shares of such a successor with appropriate adjustments as to number and kind of shares and prices of shares subject to such new options; provided, however, that in connection with a Total Private Sale, the Committee may, in its discretion, authorize the redemption of unexercised Options for a redemption price set forth in the Stock Option Agreement. In the event that provision is made in writing as aforesaid in connection with a Total Private Sale, the Plan and the unexercised Options theretofore granted or the new options substituted therefor shall continue in the manner and under the terms provided in the Plan and the Stock Option Agreements and in such writing.

8. AMENDMENT OR TERMINATION OF PLAN. The Board shall have the right to amend, suspend or terminate the Plan at any time. The rights of an Optionee under any Option granted prior to an amendment, suspension or termination of the Plan shall not be adversely affected by any such action of the Board except upon the consent of the Optionee; provided that an amendment to Section 4 of the Plan to increase the number of shares of Class C Common Stock with respect to which Options may be granted by the Committee shall not be deemed to adversely affect any Optionee.

9. INDEMNIFICATION OF THE COMMITTEE. The members of the Committee shall be indemnified by the Company against all losses, claims, damages and liabilities, joint or several (including all legal and other expenses reasonably incurred in connection

with the preparation for, or defense of, any claim, action or proceeding, whether or not resulting in any liability), for any acts or omissions which are within the scope of such member's duties as a member of the Committee to the fullest extent permitted by law.

10. COMPLIANCE WITH LAW AND OTHER CONDITIONS. All Options and Stock Option Agreements shall be governed by, and construed and enforced in accordance with, the laws of the State of New York without giving effect to the principles of conflicts of laws thereof, except that matters covered under the General Corporation Law of the State of Delaware shall be governed thereby, to the extent in either case not superseded by the laws of the United States. Notwithstanding anything herein or in any agreements pursuant to which Options are granted to the contrary, the Company shall not be required to issue shares pursuant to the exercise of any Option granted under the Plan unless the Company's counsel has advised the Company that such exercise and issuance comply with all applicable laws including, without limitation, all applicable federal and state securities laws.

11. MISCELLANEOUS. Nothing in the Plan or in any Stock Option Agreement shall (a) confer on any employee any right to continue in the employ of the Company or any successor; or (b) affect the right of the Company or any successor to terminate the employment of an employee at any time; or (c) be deemed a waiver or modification of any provision contained in any agreement between the employee and the Company or any successor.

12. EFFECTIVE DATE AND DURATION OF PLAN. The effective date of the Plan shall be the date of its adoption by the Board, subject only to the approval of the stockholders of the Company entitled to vote thereon. No Options may be granted under the Plan after the date twenty years from the date the Plan is adopted by the Board.

Form of Stock Option Agreement

STOCK OPTION AGREEMENT (the "Agreement"), dated as of _____, between Community Health Systems Holdings Corp., a Delaware corporation (together with its successors, the "Company"), and _____ (the "Optionee").

1. GRANT OF OPTION.

1.1 GRANT. The Company hereby grants to the Optionee the right and option (the "Option") to purchase all or any part of an aggregate of ____ whole shares of Class C Nonvoting Common Stock, par value $.01 per share, of the Company (the "Class C Common Stock") (such number being subject to adjustment as provided in Section 8 hereof) on the terms and conditions set forth in this Agreement and in the Community Health Systems Holdings Corp. Employee Stock Option Plan (the "Plan"), a copy of which is being delivered to the Optionee concurrently herewith and is made a part hereof as if fully set forth herein.

1.2 NON-QUALIFIED OPTION. The Option is not intended to qualify as an Incentive Stock Option within the meaning of Section 422 of the Code.

1.3 DEFINED TERMS. Except as otherwise defined herein, capitalized terms used in this Agreement shall have the same definitions as set forth in the Plan.

2. PURCHASE PRICE. The price at which the Optionee shall be entitled to purchase shares of Class C Common Stock upon the exercise of this Option shall be $587.50 per share (such price being subject to adjustment as provided in Section 8 hereof) (the "Option Price").

3. DURATION OF OPTION. The Option shall be exercisable to the extent and in the manner provided herein for a term of 10 years from the date hereof; provided, however, that the Option may be earlier terminated as provided in Section 4, Section 6, Section 7 or Section 9 hereof.

4. EXERCISABILITY OF OPTION.

4.1 AMOUNT OF EXERCISE. Subject to the provisions of this Agreement and the Plan, the Option shall be exercisable in accordance with the following schedule:

(a) on or after the first anniversary of the date hereof but before the second anniversary of the date hereof, the Option may be exercised to acquire up to one-fifth of the

aggregate number of shares of Class C Common Stock which may be purchased pursuant to the Option as set forth in Section 1.1 hereof, less any shares previously acquired pursuant to the Option;

(b) on or after the second anniversary of the date hereof but before the third anniversary of the date hereof, the Option may be exercised to acquire up to 40% of the aggregate number of shares of Class C Common Stock which may be purchased pursuant to the Option as set forth in Section 1.1 hereof, less any shares previously acquired pursuant to the Option;

(c) on or after the third anniversary of the date hereof but before the fourth anniversary of the date hereof, the Option may be exercised to acquire up to 60% of the aggregate number of shares of Class C Common Stock which may be purchased pursuant to the Option as set forth in Section 1.1 hereof, less any shares previously acquired pursuant to the Option;

(d) on or after the fourth anniversary of the date hereof but before the fifth anniversary of the date hereof, the Option may be exercised to acquire up to 80% of the aggregate number of shares of Class C Common Stock which may be purchased pursuant to the Option as set forth in Section 1.1 hereof, less any shares previously acquired pursuant to the Option;

(e) on or after the fifth anniversary of the date hereof but before the expiration of the term of the Option, the Option may be exercised to acquire up to 100% of the aggregate number of shares of Class C Common Stock which may be purchased pursuant to the Option as set forth in Section 1.1 hereof, less any shares previously acquired pursuant to the Option.

4.2 TIMING OF EXERCISE. Prior to the completion of an Initial Public Offering, unless the Committee otherwise determines, the Optionee may exercise the Option (to the extent the Option is exercisable pursuant to Section 4.1 hereof at such time) only during the 60-day period following the date upon which the Company delivers to the Optionee a certificate of the chief financial officer of the Company stating that a copy of the Company's consolidated financial statements for the preceding

fiscal year is available to the Optionee for his or her review at the principal office of the Company or such other locations as the Company shall specify (the "Annual Certificate"). The Company shall use its best efforts to deliver the Annual Certificate within 30 days after the consolidated financial statements referred to therein are completed. Upon the completion of an Initial Public Offering, the Company shall no longer be required to deliver the Annual Certificate and the Option may be exercised (to the extent the Option is exercisable pursuant to Section 4.1 hereof at such time) at any time.

4.3 SALES OR OTHER EVENTS. The Company shall give the Optionee 10 days' notice (or, if not practicable, such shorter notice as may be practicable) prior to the anticipated date of the consummation of a Total Sale (as hereinafter defined) or the anticipated date of the consummation of a Partial Sale (as hereinafter defined) (the "Sale Notice"). Upon receipt of the Sale Notice, and for a period of five days thereafter (or such shorter period as the Committee shall determine and so notify the Optionee), the Optionee shall be permitted to exercise the Option to the extent provided in this Section 4.3, whether or not the Option was otherwise so exercisable on the date the Sale Notice was given; provided, that, in the event of a Total Sale or a Partial Sale in which the Optionee would be required to participate pursuant to Section 3.4 of the Stockholder's Agreement were the Optionee then a party to such agreement, the Company may require the Optionee to exercise the Option to the extent necessary to enable the Optionee to participate therein or to forfeit the Option (or portion thereof, as applicable). In the case of a Total Sale, the Option may be exercised in whole or in part for up to the full amount of the shares of Class C Common Stock covered thereby (less the number of shares previously acquired by the Optionee upon exercise of the Option, if any). In the case of a Partial Sale, the Option may be exercised in whole or in part, but not for more than the excess, if any, of (a) the number of shares with respect to which the Optionee would be entitled to participate in the Partial Sale pursuant to Section 3.2 or 3.3, as applicable, of the Stockholder's Agreement, and will so participate, over (b) the number of shares previously issued to the Optionee upon exercise of the Option and not disposed of in a prior Partial Sale. In the event the Total Sale or Partial Sale is not consummated, the Option will be deemed not to have been exercised and shall be exercisable thereafter to the extent it would have been exercisable if no such notice had been given. In lieu of permitting or requiring the Optionee to exercise the Option in the event of a Total Sale, the Committee, in its sole discretion, may instead cause the Company to redeem the unexercised portion of the Option pursuant to Section 9 hereof. In lieu of permitting the Optionee to exercise the Option in connection with a Public Offering of all or a portion of the shares of Class A Common Stock owned by the FL & Co. Companies (an "FL Public Offering"), the Company, at its option, may instead cause the Option and the underlying shares to be registered under applicable securities laws or make other arrangements consistent with such laws, so as to permit the Optionee to sell for a period of time after the FL Public

Offering the same number of shares that he or she would have been able to sell in the FL Public Offering but for this sentence.

For purposes hereof, (a) the term "Total Sale" shall mean any of the following events: (i) the merger or consolidation of the Company with or into another corporation (other than a merger or consolidation in which the Company is the surviving corporation and which does not result in any capital reorganization or reclassification or other change of the then outstanding shares of Class A Common Stock), or (ii) the liquidation of the Company, or (iii) the sale to a Third Party of all or substantially all of the assets of the Company pursuant to a plan of liquidation or otherwise, or (iv) the sale to a Third Party of Class A Common Stock (other than through a Public Offering); in each case, provided that, as a result thereof, the FL & Co. Companies, the direct and indirect partners of any of the FL & Co. Companies and any Affiliates of any of the foregoing cease to own, directly or indirectly, any shares of the voting stock of the Company, and (b) the term "Partial Sale" shall mean any sale by the FL & Co. Companies of all or a portion of their shares of Class A Common Stock to a Third Party, including through any Public Offering, which sale is not a Total Sale.

4.4 TERMINATION OF OPTION. Subject to the provisions of Section 9 hereof, the Option shall terminate simultaneously with the consummation of a Total Sale to the extent that the Option has not theretofore been exercised.

5. MANNER OF EXERCISE AND PAYMENT.

5.1 NOTICE OF EXERCISE. Subject to the terms and conditions of this Agreement and the Plan, the Option may be exercised by delivery of written notice to the Company. Such notice shall state that the Optionee is electing to exercise the Option, shall set forth the number of shares of Class C Common Stock in respect of which the Option is being exercised and shall be signed by the Optionee or, where applicable, by the Optionee's Legal Representative. The Company may require proof satisfactory to it as to the right of the Legal Representative to exercise the Option.

5.2 DELIVERIES. The notice of exercise described in Section 5.1 hereof shall be accompanied by (a) payment of the full purchase price for the shares in respect of which the Option is being exercised, together with any withholding taxes that may be due as a result of the exercise of the Option, such payment to be made by delivery to the Company of a certified or bank check payable to the order of the Company or cash by wire transfer or other immediately available funds to an account designated by the Company, and (b) a fully executed Stockholder's Agreement (a copy of which, in the form to be executed by the Optionee (which may differ from the form attached to the Plan), will be supplied to the Optionee upon request) and the undated stock power referred to in Section 6.13(a)(ii) of the Stockholder's Agreement. Not less than [____] shares of Class C Common Stock may be purchased at any one time upon

any exercise of the Option, unless the number of shares of Class C Common Stock so purchased constitutes the total number of shares of Class C Common Stock then purchasable under the Option.

5.3 ISSUANCE OF SHARES. Upon receipt of notice of exercise, full payment for the shares of Class C Common Stock in respect of which the Option is being exercised and a fully executed Stockholder's Agreement and stock power, and subject to Section 10 of the Plan, the Company shall take such action as may be necessary under applicable law to effect the issuance to the Optionee of the number of shares of Class C Common Stock as to which such exercise was effected.

5.4 STOCKHOLDER RIGHTS. The Optionee shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Class C Common Stock subject to the Option until: (a) the Option shall have been exercised in accordance with the terms of this Agreement and the Optionee shall have paid the full purchase price for the number of shares in respect of which the Option was exercised and any withholding taxes due, (b) the Optionee shall have delivered the fully executed Stockholder's Agreement and stock power to the Company, (c) the Company shall have issued the shares to the Optionee, and (d) the Optionee's name shall have been entered as a stockholder of record on the books of the Company. Upon the occurrence of all of the foregoing events, the Optionee shall have full ownership rights with respect to such shares, subject to the provisions of the Stockholder's Agreement.

5.5 PARTIAL EXERCISE. In the event the initial exercise of the Option is an exercise in part only, then, in the event of any further exercise of the Option, the Optionee, in lieu of executing a new Stockholder's Agreement, may, at the Company's option, re-execute the original Stockholder's Agreement, thereby reaffirming the representations, warranties, covenants and agreements contained in the Stockholder's Agreement as of the date of re-execution, but with an amended Annex A completed to set forth the number of shares of Class C Common Stock in respect of which the Option is then being exercised and the cumulative number of shares of Class C Common Stock which would then be subject to the Stockholder's Agreement. If the initial exercise of the Option is by the Optionee and any subsequent exercise of the Option is by the Legal Representative, then the Legal Representative shall execute, at the Company's option, either a new Stockholder's Agreement or a counterpart of the original Stockholder's Agreement thereby agreeing to be bound by such agreement as though such person were an original signatory thereto and affirming the truth of the representations and warranties contained therein with respect to such person as of the date of such person's execution of such counterpart.

6. CERTAIN RESTRICTIONS.

6.1 NO SALE OR TRANSFER. The Optionee shall not sell, transfer, assign, exchange, pledge, encumber or otherwise dispose of the Option or any portion thereof, except in accordance with the provisions of this Agreement.

6.2 EMPLOYMENT TERMINATION. (a) Except as may be agreed between the Committee and the Optionee, if the Optionee shall no longer be employed by the Company for any reason whatsoever (including by reason of death, permanent disability or adjudicated incompetency) ("Terminated" or a "Termination"), irrespective of whether the Optionee receives, in connection with the Termination, any severance or other payment from the Company under any employment agreement or otherwise (such Optionee being referred to herein as a "Terminated Optionee"), (i) the Option, to the extent it is not exercisable pursuant to Section 4.1 hereof at the date of such Termination, shall terminate on and shall be of no further force and effect from and after the date of such Termination, and (ii) the Company shall have the right, at its option, exercisable by delivery of written notice to the Optionee within 90 days following the date of Termination (the date of delivery of such written notice being referred to herein as the "Election Date"), to redeem the Option to the extent the Option is exercisable pursuant to Section 4.1 hereof immediately prior to the date of the Optionee's Termination (the "Exercisable Portion of the Option") or any portion thereof as determined by the Company (such portion to be redeemed being referred to herein as the "Called Option") for the consideration specified below.

(b) The redemption price of the Called Option (the "Redemption Price") shall be equal to (i) the excess, if any, of (A) the amount which would be payable on the Valuation Date (as defined below) in respect of one share of Class C Common Stock in the event of a dissolution, liquidation or winding-up of the affairs of the Company if the amount of assets available for distribution in the event of such dissolution, liquidation or winding-up with respect to all shares of capital stock of the Company outstanding as of the Valuation Date were equal to the Book Value of the Company (as defined below), over (B) the Option Price, multiplied by (ii) the number of shares of Class C Common Stock issuable upon exercise of the Called Option. In the event there has been a stock split, stock dividend or reverse stock split or similar transaction which changes the number of outstanding shares of capital stock of the Company (each, a "Stock Dividend") after the Valuation Date and prior to the Election Date, the number of shares outstanding for purposes of determining the Redemption Price shall be the number of shares that would have been outstanding immediately after the Stock Dividend on the Valuation Date had the Stock Dividend occurred on the Valuation Date.

The term "Book Value of the Company" shall mean the sum of (i) the total assets minus the total liabilities of the Company on a consolidated basis, plus

(ii) the amount of any reduction in stockholders' equity resulting from the application of EITF Issue Summary No. 88-16, Basis in Leveraged Buyouts, all as of the last day of the fiscal year immediately preceding the fiscal year in which the Termination occurred (the "Valuation Date"). For purposes of calculating the Book Value of the Company and the Redemption Price, all options and other rights to acquire equity interests in the Company outstanding immediately prior to the Delivery Date (as defined below) or exercised between the Valuation Date and the Delivery Date shall be deemed to have been exercised on the Valuation Date and the number of outstanding shares on the Valuation Date shall be increased by the number of shares subject to each such option or other right and the assets of the Company shall be increased by the aggregate exercise price payable in respect of the exercise of each such option or other right (in the case of any such option or other right, unless the effect thereof would be to increase the per share Redemption Price).

If the Company exercises its right to redeem all or any portion of the Exercisable Portion of the Option, then within 15 days following the later of the Election Date or the date the financial statements referred to below are available (such later date being referred to herein as the "Delivery Date"), the Company shall deliver to the Terminated Optionee a certificate of the chief financial officer of the Company setting forth the Redemption Price and the calculation thereof and stating that a copy of the Company's consolidated financial statements as of the Valuation Date is available to the Terminated Optionee for his or her review at the principal office of the Company (the "Redemption Price Certificate"), and shall make available to the Terminated Optionee, for review at the principal office of the Company, a copy of such financial statements.

The Book Value of the Company as of the Valuation Date as reflected in the consolidated financial statements of the Company as of the Valuation Date and the Redemption Price and the calculation thereof as certified by the chief financial officer of the Company in the Redemption Price Certificate shall be final and binding on the Company and the Terminated Optionee for purposes of this Agreement. The Optionee shall keep the Redemption Price Certificate, the financial statements and any other documentation provided in connection therewith confidential, shall not use any such material or any information contained therein for any purpose other than to verify the amount due the Optionee in respect of the redemption of the Called Option, and shall not disclose any such material or any information contained therein to anyone other than to the Optionee's legal or financial advisers who have agreed in writing to the equivalent confidentiality, non-use and non-disclosure provisions contained in this paragraph.

(c) Subject to Section 6.2(d) hereof, the closing of the redemption of the Called Option (the "Redemption Closing") shall take place at the

principal office of the Company or such other place as may be specified by the Company on the later of (i) 10 days after the Delivery Date and (ii) (if applicable) 10 days after the appointment of the Optionee's Legal Representative. At the Redemption Closing, the Company shall deliver to the Terminated Optionee a check payable to the order of the Terminated Optionee in the amount of the Redemption Price in full payment of the amount due the Optionee in respect of the redemption of the Called Option. Upon payment by the Company of the Redemption Price, if any, or, if no Redemption Price is owing, upon delivery of the Redemption Price Certificate to the Optionee, the Called Option shall automatically terminate and shall be of no further force or effect. Notwithstanding anything herein to the contrary, from and after the Election Date, the Optionee shall not have any rights with respect to the Called Option (including any rights with respect to a Total Sale or a Partial Sale) except to receive the Redemption Price therefor.

(d) Notwithstanding the provisions of Section 6.2(c) hereof, if the Company exercises its option to redeem the Called Option but is prohibited from effecting such redemption by any contractual obligation of the Company or any of its Affiliates or by applicable law, the Redemption Closing shall take place on the first practicable date on which the Company is permitted to purchase the Called Option.

(e) If the Company elects not to exercise its right to redeem the Exercisable Portion of the Option or any portion thereof, it shall so notify the Terminated Optionee in writing within 90 days following the date of Termination (the date of delivery of such written notice being referred to herein as the "Notification Date"), and the Terminated Optionee shall have the right, at his or her option, to exercise the portion of the Exercisable Portion of the Option not being redeemed one time at any time within 60 days after the Notification Date, but in no event after the expiration of the term of the Option, and, until exercised, the portion of the Exercisable Portion of the Option not being redeemed shall continue to be subject to the terms of this Agreement, including Section 4.3 hereof. If an Initial Public Offering has not been completed prior to the Notification Date and the Notification Date does not fall within the 60-day exercise period set forth in Section 4.2 hereof, then, for the 60-day exercise period provided for in this subsection (e), the Company shall make available to the Terminated Optionee for his or her review at the principal office of the Company, in addition to the most recent annual consolidated financial statements of the Company then available, a copy of any quarterly consolidated financial statements of the Company which have been prepared by the Company and delivered to the lenders of the Company's subsidiary after the date of such consolidated financial statements but on or prior to the Notification Date. If the Terminated Optionee does not exercise the portion of the Exercisable Portion of the Option not being redeemed within the 60-day exercise period provided for in this subsection (e), such portion shall terminate and shall be of no further force and effect from and after the final date on which the Terminated Optionee

could have so exercised the portion of the Exercisable Portion of the Option not being redeemed.

7. PROHIBITED ACTIVITIES.

7.1 PROHIBITION. The Optionee agrees that (a) the Optionee will not at any time during his or her employment (other than in the course of his or her employment) with the Company or any Affiliate thereof, or after a Termination, directly or indirectly disclose or furnish to any other person or use for the Optionee's own or any other person's account any confidential or proprietary knowledge or information or any other information which is not a matter of public knowledge obtained during the course of his or her employment with, or other performance of services for, the Company or any Affiliate thereof or any predecessor of any of the foregoing, no matter from where or in what manner the Optionee may have acquired such knowledge or information, and the Optionee shall retain all such knowledge and information in trust for the benefit of the Company, its Affiliates and the successors and assigns of any of them, (b) the Optionee will not at any time during his or her employment with the Company or any Affiliate thereof, or for 18 months following a Termination, directly or indirectly solicit for employment, including without limitation recommending to any subsequent employer the solicitation for employment of, any employee of the Company, (c) the Optionee will not at any time during his or her employment with the Company or any Affiliate thereof, or after a Termination, publish any statement or make any statement (under circumstances reasonably likely to become public or that the Optionee might reasonably expect to become public) critical of the Company or any Affiliate of the Company, or in any way adversely affecting or otherwise maligning the business or reputation of any of the foregoing entities, and (d) the Optionee will not breach the provisions of Section 6.1 hereof (any activity prohibited by clause (a), (b), (c) or (d) of this Section 7.1 being herein referred to as a "Prohibited Activity").

7.2 RIGHT TO TERMINATE OPTION. The Optionee understands and agrees that the Company is granting to the Optionee an option to purchase shares of Class C Common Stock hereunder to reward the Optionee for the Optionee's future efforts and loyalty to the Company and its Affiliates by giving the Optionee the opportunity to participate in the potential future appreciation of the Company. Accordingly, if, at any time during which any portion of the Option (including the Exercisable Portion of the Option and the Called Option, as applicable) is outstanding, (a) the Optionee engages in any Prohibited Activity, or (b) the Optionee engages in any Competitive Activity (as hereinafter defined), or (c) the Optionee is convicted of a crime against the Company or any of its Affiliates, then, in addition to any other rights and remedies available to the Company, the Company shall be entitled, at its option, to terminate the Option (including the Exercisable Portion of the Option and the Called Option, as applicable), or any unexercised portion thereof, which shall then be of no

further force and effect, and any amounts which may at the time be owing to the Optionee pursuant to Section 6.2 hereof shall no longer be owing.

The term "Competitor" shall mean any Person that is engaged in owning, operating or acquiring directly or indirectly (through a corporation, trust, partnership or other Person) one or more short-term, general acute care hospitals located within a 50-mile radius of any hospital which, at the time the Employee is Terminated, is owned or operated by the Company or any of its subsidiaries or which the Company or any of its subsidiaries intend to own, operate or acquire (which intention was disclosed to the Employee prior to or in connection with his Termination) (a "CHS Hospital").

The term "Competitive Activity" shall mean engaging in any of the following activities: (i) serving as a director of any Competitor; (ii) directly or indirectly (X) controlling any Competitor or (Y) owning any equity or debt interests in any Competitor (other than equity or debt interests which are publicly traded and do not exceed 2% of the particular class of interests then outstanding) (it being understood that, if any such interests in any Competitor are owned by an investment vehicle or other entity in which the Optionee owns an equity interest, a portion of the interests in such Competitor owned by such entity shall be attributed to the Optionee, such portion determined by applying the percentage of the equity interest in such entity owned by the Optionee to the interests in such Competitor owned by such entity); (iii) directly or indirectly soliciting, diverting, taking away, appropriating or otherwise interfering with any of the customers or suppliers of the Company or any Affiliate controlled by the Company; or (iv) employment by (including serving as an officer of), or providing consulting services to, any Competitor; provided, however, that if the Competitor has more than one discrete and readily distinguishable part of its business, employment by or providing consulting services to any Competitor shall be Competitive Activity only if (1) his or her employment duties are at or involving the part of the Competitor's business that competes with any of the businesses conducted by the Company or any of its subsidiaries (the "Competing Operations"), including serving in a capacity where any person at the Competing Operations reports to the Optionee, or (2) the consulting services are provided to or involve the Competing Operations. For purposes of this definition, the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of any Competitor, whether through the ownership of equity or debt interests, by contract or otherwise. Notwithstanding the foregoing, the Optionee shall not be deemed to be engaged in a Competitive Activity so long as his or her employment duties are not at or involving any general acute care hospital located within a 50-mile radius of any CHS Hospital (a "Competing Hospital"), including serving in a capacity where any person at the Competing Hospital reports to the Optionee. For purposes hereof, a person shall be deemed to report to the Optionee whether he or she reports directly to the Optionee or indirectly through one or more other persons.

8. ADJUSTMENTS. In the event that shares of Class C Common Stock (whether or not issued) are changed into or exchanged for a different number or kind of shares of stock or other securities of the Company, whether through merger, consolidation, reorganization, recapitalization, stock dividend, stock split-up or other substitution of securities of the Company, the Committee shall make appropriate adjustments to the number and kind of shares of stock subject to the Option, the Option Price and the Redemption Price payable pursuant to Section 6.2 hereof. The Committee's adjustment shall be final and binding for all purposes of the Plan and this Agreement. No adjustment provided for in this Section 8 shall require the Company to issue a fractional share, and the total adjustment with respect to this Agreement shall be limited accordingly.

9. TOTAL SALES.

9.1 CONTINUATION OF PLAN. Upon the effective date of any Total Sale, any unexercised portion of the Option shall terminate unless provision shall be made in writing in connection with such Total Sale for the continuance of the Plan and such unexercised portion of the Option or for the assumption of such unexercised portion of the Option by a successor to the Company or for the substitution for such unexercised portion of the Option of new options covering shares of such successor with appropriate adjustments as to number and kind of shares and prices of shares subject to such new options, or unless the Committee shall authorize the redemption of the unexercised portion of the Option pursuant to Section 9.2 hereof. In the event that provision in writing is made as aforesaid in connection with a Total Sale, the unexercised portion of the Option or the new options substituted therefor shall continue in the manner and under the terms provided in the Plan and this Agreement and in such writing.

9.2 REDEMPTION IN CONNECTION WITH A TOTAL SALE. In connection with a Total Sale, the Committee may, in its sole discretion, authorize the redemption of the unexercised portion of the Option for a consideration per share of Class C Common Stock issuable upon exercise of the unexercised portion of the Option equal to the excess of (i) the consideration payable in respect of a share of Class C Common Stock in connection with such Total Sale (determined by calculating the fraction of a share of Class A Common Stock for which a share of Class C Common Stock would be exchanged in accordance with the Class C Exchange Rate (as defined in Section 5(d) of the Certificate of Incorporation) and multiplying that number by the proceeds payable in respect of a share of Class A Common Stock in the Total Sale), adjusted as if all outstanding options and other rights to acquire equity interests in the Company had been exercised prior to the consummation of such Total Sale and further adjusted to take into account all other equity interests in the Company (provided, however, that no adjustment shall be made with respect to any option or other right to acquire equity interests in the

Company if the exercise price for such option or other right is greater than the consideration that would be payable per share of Class C Common Stock in connection with such Total Sale if the adjustment were not made), over (ii) the Option Price. Any redemption pursuant to this Section 9.2 shall occur simultaneously with the occurrence of the Total Sale.

9.3 ALLOCABLE SHARE OF EXPENSES. In the event of a redemption pursuant to Section 9.2 hereof, the Optionee shall be responsible for and shall be obligated to pay a proportionate amount (determined as if the Optionee were a holder of the number of shares of Class C Common Stock which would have been issuable upon exercise of the portion of the Option redeemed pursuant to Section 9.2 hereof) of the expenses, liabilities and obligations incurred or to be incurred by the stockholders of the Company in connection with such Total Sale (including, without limitation, the fees and expenses of investment bankers, legal counsel and other outside advisors and experts retained by or on behalf of the stockholders of the Company in connection with such Total Sale, amounts payable in respect of indemnification claims, amounts paid into escrow and amounts payable in respect of post-closing adjustments to the purchase price) ("Expenses of Sale").

9.4 POWER OF ATTORNEY. (a) The Optionee hereby irrevocably appoints the FL & Co. Companies, and each of them (individually and collectively, the "Representative"), the Optionee's true and lawful agent and attorney-in-fact, with full powers of substitution, to act in the Optionee's name, place and stead, to do or refrain from doing all such acts and things, and to execute and deliver all such documents, in connection with this Agreement or the Option as the Representative shall deem necessary or appropriate in connection with any Total Sale, including, without in any way limiting the generality of the foregoing, to receive on behalf of the Optionee any payments made in respect of the unexercised portion of the Option (including payments made in connection with any redemption) in connection with any Total Sale, to hold back from any such payments any amount which the Representative deems necessary to reserve against the Optionee's share of any Expenses of Sale, and to engage in any acts in which the Representative is authorized by and on behalf of the holders of any of the Company's capital stock to engage in connection with the Total Sale. The Optionee hereby ratifies and confirms all that the Representative shall do or cause to be done by virtue of its appointment as the Optionee's Representative.

(b) In acting for the Optionee pursuant to the appointment set forth in paragraph (a) of this Section 9.4, the Representative shall not be responsible to the Optionee for any loss or damage the Optionee may suffer by reason of the performance by the Representative of its duties under this Agreement, except for loss or damage arising from willful violation of law or gross negligence in the performance of its duties hereunder. The appointment of the Representative shall be deemed coupled

with an interest and shall be irrevocable, and any person dealing with the Representative may conclusively and absolutely rely, without inquiry, upon any act of the Representative as the act of the Optionee in all matters referred to in this Section 9.4.

(c) Notwithstanding the foregoing, this power of attorney does not empower the Representative to exercise the Option on behalf of the Optionee.

10. WITHHOLDING. The Company shall have the right to deduct from any amount payable under this Agreement any taxes or other amounts required by applicable law to be withheld.

11. NO RIGHT TO CONTINUED EMPLOYMENT. This Agreement and the Option shall not confer upon the Optionee any right with respect to continuance of employment by the Company or any Affiliate thereof, nor shall it interfere in any way with the right of the Company or any Affiliate thereof to terminate the Optionee's employment at any time.

12. ENTIRE AGREEMENT. This Agreement and the Plan and, upon execution thereof, the Stockholder's Agreement, constitute the entire agreement, and supersede all prior agreements and understandings, oral and written, between the parties hereto with respect to the Option granted hereby.

13. MODIFICATION OF AGREEMENT. This Agreement may be modified, amended or supplemented by written agreement of the parties hereto; provided, that the Company may modify, amend or supplement this Agreement in a writing signed by the Company without any further action by the Optionee if such modification, amendment or supplement does not adversely affect the Optionee's rights hereunder.

14. INVALIDITY OF PROVISIONS. The invalidity or unenforceability of any provision of this Agreement in any jurisdiction shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of this Agreement, including that provision, in any other jurisdiction. If any provision of this Agreement is held unlawful or unenforceable in any respect, such provision shall be revised or applied in a manner that renders it lawful and enforceable to the fullest extent possible.

15. ACKNOWLEDGMENT. The Optionee hereby acknowledges receipt of a copy of the Plan and agrees to be bound by all the terms and provisions thereof as the same may be amended from time to time. The Optionee hereby acknowledges that the Optionee has reviewed the Plan and this Agreement and understands his or her rights and obligations thereunder and hereunder. The Optionee also acknowledges that the Optionee has been provided with such information concerning the Company, the Plan and this Agreement as the Optionee and his or her advisors have requested.

16. BINDING EFFECT. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, legal representatives, successors and assigns. In addition, each of the FL & Co. Companies shall be a third party beneficiary of this Agreement and shall be entitled directly to enforce this Agreement.

17. HEADINGS. The headings and captions contained herein are for convenience only and shall not control or affect the meaning or construction of any provision hereof.

18. RESOLUTION OF DISPUTES. Any dispute or disagreement which may arise under, or as a result of, or which may in any way relate to, the interpretation, construction or application of this Agreement shall be determined by the Committee, in good faith, whose determination shall be final, binding and conclusive for all purposes.

19. GOVERNING LAW. This Agreement and the rights and obligations of the parties hereto shall be governed by, and construed and enforced in accordance with, the laws of the State of New York without giving effect to the principles of conflicts of laws thereof.

20. SPECIFIC PERFORMANCE. The parties hereto acknowledge that there will be no adequate remedy at law for a violation of any of the provisions of this Agreement and that, in addition to any other remedies which may be available, all of the provisions of this Agreement shall be specifically enforceable in accordance with their respective terms.

21. NOTICE. All notices and other communications hereunder shall be in writing and, unless otherwise provided herein, shall be deemed to have been given when received by the party to whom such notice is to be given at its address set forth below, or such other address for the party as shall be specified by notice given pursuant hereto:

(a) If to the Company, to it:

c/o Community Health Systems, Inc.
155 Franklin Road, Suite 400
Brentwood, TN 37027-4600
Attention: President

with a copy to:

Forstmann Little & Co. Equity Partnership-V, L.P.
767 Fifth Avenue, 44th Floor
New York, New York 10153
Attention: Ms. Sandra Horbach

(b) If to the Optionee or Legal Representative, to such person at the address as reflected in the records of the Company.

22. CONSENT TO JURISDICTION. Each party hereby irrevocably and unconditionally consents to submit to the exclusive jurisdiction of the courts of the State of New York and of the United States of America, in each case located in the County of New York, for any actions, suits or proceedings arising out of or relating to this Agreement, the Option or the Plan and the transactions contemplated hereby and thereby ("Litigation") (and agrees not to commence any Litigation except in any such court), and further agrees that service of process, summons, notice or document by U.S. registered mail to such party's respective address set forth in Section 21 hereof shall be effective service of process for any Litigation brought against such party in any such court. Each party hereby irrevocably and unconditionally waives any objection to the laying of venue of any Litigation in the courts of the State of New York or of the United States of America, in each case located in the County of New York, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any Litigation brought in any such court has been brought in an inconvenient forum.

IN WITNESS WHEREOF, this Agreement has been signed by or on behalf of each of the parties hereto, all as of the date first above written.

OPTIONEE

_____

Name: NAME
Address: ADDRESS

COMMUNITY HEALTH SYSTEMS
HOLDINGS CORP.

By: _____

The undersigned acknowledges that the undersigned has read the foregoing Agreement between Community Health Systems Holdings Corp. and the undersigned's spouse and the Employee Stock Option Plan, understands that the undersigned's spouse has been granted an option to acquire shares of Class C Common Stock of Community Health Systems Holdings Corp., which option is subject to certain restrictions reflected in such Agreement and such Plan and agrees to be bound by the foregoing Agreement and such Plan.

_____

Optionee's Spouse

Exhibit 10.6

STOCKHOLDER'S AGREEMENT, dated as of _____ ___, 1999, between Community Health Systems Holdings Corp., a Delaware corporation, and _____ (the "Employee").

WHEREAS, Forstmann Little & Co. Equity Partnership-V, L.P., a Delaware limited partnership ("Equity-V"), and Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VI, L.P., a Delaware limited partnership ("MBO-VI"), have subscribed for and purchased shares of Class A Common Stock;

WHEREAS, the Employee wishes to subscribe for and purchase and the Company desires to issue and sell to the Employee authorized but unissued shares of Class B Common Stock on the terms and subject to the conditions set forth herein; and

WHEREAS, the Employee and the Company wish to provide for certain arrangements with respect to the Employee's rights to hold and dispose of the shares of Class B Common Stock acquired by the Employee hereunder.

NOW, THEREFORE, the parties hereto agree as follows:

1. DEFINITIONS

1.1 DEFINITIONS; RULES OF CONSTRUCTION.

(a) The following terms, as used herein, shall have the following meanings:

"Act" shall mean the Securities Act of 1933, as amended.

"Affiliate" shall mean, with respect to any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person.

"Affiliate Securities" shall mean any securities issued by an Affiliate of the Company.

"Aggregate Number of Acquired Shares" shall mean the aggregate number of shares of Class B Common Stock acquired by the Employee pursuant hereto (adjusted, where appropriate, to reflect any Capital Transaction).

"Aggregate Number of Shares Sold" shall mean, as at any date, the aggregate number of shares sold by the Employee pursuant to Section 3.3, 3.4 or 3.5 hereof prior to such date, if any (adjusted, where appropriate, to reflect any Capital Transaction effected after the date of any such sale).

"Agreement" shall mean this Stockholder's Agreement, as amended, supplemented or modified from time to time.

"Book Value of the Company" shall mean the sum, as of the Valuation Date, of (i) the total assets minus the total liabilities of the Company on a consolidated basis, plus (ii) the amount of any reduction in stockholders' equity of the Company resulting from the application of EITF Issue Summary No. 88-16, Basis in Leveraged Buyout Transactions, plus (iii) the aggregate amount of amortization from July 1, 1996 through the Valuation Date of the goodwill recorded as of July 1, 1996 (as adjusted from time to time) in connection with the acquisition of Community Health Systems, Inc. by the Company (the "Acquisition Goodwill"), plus (iv) the amount of $146,960,000 (representing the December 1998 impairment charge of $164,833,000 less the related tax benefit of $17,873,000), less the aggregate amount of depreciation and amortization (less the related tax benefit), other than amortization of the Acquisition Goodwill, that would have been recorded from January 1, 1999 through the Valuation Date had the impairment charge not been recorded in December 1998 (i.e., assuming there had been no impairment of the assets), plus (v) the amount of $20,000,000 (representing the provision for excess reimbursement recorded in 1998) and the amount of any additional related provision for excess reimbursement recorded in 1999, less any related tax benefit, to the extent recorded in the Company's financial statements through the Valuation Date, plus (vi) the aggregate principal amount outstanding at the Valuation Date of loans made to employees to purchase Class B Common Stock, to the extent recorded as a reduction of stockholders' equity of the Company. For purposes of calculating the Book Value of the Company and the Book Value Per Share, (x) all options and other rights to acquire equity interests in the Company outstanding immediately prior to the Delivery Date or exercised between the Valuation Date and the Delivery Date shall be deemed to have been exercised on the Valuation Date, and (y) the number of outstanding shares on the Valuation Date shall be increased by the number of shares subject to each such option or other right and the assets of the Company shall be increased by the aggregate exercise price payable in respect of the exercise of each such option or other right (with respect to clauses (x) and (y), in the case of any such option or other right unless the effect thereof would be to increase the Book Value Per Share).

"Book Value Per Share" shall mean (i) the amount which would be payable on the Valuation Date in respect of one share of Class B Common Stock in the event of a dissolution, liquidation or winding-up of the affairs of the Company if the

amount of assets available for distribution in the event of such dissolution, liquidation or winding-up with respect to all shares of capital stock of the Company outstanding (or deemed to be outstanding, as set forth above in the definition of "Book Value of the Company") on the Valuation Date were equal to the Book Value of the Company, plus (ii) the excess, if any, of $400.00 over the amount determined pursuant to clause (i), up to a maximum of $42.16 (the amounts $400.00 and $42.16 being adjusted to reflect any Capital Transaction between the date hereof and the Valuation Date). In the event there has been a Stock Dividend after the Valuation Date and prior to the Election Date, the number of shares outstanding for purposes of determining Book Value Per Share shall be the number of shares that would have been outstanding immediately after the Stock Dividend on the Valuation Date had the Stock Dividend occurred on the Valuation Date.

"Call Shares" shall have the meaning ascribed to such term in Section 3.2(d) hereof.

"Capital Transaction" shall mean any Stock Dividend, recapitalization (including, without limitation, any special dividend or distribution), reclassification, spin-off, partial liquidation or similar capital adjustments (including, without limitation, through merger or consolidation).

"Certificate of Incorporation" shall mean the Restated Certificate of Incorporation of the Company, as in effect from time to time.

"CHS Hospital" shall have the meaning ascribed to such term in the definition of Competitor.

"Class A Common Stock" shall mean the Class A Common Stock, par value $0.01 per share, of the Company. There shall be included within the term Class A Common Stock any Class A Common Stock now or hereafter authorized to be issued, and any and all securities of any kind whatsoever of the Company which may be issued after the date hereof in respect of, or in exchange for, shares of Class A Common Stock pursuant to a Capital Transaction or otherwise.

"Class B Common Stock" shall mean the Class B Nonvoting Common Stock, par value $0.01 per share, of the Company. There shall be included within the term Class B Common Stock any Class B Common Stock now or hereafter authorized to be issued, and any and all securities of any kind whatsoever of the Company which may be issued after the date hereof in respect of, or in exchange for, shares of Class B Common Stock pursuant to a Capital Transaction or otherwise. Without limiting the generality of the foregoing, all references herein to the Class B Common Stock shall include, and the provisions hereof (including, without limitation,

Sections 3 and 4 hereof) shall also be applicable to, the Class A Common Stock for which the Class B Common Stock shall be exchanged pursuant to the Certificate of Incorporation.

"Closing" shall have the meaning ascribed to such term in Section 3.2(d) hereof.

"Closing Date" shall have the meaning ascribed to such term in Section 2.2. hereof.

"Company" shall mean Community Health Systems Holdings Corp., a Delaware corporation, and shall include any successor thereto by merger, consolidation, acquisition of substantially all the assets thereof, or otherwise.

"Competitive Activity" shall mean engaging in any of the following activities: (i) serving as a director of any Competitor; (ii) directly or indirectly (X) controlling any Competitor or (Y) owning any equity or debt interests in any Competitor (other than equity or debt interests which are publicly traded and do not exceed 2% of the particular class of interests then outstanding) (it being understood that, if any such interests in any Competitor are owned by an investment vehicle or other entity in which the Employee owns an equity interest, a portion of the interests in such Competitor owned by such entity shall be attributed to the Employee, such portion determined by applying the percentage of the equity interest in such entity owned by the Employee to the interests in such Competitor owned by such entity); (iii) directly or indirectly soliciting, diverting, taking away, appropriating or otherwise interfering with any of the customers or suppliers of the Company or any Affiliate controlled by the Company; or (iv) employment by (including serving as an officer of), or providing consulting services to, any Competitor; provided, however, that if the Competitor has more than one discrete and readily distinguishable part of its business, employment by or providing consulting services to any Competitor shall be Competitive Activity only if (1) his or her employment duties are at or involving the part of the Competitor's business that competes with any of the businesses conducted by the Company or any of its subsidiaries (the "Competing Operations"), including serving in a capacity where any person at the Competing Operations reports to the Employee, or (2) the consulting services are provided to or involve the Competing Operations. For purposes of this definition, the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of any Competitor, whether through the ownership of equity or debt interests, by contract or otherwise. Notwithstanding the foregoing, the Employee shall not be deemed to be engaged in a Competitive Activity so long as his or her employment duties are not at or involving any general acute care hospital located within a 50-mile radius of any CHS Hospital (a

"Competing Hospital"), including serving in a capacity where any person at the Competing Hospital reports to the Employee. For purposes hereof, a person shall be deemed to report to the Employee whether he or she reports directly to the Employee or indirectly through one or more other persons.

"Competitor" shall mean any Person that is engaged in owning, operating or acquiring directly or indirectly (through a corporation, trust, partnership or other Person) one or more short-term, general acute care hospitals located within a 50-mile radius of any hospital which, at the time the Employee is Terminated, is owned or operated by the Company or any of its subsidiaries or which the Company or any of its subsidiaries intend to own, operate or acquire (which intention was disclosed to the Employee prior to or in connection with his Termination) (a "CHS Hospital").

"Delivery Date" shall have the meaning ascribed to such term in Section 3.2(b) hereof.

"Election Date" shall have the meaning ascribed to such term in Section 3.2(a) hereof.

"Equity-V" shall have the meaning ascribed to such term in the first "Whereas" clause hereof.

"Exchange Rate" shall have the meaning ascribed to such term in Section 3.3 hereof.

"Expenses of Sale" shall mean all expenses incurred by the FL & Co. Companies in connection with the sale of the shares of the selling stockholders pursuant to Section 3.3, 3.4 or 3.5 hereof to the extent that such expenses are not paid or reimbursed by the Company.

"FL & Co. Companies" shall mean the collective reference to Equity-V and MBO-VI.

"Legal Representative" shall mean the guardian, executor, administrator or other legal representative of the Employee. All references herein to the Employee shall be deemed to include references to the Employee's Legal Representative, if any, unless the context otherwise requires.

"Litigation" shall mean any actions, suits or proceedings arising out of or relating to this Agreement and the transactions contemplated hereby.

"MBO-VI" shall have the meaning ascribed to such term in the first "Whereas" clause hereof.

"Permitted Transferee" shall have the meaning ascribed to such term in Section 3.1 hereof.

"Person" shall mean an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Prohibited Activity" shall have the meaning ascribed to such term in Section 4.1 hereof.

"Promissory Note" shall mean any promissory note executed and delivered by the Employee to evidence the Employee's loan from the Company to finance in part the Employee's purchase of shares of Class B Common Stock hereunder.

"Purchase Closing" shall have the meaning ascribed to such term in Section 2.2 hereof.

"Purchase Price" shall have the meaning ascribed to such term in Section 3.2(c) hereof.

"Purchase Price Certificate" shall have the meaning ascribed to such term in Section 3.2(b) hereof.

"Quarter" shall mean a three-month period, with the first Quarter ending on the three-month anniversary date of the Closing Date and each subsequent Quarter ending on the three-month anniversary date of the preceding Quarter.

"Release Date" shall mean the date on which the FL & Co. Companies and their affiliates shall cease to own in the aggregate directly or indirectly at least 25 percent of the then outstanding securities of the Company having the power to vote in the election of directors of the Company.

"Representative" shall have the meaning ascribed to such term in Section 6.13(b).

"Repurchase Notice" shall have the meaning ascribed to such term in Section 4.2 hereof.

"Sale Obligations" shall mean any liabilities and obligations (including liabilities and obligations for indemnification, amounts paid into escrow and post-closing adjustments) incurred by the selling stockholders in connection with the sale of their shares pursuant to Section 3.3, 3.4 or 3.5 hereof.

"Scheduled Closing Date" shall have the meaning ascribed to such term in Section 3.2(d) hereof.

"Stock Dividend" shall mean any stock split, stock dividend, reverse stock split or similar transaction which changes the number of outstanding shares of capital stock of the Company.

"Stock Pledge Agreement" shall mean the stock pledge agreement which the Employee is entering into with the Company in connection with the financing in part of the Employee's purchase of shares of Class B Common Stock hereunder.

"Termination" or "Terminated" shall mean that the Employee's employment on a full-time basis by the Company and its subsidiaries shall have ceased for any reason whatsoever (including by reason of death, permanent disability or adjudicated incompetency).

"Third Party" shall mean any Person other than any FL & Co. Company or an Affiliate or a partner of any of the FL & Co. Companies or an Affiliate of such partner.

"Transaction" shall mean any sale pursuant to Section 3.3, 3.4 or 3.5 hereof.

"Unvested Shares" shall mean, as at any date, all shares of Class B Common Stock owned by the Employee which are not Vested Shares as of such date.

"Valuation Date" shall mean the last day of the fiscal quarter of the Company immediately preceding the fiscal quarter in which the Employee's employment is Terminated, unless the Employee's shares of Class B Common Stock are being repurchased (i) pursuant to Section 3.2 hereof by reason of the Employee's having voluntarily Terminated his employment or (ii) pursuant to Section 4.2 hereof, in either of which events "Valuation Date" shall mean the last day of the fiscal year of the Company immediately preceding the fiscal year in which the Employee's employment is Terminated.

"Vested Shares" shall mean the number of shares of Class B Common Stock determined as follows: (i) if the Employee is Terminated on or before the first anniversary of the Closing Date, zero; and (ii) if the Employee is Terminated after the first anniversary of the Closing Date, then by (A) multiplying (x) the number of full Quarters that have elapsed from the Closing Date to the date of Termination (but in no event exceeding 20 Quarters) by (y) 5% of the Aggregate Number of Acquired Shares, and subtracting therefrom (B) the Aggregate Number of Shares Sold. The Employee shall be considered as having been employed for a full Quarter only if the Employee is employed through the applicable Quarterly anniversary date. For example, if the Employee is Terminated on the second anniversary of the Closing Date, the Employee would have been employed for seven full Quarters and his Vested Shares would equal (A) 35% of the Aggregate Number of Acquired Shares minus (B) the Aggregate Number of Shares Sold, and if the Employee is Terminated on the day after the second anniversary of the Closing Date, the Employee would have been employed for eight full Quarters and his Vested Shares would equal (A) 40% of the Aggregate Number of Acquired Shares minus (B) the Aggregate Number of Shares Sold.

(b) In this Agreement, unless the context otherwise requires, words in the singular number or in the plural number shall each include the singular number and the plural number.

2. PURCHASE AND SALE OF CLASS B COMMON STOCK.

2.1 SUBSCRIPTION OF CLASS B COMMON STOCK. The Employee hereby subscribes for the number of shares of Class B Common Stock set forth opposite the Employee's name on Annex A hereto, at a price of $400.00 per share in cash.

2.2 CLOSING OF THE PURCHASE AND SALE. The closing of the transactions contemplated hereby (the "Purchase Closing") shall take place at the offices of Fried, Frank, Harris, Shriver & Jacobson, One New York Plaza, New York, New York, 10004, at such time as the Company shall designate on the date hereof (the "Closing Date"). At the Purchase Closing, the Company shall deliver to the Employee a duly executed certificate representing the number of shares of Class B Common Stock being purchased by the Employee and shall enter the Employee's name on the books of the Company as the stockholder of record of such shares of Class B Common Stock as of the Closing Date. At or prior to the Purchase Closing, the Employee shall deliver to the Company an amount equal to the aggregate purchase price for such shares, by wire transfer or other immediately available funds to the account of the Company at Chase Manhattan Bank (ABA Number 021 000 021), 270 Park Avenue, New York, NY 10017, account number 323-054439 and by an executed Promissory Note, together with an executed Stock Pledge Agreement, in the respective amounts set forth on Annex A.

3. RIGHTS AND RESTRICTIONS ON CLASS B COMMON STOCK.

3.1 NO SALE OR TRANSFER.

(a) The Employee shall not sell, transfer, assign, exchange, pledge, encumber or otherwise dispose of any shares of Class B Common Stock acquired hereunder or grant any option or right to purchase such shares or any legal or beneficial interest therein, except in accordance with the provisions of this Agreement and the Stock Pledge Agreement.

(b) The Employee may transfer any shares of Class B Common Stock acquired hereunder by will, but only to:

(i) any spouse, parent, child (whether natural or adopted), grandchild, brother or sister of the Employee, or

(ii) a trust solely for the benefit of any spouse, parent, child (whether natural or adopted), grandchild, brother or sister of the Employee, or

(iii) any corporation or partnership which is controlled by any spouse, parent, child (whether natural or adopted), grandchild, brother or sister of the Employee

(the person or persons to which shares of Class B Common Stock are transferred in accordance with this Section 3.1(b) being herein referred to as the "Permitted Transferee"); provided, that, for any transfer to the Permitted Transferee to be effective hereunder, the Permitted Transferee (which, in the case of a trust, shall include each person having authority to sell or dispose of such shares of Class B Common Stock proposed to be transferred to the trust) shall agree in writing to be bound by all the terms of this Agreement applicable to the Employee (including, without limitation, Sections 4 and 6.13(b) hereof) and the Promissory Note and the Stock Pledge Agreement as if the Permitted Transferee originally had been a party hereto and thereto; and provided, further, that all of the stockholders of any Permitted Transferee that is a corporation and all of the partners of any Permitted Transferee that is a partnership shall agree in writing not to transfer any shares they then own or may hereafter acquire in the corporate Permitted Transferee or any partnership interests they then own or may hereafter acquire in the partnership Permitted Transferee except to a person described in paragraph (i), (ii) or (iii) above that has made the same agreement in writing to the Company, so long as the corporate or partnership Permitted Transferee shall own any shares of Class B

Common Stock. Any reference herein to the Employee shall be to the Permitted Transferee from and after the date the transfer is effected in accordance with this Section 3.1(b). Without limiting the generality of the foregoing, the provisions of Section 4.2 hereof shall be likewise applicable to any Permitted Transferee, commencing upon the date that such person becomes a Permitted Transferee, for the respective periods they would have applied to the Employee.

3.2 EMPLOYMENT TERMINATION.

(a) If the Employee shall be Terminated, irrespective of whether the Employee receives, in connection with such Termination, any severance or other payment from the Company or any of its Affiliates under any employment agreement or otherwise, the Company shall have the right, at its option, exercisable by delivery of written notice to the Employee within 90 days following the date of Termination (the date of delivery of such written notice being referred to herein as the "Election Date"), to purchase all or any portion of the Unvested Shares held by the Employee as of the date of such Termination. Any Vested Shares and any Unvested Shares that the Company does not elect to repurchase pursuant to the provisions of this Section 3.2(a) shall continue to be subject to the provisions of this Agreement (including, without limitation, Sections 3.3, 3.4, 3.5 and 4 hereof) other than this Section 3.2.

(b) If the Company exercises its purchase right pursuant to Section 3.2(a) hereof, then, within 15 days following the later of the Election Date or the date the financial statements referred to below are available (such date of delivery being referred to herein as the "Delivery Date"), the Company shall deliver to the Terminated Employee a certificate of the chief financial officer of the Company setting forth the Purchase Price and the calculation thereof and the Book Value of the Company and stating that a copy of the Company's financial statements as of the Valuation Date are available for review at the principal office of the Company (the "Purchase Price Certificate"), and shall make available to the Employee, for review at the principal office of the Company, a copy of the Company's financial statements as of the Valuation Date. The Purchase Price Certificate shall be accompanied by a report from the Company's independent public accountants to the effect that they have performed certain procedures, which procedures have agreed the amounts shown on the Purchase Price Certificate to the relevant financial statements and information and have verified the mathematical accuracy of the calculations set forth in the Purchase Price Certificate. The calculations as set forth on the Purchase Price Certificate shall be final and binding on the Company and the Employee for purposes of this Agreement. The Employee shall keep the Purchase Price Certificate, the accountants' report, the financial statements and any other documentation provided in connection therewith confidential, shall not use any such material or any information contained therein for any purpose other than to

verify the amounts due the Employee in respect of any shares owned by the Employee being purchased by the Company, and shall not disclose any such material or any information contained therein to anyone other than the Employee's legal or financial advisers who have agreed in writing to the equivalent confidentiality, non-use and non-disclosure provisions contained in this paragraph.

(c) The purchase price per share of the shares of Class B Common Stock purchased pursuant to Section 3.2(a) hereof (the "Purchase Price") shall be equal to the Book Value Per Share, adjusted to reflect any Capital Transaction between the Valuation Date and the Election Date, as if such event had occurred as of the Valuation Date.

(d) Subject to Section 3.2(e) hereof, the closing (the "Closing") of any purchase of shares of Class B Common Stock which the Company has elected to purchase pursuant to Section 3.2(a) hereof (the "Call Shares") shall take place at the principal office of the Company on the later of (i) 10 days after the Delivery Date (or, in the case of a First-Year Termination, 10 days after the Election Date) and (ii) (if applicable) 10 days after the appointment of a Legal Representative (such later date, the "Scheduled Closing Date"). At the Closing, the Employee shall sell, convey, transfer, assign and deliver to the Company all right, title and interest in and to the Call Shares, which shall constitute (and, at the Closing, the Employee shall certify the same to the Company in writing) good and unencumbered title to such shares, free and clear of all liens, security interests, encumbrances and adverse claims of any kind and nature (other than those in favor of the Company and the FL & Co. Companies pursuant to this Agreement), and shall deliver to the Company a certificate representing the shares duly endorsed for transfer, or accompanied by appropriate stock transfer powers duly executed, and with all necessary transfer tax stamps affixed thereto at the expense of the Employee, and the Company shall deliver to the Employee, in full payment of the purchase price for the Call Shares, either a wire transfer to an account designated by the Employee or a cashier's, certified or official bank check payable to the order of the Employee (the method of payment to be at the option of the Company), in the amount equal to the Purchase Price multiplied by the number of Call Shares. Notwithstanding anything herein to the contrary, from and after the Election Date, the Employee shall not have any rights with respect to any of the Call Shares (including any rights pursuant to Sections 3.3 and 3.4 hereof), except to receive the Purchase Price therefor.

(e) Notwithstanding the provisions of Section 3.2(d) hereof, if the Company exercises its option to purchase Unvested Shares pursuant to Section 3.2(a) hereof, but is prohibited from effecting the Closing on the Scheduled Closing Date by any contractual obligation of the Company or any of its Affiliates or by applicable law, then the Closing shall take place on the first practicable date on which the Company is

permitted to purchase such shares, and, at the Closing, the Company shall pay to the Employee interest on the unpaid Purchase Price from and including the Scheduled Closing Date to, but not including, the date of the Closing, at the rate (as of the Scheduled Closing Date) for a six-month certificate of deposit at Chase Manhattan Bank or any successor bank thereto. If at any time the prohibition shall cease to be applicable to any portion of the shares not repurchased, then the Company shall purchase such portion on the first practicable date on which the Company is permitted to do so. The Company shall not declare or pay any dividend of cash or cash equivalents, or repurchase any shares of Class A Common Stock or Class B Common Stock for cash or cash equivalents, until the purchase price for all of the Call Shares has been paid in full.

3.3 PARTICIPATION IN SALE OF CLASS A COMMON STOCK. The Employee, at the Employee's option, may participate proportionately (and the FL & Co. Companies shall allow the Employee to participate proportionately) in any sale (other than a public offering, which shall be governed by Section 3.4 hereof) of all or a portion of the shares of Class A Common Stock owned by either of the FL & Co. Companies to any Third Party by (a) exchanging the same percentage of the Employee's shares of Class B Common Stock as the FL & Co. Companies propose to sell of their shares to the Third Party (determined on the basis of the aggregate number of such shares of Class A Common Stock owned, and the aggregate number of such shares being sold, by the FL & Co. Companies) for shares of Class A Common Stock in accordance with the Exchange Rate, as defined in Subsection 4(d) of Section A of Article Fourth of the Certificate of Incorporation (the "Exchange Rate"), and (b) selling the Class A Common Stock received in such exchange to the Third Party. The Company shall notify the Employee in writing of the FL & Co. Companies' intention to effect such a sale to a Third Party, the identity of the Third Party and the nature and per share amount of consideration to be paid by the Third Party, and shall set forth its calculation of the Exchange Rate, at least 10 days, or such shorter time as the Company deems practicable, before the closing of any such proposed sale of shares of Class A Common Stock. Schedule I hereto sets forth an example illustrating the calculation of the Exchange Rate. Any sale of shares of Class A Common Stock by the Employee pursuant to this Section 3.3 shall be for the same consideration per share, on the same terms and subject to the same conditions as the sale of shares of Class A Common Stock owned by the FL & Co. Companies. The Company shall, immediately prior to, and contingent upon, the consummation of such sale, exchange such shares of Class B Common Stock for Class A Common Stock in accordance with the Exchange Rate. If the Employee sells any shares pursuant to this Section 3.3, the Employee shall pay and be responsible for the Employee's proportionate share of the Expenses of Sale and the Sale Obligations.

3.4 PARTICIPATION IN PUBLIC OFFERING OF CLASS A COMMON STOCK.

(a) If the FL & Co. Companies propose to sell all or any portion of the shares of Class A Common Stock owned by the FL & Co. Companies in a public offering, the Employee shall be entitled and required to participate in such public offering by selling in the public offering the same percentage of the Employee's shares of Class A Common Stock (such Class A Common Stock having been or being received by him pursuant to the Certificate of Incorporation, which provides that, upon the initial public offering of shares of Class A Common Stock, immediately prior to, and contingent upon, the consummation of the offering, all outstanding shares of Class B Common Stock shall be exchanged for shares of Class A Common Stock in accordance with the Exchange Rate) as the FL & Co. Companies propose to sell of their shares in the public offering (determined on the basis of the aggregate number of shares of Class A Common Stock owned, and the aggregate number of such shares being sold, by the FL & Co. Companies). The Company shall notify the Employee in writing of the FL & Co. Companies' intention to effect such public offering at least 10 days, or such shorter time as the Company deems practicable, before the filing with the Securities and Exchange Commission of the registration statement relating to such public offering and shall cause the Employee's shares to be sold in such public offering to be included therein. If the Employee sells any shares pursuant to this Section 3.4, the Employee shall pay and be responsible for the Employee's proportionate share of the Expenses of Sale and the Sale Obligations, including, without limitation, indemnifying the underwriters of such public offering, on a proportionate basis, to the same extent as the FL & Co. Companies are required to indemnify such underwriters.

(b) In connection with any proposed public offering of securities of the Company, whether by any of the FL & Co. Companies or the Company or otherwise, the Employee agrees (i) to supply any information reasonably requested by the Company in connection with the preparation of a registration statement and/or any other documents relating to such public offering, and (ii) to execute and deliver any agreements and instruments reasonably requested by the Company to effectuate such public offering, including, without limitation, an underwriting agreement, a custody agreement and a "hold back" agreement pursuant to which the Employee will agree not to sell or purchase any securities of the Company (whether or not such securities are otherwise governed by this Agreement) for the same period of time following the public offering as is agreed to by the FL & Co. Companies with respect to themselves. If the Company requests that the Employee take any of the actions referred to in clause (i) or (ii) of the previous sentence, the Employee shall take such action promptly but in any event within five days following the date of such request.

3.5 REQUIRED PARTICIPATION IN SALE OF CLASS A COMMON STOCK BY THE FL & CO. COMPANIES. Notwithstanding any other provision of this Agreement to the contrary, if the FL & Co. Companies shall propose to sell (including by exchange, in a

business combination or otherwise) all or any portion of their shares of Class A Common Stock in a bona fide arm's-length transaction, the FL & Co. Companies, at their option, may require that (x) the Employee exchange the same percentage of the Employee's shares of Class B Common Stock as the FL & Co. Companies propose to sell of their shares in the transaction (determined on the basis of the aggregate number of shares of Class A Common Stock owned, and the aggregate number of such shares being sold, by the FL & Co. Companies) for shares of Class A Common Stock in accordance with the Exchange Rate, and (y) sell all the Class A Common Stock received in such exchange for the same consideration per share, on the same terms and subject to the same conditions in the same transaction and, if stockholder approval of the transaction is required and the Employee is entitled to vote thereon, that the Employee vote the Employee's shares in favor thereof. The Company shall calculate the Exchange Rate and shall, immediately prior to, and contingent upon, the consummation of the transaction exchange such shares of Class B Common Stock for Class A Common Stock in accordance with the Exchange Rate. If the Employee sells any shares pursuant to this Section 3.5, the Employee shall pay and be responsible for the Employee's proportionate share of the Expenses of Sale and the Sale Obligations.

3.6 TERMINATION OF RESTRICTIONS AND RIGHTS. Notwithstanding any other provision of this Agreement to the contrary, but subject to the restrictions of all applicable federal and state securities laws, including the restrictions in this Agreement relating thereto, from and after the Release Date any and all shares of Class B Common Stock owned by the Employee (a) may be sold, transferred, assigned, exchanged, pledged, encumbered or otherwise disposed of (and the Employee may grant any option or right to purchase such shares or any legal or beneficial interest therein, or may continue to hold such shares), free of the restrictions contained in this Agreement and (b) shall no longer be entitled to any of the rights contained in this Agreement. Without limiting the generality of the foregoing, from and after the Release Date, the provisions of Articles 3 and 4 hereof (other than this Section 3.6 and Section 4.1 hereof) shall terminate and have no further force or effect.

4. PROHIBITED ACTIVITIES.

4.1 PROHIBITION AGAINST CERTAIN ACTIVITIES. The Employee agrees that (a) the Employee will not at any time during the Employee's employment (other than in the course of such employment) with the Company or any Affiliate thereof, or after a Termination, directly or indirectly disclose or furnish to any other Person or use for the Employee's own or any other Person's account any confidential or proprietary knowledge or information or any other information which is not a matter of public knowledge and which was obtained in the course of the Employee's employment with, or other performance of services for, the Company or any Affiliate thereof or any

predecessor of any of the foregoing, no matter from where or in what manner the Employee may have acquired such knowledge or information, and the Employee shall retain all such knowledge and information in trust for the benefit of the Company, its Affiliates and the successors and assigns of any of them, (b) if the Employee is Terminated, the Employee will not for 18 months following such Termination directly or indirectly solicit for employment, including without limitation recommending to any subsequent employer the solicitation for employment of, any employee of the Company (other than such Employee's secretary or administrative assistant), (c) the Employee will not at any time during the Employee's employment with the Company or any Affiliate thereof or after a Termination publish any statement or make any statement (under circumstances reasonably likely to become public or that the Employee might reasonably expect to become public) critical of the Company or any Affiliate of the Company, or in any way adversely affecting or otherwise maligning the business or reputation of any of the foregoing entities, and (d) the Employee will not breach the provisions of Section 3.1 hereof (any activity prohibited by clause (a), (b), (c) or (d) of this Section 4.1 being referred to as a "Prohibited Activity").

4.2 RIGHT TO PURCHASE SHARES. The Employee understands and agrees that the Company has granted to the Employee the right to purchase shares of Class B Common Stock to reward the Employee for the Employee's future efforts and loyalty to the Company and its Affiliates by giving the Employee the opportunity to participate in the potential future appreciation of the Company. Accordingly, (a) if the Employee engages in any Prohibited Activity, or (b) if, at any time during the Employee's employment with the Company or any of its Affiliates or during the 18 months following a Termination, the Employee engages in any Competitive Activity, or (c) if, at any time (whether during the Employee's employment or after any Termination thereof), the Employee is convicted of a crime against the Company or any of its Affiliates, then, in addition to any other rights and remedies available to the Company, the Company shall be entitled, at its option, exercisable by written notice (the "Repurchase Notice") to the Employee, to purchase all of the shares of Class B Common Stock then held by the Employee.

4.3 PURCHASE PRICE; CLOSING. The purchase price per share of the shares of Class B Common Stock purchased pursuant to this Article 4 shall be equal to the lesser of (a) $357.84 (adjusted to reflect any Capital Transaction effected after the Closing Date and prior to the date of the Repurchase Notice) and (b) the Book Value Per Share (except that any reference to the Delivery Date or Election Date shall instead be a reference to the date of the Repurchase Notice). If such purchase price is determined pursuant to clause (b) of the preceding sentence, then the Company shall, within 15 days following the later of receipt of the Employee's written request therefor (which request must be made within eight days of the date of the Repurchase Notice) and the date the

relevant financial statements are available, provide the Employee with the same purchase price certificate and report of the Company's independent public accountants as are referred to in Section 3.2(b) hereof, and the Employee hereby agrees to the same confidentiality, non-use and non-disclosure provisions with respect thereto as are contained in Section 3.2(b) hereof. The calculations as set forth on such certificate shall be final and binding on the Company and the Employee for purposes of this Agreement. The closing of such purchase shall take place at the principal office of the Company 10 days following the date of the Repurchase Notice or, if a written request therefor was timely made, 10 days following the date of delivery of the aforesaid certificate and report, except that if the Company is prohibited from repurchasing any shares of Class B Common Stock pursuant to this Article 4 by any contractual obligation of the Company or any of its Affiliates or by applicable law, the closing of such purchase shall take place on the first practicable date on which the Company is permitted to purchase such shares (and the provisions of the last two sentences of Section 3.2(e) shall likewise apply to repurchases pursuant to this Article 4). At such closing, the Employee shall sell, convey, transfer, assign and deliver to the Company all right, title and interest in and to the shares of Class B Common Stock being purchased by the Company, which shall constitute (and, at the closing, the Employee shall certify the same to the Company in writing) good and unencumbered title to such shares, free and clear of all liens, security interests, encumbrances and adverse claims of any kind and nature (other than those in favor of the Company and the FL & Co. Companies pursuant to this Agreement), and shall deliver to the Company a certificate representing the shares duly endorsed for transfer, or accompanied by appropriate stock transfer powers duly executed, and with all necessary transfer tax stamps affixed thereto at the expense of the Employee, and the Company shall deliver to the Employee, in full payment of the purchase price payable pursuant to this Section 4.3 for the shares of Class B Common Stock purchased, a check payable to the order of the Employee, in the amount of the aggregate purchase price for the shares purchased. Notwithstanding anything herein to the contrary, from and after the date of the Repurchase Notice, the Employee shall not have any rights with respect to any shares of Class B Common Stock which the Employee is required to sell to the Company pursuant to this Article 4 (including any rights pursuant to Section 3.3 or 3.4 hereof), except to receive the purchase price therefor.

4.4 Notwithstanding anything to the contrary set forth in Sections 3.3, 3.4 or 3.5 hereof, if at the time of a Transaction in which the Employee is participating, the Company is entitled to purchase the Employee's shares of Class B Common Stock pursuant to this Article 4, and if the purchase price per share for a purchase pursuant to this Article 4 would be less than the proceeds per share to the Employee from such Transaction, then the Employee shall be entitled to receive only the aggregate purchase price payable under this Article 4, with the balance of the proceeds of sale in the Transaction being remitted to the other stockholders of the Company participating in

such Transaction pro rata in accordance with their respective participation in such Transaction.

5. STOCK CERTIFICATE LEGEND AND INVESTMENT REPRESENTATIONS; OTHER REPRESENTATIONS.

5.1 LEGEND. All certificates representing shares of Class B Common Stock acquired hereunder or hereafter by the Employee (unless registered under the Act) shall bear the following legend:

> "The shares represented by this certificate have not been registered under the Securities Act of 1933, as amended, or any securities regulatory authority of any state, and may not be sold, transferred, assigned, exchanged, pledged, encumbered or otherwise disposed of except in compliance with all applicable securities laws and except in accordance with the provisions of a Stockholder's Agreement with the Company, a copy of which is available for inspection at the offices of the Company."

5.2 REPRESENTATIONS OF THE EMPLOYEE. The Employee represents and warrants that: (a) the Employee understands that (i) the offer and sale of shares of Class B Common Stock in accordance with this Agreement have not been and will not be registered under the Act, and it is the intention of the parties hereto that the offer and sale of the securities be exempt from registration under the Act and the rules promulgated thereunder by the Securities and Exchange Commission; (ii) the shares of Class B Common Stock being acquired hereunder cannot be sold, transferred, assigned, exchanged, pledged, encumbered or otherwise disposed of unless they are registered under the Act or an exemption from registration is available; and (iii) the purchase of Class B Common Stock hereunder does not entitle the Employee to participate in any other equity program of the Company, whether now existing or hereafter established; (b) the Employee is acquiring the shares of Class B Common Stock being acquired hereunder for investment for the Employee's own account and not with a view to the distribution thereof; (c) the Employee will not, directly or indirectly, sell, transfer, assign, exchange, pledge, encumber or otherwise dispose of any shares of Class B Common Stock being acquired hereunder except in accordance with this Agreement and the Stock Pledge Agreement; (d) the Employee has, or the Employee together with his advisers, if any, have, such knowledge and experience in financial and business matters that the Employee is, or the Employee together with the Employee's advisers, if any, are, and will be capable of evaluating the merits and risks relating to the Employee's purchase of shares of Class B Common Stock under this Agreement; (e) the Employee has been given the opportunity to obtain information and

documents relating to the Company and to ask questions of and receive answers from representatives of the Company concerning the Company and the Employee's investment in the Class B Common Stock; (f) the Employee's decision to invest in the Company has been based upon independent investigations made by the Employee and his advisers, if any; (g) the Employee is able to bear the economic risk of a total loss of the Employee's investment in the Company; and (h) the Employee has adequate means of providing for the Employee's current needs and foreseeable personal contingencies and has no need for the Employee's investment in the Class B Common Stock to be liquid.

6. MISCELLANEOUS.

6.1 DISTRIBUTIONS. In the event of any dividend, distribution or exchange paid or made in respect of the Class B Common Stock consisting of Affiliate Securities, (a) the restrictions and rights with respect to the Class B Common Stock that are contained in this Agreement shall be applicable to the Affiliate Securities without further action of the parties (with the references to Class B Common Stock being deemed references to the Affiliate Securities and the references to the Company being deemed references to the Affiliate), and (b) as a condition precedent to the receipt of the Affiliate Securities by the Employee, the Employee shall enter into a stockholders agreement containing substantially equivalent terms with respect to the Affiliate Securities (but reflecting the economics of the dividend, distribution or exchange and the capitalization of the Affiliate) as are contained in Sections 3.2 and 4.3 hereof. The Board of Directors of the Company, in good faith, shall determine such economics and its determination shall be final and binding on the Employee.

6.2 FURTHER ASSURANCES. Each party hereto shall do and perform or cause to be done and performed all further acts and things and shall execute and deliver all other agreements, certificates, instruments, and documents as any other party hereto reasonably may request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

6.3 GOVERNING LAW. This Agreement and the rights and obligations of the parties hereto shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, without giving effect to the principles of conflicts of law thereof.

6.4 SPECIFIC PERFORMANCE. The parties hereto acknowledge that there will be no adequate remedy at law for a violation of any of the provisions of this Agreement and that, in addition to any other remedies which may be available, all of the

provisions of this Agreement shall be specifically enforceable in accordance with their respective terms.

6.5 INVALIDITY OF PROVISION. The invalidity or unenforceability of any provision of this Agreement in any jurisdiction shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of this Agreement, including that provision, in any other jurisdiction. If any provision of this Agreement is held unlawful or unenforceable in any respect, such provision shall be revised or applied in a manner that renders it lawful and enforceable to the fullest extent possible.

6.6 NOTICE. All notices and other communications hereunder shall be in writing and, unless otherwise provided herein, shall be deemed to have been given when received by the party to whom such notice is to be given at its address set forth below, or such other address for the party as shall be specified by notice given pursuant hereto:

(a) If to the Company, to:

Community Health Systems Holdings Corp.
155 Franklin Road
Suite 400
Brentwood, TN 37027-4600
Attention: President

with a copy to:

Forstmann Little & Co. Equity Partnership-V, L.P.
c/o Forstmann Little & Co.
767 Fifth Avenue, 44th Floor
New York, New York 10153
Attention: Ms. Sandra J. Horbach

(b) If to the Employee, to the address set forth below the Employee's signature, and if to the Legal Representative, to such Person at the address of which the Company is notified in accordance with this Section 6.6.

6.7 BINDING EFFECT. This Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their respective heirs, legal representatives,

successors and assigns. In addition, each of the FL & Co. Companies shall be a third party beneficiary of this Agreement and shall be entitled to enforce this Agreement.

6.8 AMENDMENT AND MODIFICATION. This Agreement may be amended, modified or supplemented only by written agreement of the party against whom enforcement of such amendment, modification or supplement is sought.

6.9 HEADINGS; EXECUTION IN COUNTERPARTS. The headings and captions contained herein are for convenience only and shall not control or affect the meaning or construction of any provision hereof. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and which together shall constitute one and the same instrument.

6.10 ENTIRE AGREEMENT. This Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, oral and written, between the parties hereto with respect to the subject matter hereof.

6.11 WITHHOLDING. The Company shall have the right to deduct from the amount payable under this Agreement any taxes or other amounts required by applicable law to be withheld. The Employee agrees to indemnify the Company against any Federal, state and local withholding taxes (but not penalties or interest) for which the Company may be liable in connection with the Employee's acquisition, ownership or disposition of any Class B Common Stock.

6.12 NO RIGHT TO CONTINUED EMPLOYMENT. This Agreement shall not confer upon the Employee any right with respect to continuance of employment by the Company or any Affiliate thereof, nor shall it interfere in any way with the right of the Company or any Affiliate thereof to terminate the Employee's employment at any time.

6.13 POSSESSION OF CERTIFICATES; POWER OF ATTORNEY.

(a) In order to provide for the safekeeping of the certificates representing the shares of Class B Common Stock purchased by the Employee pursuant hereto and to facilitate the enforcement of the terms and conditions hereof, at the Purchase Closing (i) the Employee shall redeliver to the Company, and the Company shall retain physical possession of, all certificates representing shares of Class B Common Stock acquired by the Employee pursuant hereto and (ii) the Employee shall deliver to the Company an undated stock power, duly executed in blank, for each such certificate. The Employee shall be relieved of any obligation otherwise imposed by this Agreement to deliver certificates representing shares of Class B Common Stock if the same are in the custody of the Company.

(b) The Employee hereby irrevocably appoints the FL & Co. Companies, and each of them (individually and collectively, the "Representative"), the Employee's true and lawful agent and attorney-in-fact, with full powers of substitution, to act in the Employee's name, place and stead, to do or refrain from doing all such acts and things, and to execute and deliver all such documents, as the Representative shall deem necessary or appropriate in connection with a public offering of securities of the Company or a sale pursuant to Section 3.3, 3.5 or 4.2 hereof, including, without in any way limiting the generality of the foregoing, in the case of a sale pursuant to Section 3.3 or 3.5 hereof, to execute and deliver on behalf of the Employee a purchase and sale agreement and any other agreements and documents that the Representative deems necessary in connection with any such sale, and in the case of a public offering, to execute and deliver on behalf of the Employee an underwriting agreement, a "holdback" agreement, a custody agreement, and any other agreements and documents that the Representative deems necessary in connection with any such public offering, and in the case of any sale pursuant to Section 3.3 or 3.5 hereof and any public offering pursuant to Section 3.4(a) hereof, to receive on behalf of the Employee the proceeds of the sale or public offering of the Employee's shares, to hold back from any such proceeds any amount that the Representative deems necessary to reserve against the Employee's share of any Expenses of Sale and Sale Obligations and to pay such Expenses of Sale and Sale Obligations. The Employee hereby ratifies and confirms all that the Representative shall do or cause to be done by virtue of its appointment as the Employee's agent and attorney-in-fact. In acting for the Employee pursuant to the appointment set forth in this Section 6.13(b), the Representative shall not be responsible to the Employee for any loss or damage the Employee may suffer by reason of the performance by the Representative of its duties under this Agreement, except for loss or damage arising from willful violation of law or gross negligence by the Representative in the performance of its duties hereunder. The appointment of the Representative shall be deemed coupled with an interest and as such shall be irrevocable and shall survive the death, incompetency, mental illness or insanity of the Employee, and any person dealing with the Representative may conclusively and absolutely rely, without inquiry, upon any act of the Representative as the act of the Employee in all matters referred to in this Section 6.13(b). The Representative shall advise the Employee in writing of any Sale Obligations imposed on the Employee in any document executed by the Representative as the Employee's attorney-in-fact pursuant to this Section 6.13(b).

6.14 CONSENT TO JURISDICTION. Each party hereby irrevocably and unconditionally consents to submit to the exclusive jurisdiction of the courts of the State of New York and of the United States of America, in each case located in the County of New York, for any Litigation (and agrees not to commence any Litigation except in any such court), and further agrees that service of process, summons, notice or document by

U.S. registered mail to its respective address set forth in Section 6.6 hereof shall be effective service of process for any Litigation brought against it in any such court. Each party hereby irrevocably and unconditionally waives any objection to the laying of venue of any Litigation in the courts of the State of New York or of the United States of America, in each case located in the County of New York, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any Litigation brought in any such court has been brought in an inconvenient forum.

IN WITNESS WHEREOF, this Agreement has been signed by or on behalf of each of the parties hereto, all as of the date first above written.

COMMUNITY HEALTH SYSTEMS
HOLDINGS CORP.

By: _____

EMPLOYEE

_____
Name:
Address:

The undersigned hereby agree to be bound by the provisions of Sections 3.3 and 3.4 of the foregoing Stockholder's Agreement.

FORSTMANN LITTLE & CO. EQUITY PARTNERSHIP-V, L.P.

By: FLC XXX Partnership,
its general partner

By: _____
a general partner

FORSTMANN LITTLE & CO. SUBORDINATED DEBT AND EQUITY MANAGEMENT BUYOUT PARTNERSHIP-VI, L.P.

By: FLC XXIX Partnership, L.P.
its general partner

By: _____
a general partner

The undersigned acknowledges that the undersigned has read the foregoing Agreement between Community Health Systems Holdings Corp. and the undersigned's spouse, understands that the undersigned's spouse has purchased shares of Class B Common Stock as reflected in such Agreement and agrees to be bound by the foregoing Agreement.

_____

Employee's Spouse

SCHEDULE I

Assume: 1) Aggregate amount of assets available for distribution is $2,200,000,000. THERE IS NO ASSURANCE THAT THE ACTUAL AMOUNT OF ASSETS AVAILABLE FOR DISTRIBUTION WILL REACH THIS LEVEL.

2) 449,123 shares of Class A Common Stock and 39,600 shares of Class B Common Stock outstanding, and options granted to acquire 9,000 shares of Class C Common Stock and 1,600 shares of Class A Common Stock, all at the time of distribution.

STEP 1

					To CLASS A	To CLASS B	To CLASS C
First to A:	$1,073.52	x	450,723	=	$483,860,155		
Second to B:	357.84	x	39,600	=		$14,170,464	
Third to C:	587.50	x	9,000	=			$5,287,500
Fourth to A:	279.17	x	450,723	=	125,828,340		
and to C:	279.17	x	9,000	=			2,512,530
Fifth to A	3,140.93*	x	450,723	=			
and to B:	3,140.93*	x	39,600	=	1,415,691,577	124,381,020	28,268,414
and to C:	3,140.93*	x	9,000	=			
Total					$2,025,380,072	$138,551,484	$36,068,444

	PER SHARE PROCEEDS	COST OF SHARES	NET GAIN
STEP 2			
x = $ total for Class A divided by 450,723 =	$4,493.62	($1,073.52)	$3,420.10
STEP 3			
y = $ total for Class B divided by 39,600 =	$3,498.77	($357.84)	$3,140.93
STEP 4			
z = $ total for Class C divided by 9,000 =	$4,007.60	($587.50)	$3,420.10

Class B Exchange Rate = y/x or 0.779 of a share of Class A Common Stock for each share of Class B Common Stock.

Class C Exchange Rate = z/x or 0.892 of a share of Class A Common Stock for each share of Class C Common Stock.

- ---

* Equals $2,200,000,000 less the payments from the first, second, third and fourth steps ($631,658,989) divided by 499,323 (449,123 plus 39,600 plus 9,000 plus 1,600), rounded for presentation purposes.

ANNEX A

Employee	Number of Shares
---	--

Cash Amount: $_____

Note Amount: $_____

Exhibit 10.7

REGISTRATION RIGHTS AGREEMENT

among

FLCH HOLDINGS CORP.,

FLCH ACQUISITION CORP.,

FORSTMANN LITTLE & CO. EQUITY PARTNERSHIP - V, L.P.,

and

FORSTMANN LITTLE & CO. SUBORDINATED DEBT
AND EQUITY MANAGEMENT BUYOUT PARTNERSHIP - VI, L.P.

July 9, 1996

REGISTRATION RIGHTS AGREEMENT, dated as of July 9, 1996, among FLCH Holdings Corp., a Delaware corporation ("Parent"), FLCH Acquisition Corp., a Delaware corporation (the "Company") and wholly owned subsidiary of Parent, Forstmann Little & Co. Equity Partnership - V, L.P., a Delaware limited partnership ("Equity-V"), and Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership - VI, L.P. a Delaware limited partnership ("MBO-VI") (Equity-V and MBO-VI are individually referred to as a "Forstmann Little Partnership" and collectively referred to as the "Forstmann Little Partnerships").

On the date hereof, the Company is purchasing all of the shares that have been validly tendered into its tender offer for the outstanding shares of capital stock of Community Health Systems, Inc. ("CHS"). It is contemplated that the Company will merge with and into CHS, as a result of which Parent would own 100% of the capital stock of CHS (such events are collectively referred to herein as the "Acquisition"). In connection with the Acquisition, the Forstmann Little Partnerships are acquiring shares of Common Stock (as defined below) and will acquire additional shares of Common Stock from Parent.

If either of the Forstmann Little Partnerships desires to sell shares of Common Stock (whether prior to, concurrently with or following any registration and offering by Parent of shares of its capital stock to the public (an "Offering")), it may be necessary to register such shares under the Securities Act (as defined below).

As part of, and as consideration for, the acquisition of shares of Common Stock by the Forstmann Little Partnerships from Parent on the date hereof and from time to time hereafter, Parent hereby grants to the Forstmann Little Partnerships certain registration and other rights with respect to their shares of Common Stock as more fully set forth herein.

Accordingly, the parties hereto agree as follows:

1. DEFINITIONS. As used herein, unless the context otherwise requires, the following terms have the following respective meanings:

"Certificate of Incorporation" means the Certificate of Incorporation of Parent, as it may be amended or restated hereafter from time to time.

"Commission" means the Securities and Exchange Commission or any other Federal agency at the time administering the Securities Act.

"Common Stock" means any shares of common stock, par value $.01 per share, of Parent, now or hereafter authorized to be issued, and any and all securities of any kind whatsoever of Parent which may be exchanged for or converted into Common

Stock, any and all securities of any kind whatsoever of Parent which may be issued on or after the date hereof in respect of, in exchange for, or upon conversion of shares of Common Stock pursuant to a merger, consolidation, stock split, stock dividend, recapitalization of Parent or otherwise.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, or any similar Federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time. Reference to a particular section of the Exchange Act shall include a reference to the comparable section, if any, of any such similar Federal statute.

"Other Investor" means each Person who, at the time of any registration of Common Stock hereunder, has the right under a stockholder's agreement or stock option agreement with Parent to participate in any public offering of all or a portion of the shares of Common Stock owned by the Forstmann Little Partnerships.

"Person" means a corporation, an association, a partnership, an organization, a business, a trust, an individual, or any other entity or organization, including a government or political subdivision or an instrumentality or agency thereof.

"Registrable Securities" means (i) any shares of Common Stock owned by the Forstmann Little Partnerships and acquired, whether prior or subsequent to the effectiveness of this Agreement, directly from Parent, (ii) any shares of Common Stock held pursuant to the terms of a stockholder's agreement or issuable upon exercise of an option pursuant to the terms of a stock option agreement, as the case may be, between any Other Investor and Parent, which agreement gives such Other Investor the right to participate proportionately with the Forstmann Little Partnerships in a public offering with respect to such shares, and (iii) any Common Stock issued with respect to the Common Stock referred to in clauses (i) or (ii) by way of a stock dividend, stock split or reverse stock split or in connection with a combination of shares, recapitalization, merger, consolidation or otherwise. As to any particular Registrable Securities, such securities shall cease to be Registrable Securities (a) when a registration statement with respect to the sale of such securities shall have become effective under the Securities Act and such securities shall have been disposed of in accordance with such registration statement, (b) when such securities shall have been otherwise transferred, new certificates for them not bearing a legend restricting further transfer shall have been delivered by Parent and subsequent public distribution of them shall not require registration of them under the Securities Act, or (c) when such securities shall have been sold as permitted by, and in compliance with, the Securities Act. Any certificate evidencing the Registrable Securities shall bear a legend stating that the securities have not been registered under the Securities Act and setting forth or referring to the restrictions on transferability and sale of the securities.

"Registration Expenses" means all expenses incident to the registration and disposition of the Registrable Securities pursuant to Section 2 hereof, including, without limitation, all registration, filing and applicable national securities exchange fees, all fees and expenses of complying with state securities or blue sky laws (including fees and disbursements of counsel to the underwriters or the Forstmann Little Partnerships and the Other Investors in connection with "blue sky" qualification of the Registrable Securities and determination of their eligibility for investment under the laws of the various jurisdictions), all word processing, duplicating and printing expenses, all messenger and delivery expenses, the fees and disbursements of counsel for Parent and of its independent public accountants, including the expenses of "cold comfort" letters or any special audits required by, or incident to, such registration, all fees and disbursements of underwriters (other than underwriting discounts and commissions), all transfer taxes, and the fees and expenses of counsel to the Forstmann Little Partnerships and the Other Investors; PROVIDED, HOWEVER, that Registration Expenses shall exclude, and the Forstmann Little Partnerships and the Other Investors shall pay, underwriting discounts and commissions in respect of the Registrable Securities being registered.

"Securities Act" means the Securities Act of 1933, as amended, or any similar Federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time. References to a particular section of the Securities Act shall include a reference to the comparable section, if any, of any such similar Federal statute.

2. REGISTRATION UNDER SECURITIES ACT, ETC.

2.1 REGISTRATION ON REQUEST.

(a) REQUEST. At any time or from time to time, the Forstmann Little Partnerships, individually or jointly, shall have the right to require Parent to effect the registration under the Securities Act of all or part of the Registrable Securities, by delivering a written request therefor to Parent specifying the number of shares of Registrable Securities and the intended method of distribution. Parent shall, (i) as expeditiously as possible (but in any event within 120 days of receipt of a written request), use its best efforts to effect the registration under the Securities Act (including by means of a shelf registration pursuant to Rule 415 under the Securities Act if so requested in such request and if Parent is then eligible to use such a registration) of the Registrable Securities which Parent has been so requested to register by the Forstmann Little Partnerships, for distribution in accordance with the intended method of distribution set forth in the written request delivered by the Forstmann Little Partnerships, and (ii) if requested by the Forstmann Little Partnerships, obtain acceleration of the effective date of then registration statement relating to such registration.

(b) REGISTRATION OF OTHER SECURITIES. Whenever Parent shall effect a registration pursuant to this Section 2.1 in connection with an underwritten offering by any Forstmann Little Partnership and any Other Investors of Registrable Securities, no securities other than Registrable Securities shall be included among the securities covered by such registration unless the Forstmann Little Partnership or Partnerships so registering Registrable Securities (the "Registering Forstmann Little Partnerships") shall have consented in writing to the inclusion therein of such other securities, which consent may be subject to terms and conditions determined by the Registering Forstmann Little Partnerships in their sole discretion.

(c) REGISTRATION STATEMENT FORM. Registrations under this Section 2.1 shall be on such appropriate registration form of the Commission as shall be selected by Parent and as shall be reasonably acceptable to the Registering Forstmann Little Partnerships. Parent agrees to include in any such registration statement all information which, in the opinion of counsel to the Registering Forstmann Little Partnerships and counsel to Parent, is necessary or desirable to be included therein.

(d) EXPENSES. Parent and the Company shall pay, and shall be jointly and severally responsible for, all Registration Expenses in connection with any registration requested pursuant to this Section 2.1.

(e) EFFECTIVE REGISTRATION STATEMENT. A registration requested pursuant to this Section 2.1 shall not be deemed to have been effected (including for purposes of paragraph (h) of this Section 2.1) (i) unless a registration statement with respect thereto has become effective and has been kept continuously effective for a period of at least 120 days (or such shorter period which shall terminate when all the Registrable Securities covered by such registration statement have been sold pursuant thereto), (ii) if after it has become effective, such registration is interfered with by any stop order, injunction or other order or requirement of the Commission or other governmental agency or court for any reason not attributable to the Registering Forstmann Little Partnerships and has not thereafter become effective, or (iii) if the conditions to closing specified in the underwriting agreement, if any, entered into in connection with such registration are not satisfied or waived.

(f) SELECTION OF UNDERWRITERS. The underwriters of each underwritten offering of the Registrable Securities so to be registered shall be selected by the Registering Forstmann Little Partnerships.

(g) RIGHT TO WITHDRAW. If the managing underwriter of any underwritten offering shall advise the Registering Forstmann Little Partnerships that the Registrable Securities covered by the registration statement cannot be sold in such offering within a price range acceptable to the Registering Forstmann Little Partnerships, then the Registering Forstmann Little Partnerships shall have the right to notify Parent in

writing that they have determined that the registration statement be abandoned or withdrawn, in which event Parent shall abandon or withdraw such registration statement. In the event of such abandonment or withdrawal, such request shall not be counted for purposes of the requests for registration to which the Forstmann Little Partnerships are entitled pursuant to this Section 2.1.

(h) LIMITATIONS ON REGISTRATION ON REQUEST. The Forstmann Little Partnerships shall be entitled to require Parent to effect, and Parent shall be required to effect, six registrations in the aggregate pursuant to this Section 2.1, PROVIDED, HOWEVER, that the aggregate offering value of the shares to be registered pursuant to any such registration shall be at least $15,000,000 unless the Forstmann Little Partnerships then own shares with an aggregate value less than $15,000,000 (in which case such lesser number of shares may be registered).

(i) POSTPONEMENT. Parent shall be entitled once in any six-month period to postpone for a reasonable period of time (but not exceeding 90 days) (the "Postponement Period") the filing of any registration statement required to be prepared and filed by it pursuant to this Section 2.1 if Parent determines, in its reasonable judgment, that such registration and offering would materially interfere with any material financing, corporate reorganization or other material transaction involving Parent or any subsidiary, or would require premature disclosure thereof, and promptly gives the Registering Forstmann Little Partnerships written notice of such determination, containing a general statement of the reasons for such postponement and an approximation of the anticipated delay. If Parent shall so postpone the filing of a registration statement, the Forstmann Little Partnerships shall have the right to withdraw the request for registration by giving written notice to Parent at any time and, in the event of such withdrawal, such request shall not be counted for purposes of the requests for registration to which the Forstmann Little Partnerships are entitled pursuant to this Section 2.1.

2.2 INCIDENTAL REGISTRATION.

(a) RIGHT TO INCLUDE REGISTRABLE SECURITIES. If Parent at any time proposes to register any of its securities under the Securities Act by registration on Form S-1, S-2 or S-3 or any successor or similar form(s) (except registrations on any such Form or similar form(s) solely for registration of securities in connection with an employee benefit plan or dividend reinvestment plan or a merger or consolidation), whether or not for sale for its own account, it will each such time give prompt written notice to each of the Forstmann Little Partnerships of its intention to do so and of the Forstmann Little Partnerships' rights under this Section 2.2. Upon the written request of any of the Forstmann Little Partnerships (which request shall specify the maximum number of Registrable Securities intended to be disposed of by the Forstmann Little Partnerships), made as promptly as practicable and in any event within 30 days after the

receipt of any such notice (15 days if Parent states in such written notice or gives telephonic notice to the Forstmann Little Partnerships, with written confirmation to follow promptly thereafter, stating that (i) such registration will be on Form S-3 and (ii) such shorter period of time is required because of a planned filing date), Parent shall use its best efforts to effect the registration under the Securities Act of all Registrable Securities which Parent has been so requested to register by the Forstmann Little Partnerships; PROVIDED, HOWEVER, that if, at any time after giving written notice of its intention to register any securities and prior to the effective date of the registration statement filed in connection with such registration, Parent shall determine for any reason not to register or to delay registration of such securities, Parent shall give written notice of such determination and its reasons therefor to the Forstmann Little Partnerships and (i) in the case of a determination not to register, shall be relieved of its obligation to register any Registrable Securities in connection with such registration (but not from any obligation of Parent to pay the Registration Expenses in connection therewith), without prejudice, however, to the rights of the Forstmann Little Partnerships to request that such registration be effected as a registration under Section 2.1 and (ii) in the case of a determination to delay registering, shall be permitted to delay registering any Registrable Securities, for the same period as the delay in registering such other securities. No registration effected under this Section 2.2 shall relieve Parent of its obligation to effect any registration upon request under Section 2.1. Parent will pay all Registration Expenses in connection with any registration of Registrable Securities requested pursuant to this Section 2.2.

(b) RIGHT TO WITHDRAW. The Forstmann Little Partnerships shall have the right to withdraw their request for inclusion of its Registrable Securities in any registration statement pursuant to this Section 2.2 at any time prior to the execution of an underwriting agreement with respect thereto by giving written notice to Parent of its request to withdraw.

(c) PRIORITY IN INCIDENTAL REGISTRATIONS. If the managing underwriter of any underwritten offering shall inform Parent by letter of its belief that the number of Registrable Securities requested to be included in such registration, when added to the number of other securities to be offered in such registration, would materially adversely affect such offering, then Parent shall include in such registration, to the extent of the number and type which Parent is so advised can be sold in (or during the time of) such offering without so materially adversely affecting such offering (the "Section 2.2 Sale Amount"), (i) all of the securities proposed by Parent to be sold for its own account; (ii) thereafter, to the extent the Section 2.2 Sale Amount is not exceeded, the Registrable Securities requested by the Forstmann Little Partnerships to be included in such registration pursuant to Section 2.2(a) (including Registrable Securities held by Other Investors); and (iii) thereafter, to the extent the Section 2.2 Sale Amount is not exceeded, any other securities of Parent requested to be included in such registration by

any holder thereof, including, in the case where such registration is to be effected as a result of the exercise by a holder of Parent's securities of such holder's right to cause such securities to be so registered, the securities of such holder.

(d) PLAN OF DISTRIBUTION. Any participation by holders of Registrable Securities in a registration by Parent shall be in accordance with Parent's plan of distribution, provided that the Registering Forstmann Little Partnerships shall have the right to select the co-managing underwriter.

2.3 REGISTRATION PROCEDURES. If and whenever Parent is required to use its best efforts to effect the registration of any Registrable Securities under the Securities Act as provided in Sections 2.1 and 2.2 hereof, Parent shall as expeditiously as possible:

(a) prepare and file with the Commission as soon as practicable the requisite registration statement to effect such registration (and shall include all financial statements required by the Commission to be filed therewith) and thereafter use its best efforts to cause such registration statement to become effective; provided, however, that before filing such registration statement (including all exhibits) or any amendment or supplement thereto or comparable statements under securities or blue sky laws of any jurisdiction, Parent shall furnish such documents to the Registering Forstmann Little Partnerships and each underwriter, if any, participating in the offering of the Registrable Securities and their respective counsel, which documents will be subject to the review and comments of the Registering Forstmann Little Partnerships, each underwriter and their respective counsel; and provided, further, however, that Parent may discontinue any registration of its securities which are not Registrable Securities at any time prior to the effective date of the registration statement relating thereto;

(b) notify the Registering Forstmann Little Partnerships of the Commission's requests for amending or supplementing the registration statement and the prospectus, and prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective and to comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities covered by such registration statement for such period as shall be required for the disposition of all of such Registrable Securities in accordance with the intended method of distribution thereof; PROVIDED, that except with respect to any such registration statement filed pursuant to Rule 415 under the Securities Act, such period need not exceed 120 days;

(c) furnish, without charge, to the Registering Forstmann Little Partnerships and each underwriter such number of conformed copies of such registration statement and of each such amendment and supplement thereto (in each case including all exhibits), such number of copies of the prospectus contained in such registration statement (including each preliminary prospectus and any summary prospectus) and any other prospectus filed under Rule 424 under the Securities Act, in conformity with the requirements of the Securities Act, and such other documents, as the Registering Forstmann Little Partnerships and such underwriters may reasonably request;

(d) use its best efforts (i) to register or qualify all Registrable Securities and other securities covered by such registration statement under such securities or blue sky laws of such States of the United States of America where an exemption is not available and as the Registering Forstmann Little Partnerships or any managing underwriter shall reasonably request, (ii) to keep such registration or qualification in effect for so long as such registration statement remains in effect, and (iii) to take any other action which may be reasonably necessary or advisable to enable the Registering Forstmann Little Partnerships to consummate the disposition in such jurisdictions of the securities to be sold by the Registering Forstmann Little Partnerships, except that Parent shall not for any such purpose be required to qualify generally to do business as a foreign corporation in any jurisdiction wherein it would not but for the requirements of this subsection (d) be obligated to be so qualified or to consent to general service of process in any such jurisdiction;

(e) use its best efforts to cause all Registrable Securities covered by such registration statement to be registered with or approved by such other federal or state governmental agencies or authorities as may be necessary in the opinion of counsel to Parent and counsel to the Registering Forstmann Little Partnerships to consummate the disposition of such Registrable Securities;

(f) furnish to the Registering Forstmann Little Partnerships and each underwriter, if any, participating in the offering of the securities covered by such registration statement, a signed counterpart of (i) an opinion of counsel for Parent, and (ii) a "comfort" letter signed by the independent public accountants who have certified Parent's financial statements included or incorporated by reference in such registration statement, covering substantially the same matters with respect to such registration statement (and the prospectus included therein) and, in the case

of the accountants' comfort letter, with respect to events subsequent to the date of such financial statements, as are customarily covered in opinions of issuer's counsel and in accountants' comfort letters delivered to the underwriters in underwritten public offerings of securities (and dated the dates such opinions and comfort letters are customarily dated) and, in the case of the legal opinion, such other legal matters, and, in the case of the accountants' comfort letter, such other financial matters, as the Registering Forstmann Little Partnerships, or the underwriters, may reasonably request;

(g) promptly notify the Registering Forstmann Little Partnerships and each managing underwriter, if any, participating in the offering of the securities covered by such registration statement (i) when such registration statement, any pre-effective amendment, the prospectus or any prospectus supplement related thereto or post-effective amendment to such registration statement has been filed, and, with respect to such registration statement or any post-effective amendment, when the same has become effective; (ii) of any request by the Commission for amendments or supplements to such registration statement or the prospectus related thereto or for additional information; (iii) of the issuance by the Commission of any stop order suspending the effectiveness of such registration statement or the initiation of any proceedings for that purpose; (iv) of the receipt by Parent of any notification with respect to the suspension of the qualification of any of the Registrable Securities for sale under the securities or blue sky laws of any jurisdiction or the initiation of any proceeding for such purpose; (v) at any time when a prospectus relating thereto is required to be delivered under the Securities Act, upon discovery that, or upon the happening of any event as a result of which, the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading, in the light of the circumstances under which they were made, and in the case of this clause (v), at the request of the Registering Forstmann Little Partnerships promptly prepare and furnish to the Registering Forstmann Little Partnerships and each managing underwriter, if any, participating in the offering of the Registrable Securities, a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made; and (vi) at any time when the representations and warranties of Parent contemplated by Section 2.4(a) or (b) hereof cease to be true and correct;

(h) otherwise comply with all applicable rules and regulations of the Commission, and make available to its security holders, as soon as reasonably practicable, an earnings statement covering the period of at least twelve months beginning with the first full calendar month after the effective date of such registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and Rule 158 promulgated thereunder, and promptly furnish to the Registering Forstmann Little Partnerships a copy of any amendment or supplement to such registration statement or prospectus;

(i) provide and cause to be maintained a transfer agent and registrar (which, in each case, may be Parent) for all Registrable Securities covered by such registration statement from and after a date not later than the effective date of such registration;

(j) (i) use its best efforts to cause all Registrable Securities covered by such registration statement to be listed on the principal securities exchange on which similar securities issued by Parent are then listed (if any), if the listing of such Registrable Securities is then permitted under the rules of such exchange, or (ii) if no similar securities are then so listed, use its best efforts to (x) cause all such Registrable Securities to be listed on a national securities exchange or (y) failing that, secure designation of all such Registrable Securities as a National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ") "national market system security" within the meaning of Rule 11Aa2-1 of the Commission or (z) failing that, to secure NASDAQ authorization for such shares and, without limiting the generality of the foregoing, to arrange for at least two market makers to register as such with respect to such shares with the National Association of Securities Dealers, Inc.;

(k) deliver promptly to counsel to the Registering Forstmann Little Partnerships and each underwriter, if any, participating in the offering of the Registrable Securities, copies of all correspondence between the Commission and Parent, its counsel or auditors and all memoranda relating to discussions with the Commission or its staff with respect to such registration statement;

(l) use its best efforts to obtain the withdrawal of any order suspending the effectiveness of the registration statement;

(m) provide a CUSIP number for all Registrable Securities, no later than the effective date of the registration statement; and

(n) make available its employees and personnel and otherwise provide reasonable assistance to the underwriters (taking into account the needs of Parent's and the Company's businesses) in their marketing of Registrable Securities.

Parent may require the Registering Forstmann Little Partnerships to furnish Parent such information regarding the Registering Forstmann Little Partnerships and the distribution of the Registrable Securities as Parent may from time to time reasonably request in writing.

The Forstmann Little Partnerships agree that upon receipt of any notice from Parent of the happening of any event of the kind described in paragraph (g)(iii) or (v) of this Section 2.3, each of the Registering Forstmann Little Partnerships will, to the extent appropriate, discontinue its disposition of Registrable Securities pursuant to the registration statement relating to such Registrable Securities until, in the case of paragraph (g)(v) of this Section 2.3, its receipt of the copies of the supplemented or amended prospectus contemplated by paragraph (g)(v) of this Section 2.3 and, if so directed by Parent, will deliver to Parent (at Parent's expense) all copies, other than permanent file copies, then in its possession, of the prospectus relating to such Registrable Securities current at the time of receipt of such notice. If the disposition by the Registering Forstmann Little Partnerships of their securities is discontinued pursuant to the foregoing sentence, Parent shall extend the period of effectiveness of the registration statement by the number of days during the period from and including the date of the giving of notice to and including the date when the Registering Forstmann Little Partnerships shall have received copies of the supplemented or amended prospectus contemplated by paragraph (g)(v) of this Section 2.3; and, if Parent shall not so extend such period, the Registering Forstmann Little Partnerships' request pursuant to which such registration statement was filed shall not be counted for purposes of the requests for registration to which the Forstmann Little Partnerships are entitled pursuant to Section 2.1 hereof.

2.4 UNDERWRITTEN OFFERINGS.

(a) REQUESTED UNDERWRITTEN OFFERINGS. If requested by the underwriters for any underwritten offering by the Registering Forstmann Little Partnerships (and any Other Investors) pursuant to a registration requested under Section 2.1, Parent shall enter into a customary underwriting agreement with a managing underwriter or underwriters selected by the Registering Forstmann Little Partnerships. Such underwriting agreement shall be satisfactory in form and substance to the Registering Forstmann Little Partnerships and shall contain such representations and warranties by, and such other agreements on the part of, Parent and such other terms as are generally prevailing in agreements of that type, including, without limitation, customary provisions relating to indemnification and contribution. The Registering

Forstmann Little Partnerships shall be parties to such underwriting agreement and may, at their option, require that any or all of the representations and warranties by, and the other agreements on the part of, Parent to and for the benefit of such underwriters shall also be made to and for the benefit of the Registering Forstmann Little Partnerships and that any or all of the conditions precedent to the obligations of such underwriters under such underwriting agreement be conditions precedent to the obligations of the Registering Forstmann Little Partnerships. None of the Registering Forstmann Little Partnerships shall be required to make any representations or warranties to or agreements with Parent or the underwriters other than representations, warranties or agreements regarding such Registering Forstmann Little Partnership, its ownership of and title to the Registrable Securities, and its intended method of distribution; and any liability of any Registering Forstmann Little Partnership to any underwriter or other person under such underwriting agreement shall be limited to liability arising from breach of its representations and warranties and shall be limited to an amount equal to the proceeds (net of expenses and underwriting discounts and commissions) that it derives from such registration.

(b) INCIDENTAL UNDERWRITTEN OFFERINGS. In the case of a registration pursuant to Section 2.2 hereof, if Parent shall have determined to enter into any underwriting agreements in connection therewith, all of the Registrable Securities to be included in such registration shall be subject to such underwriting agreements. The Registering Forstmann Little Partnerships may, at their option, require that any or all of the representations and warranties by, and the other agreements on the part of, Parent to and for the benefit of such underwriters shall also be made to and for the benefit of the Registering Forstmann Little Partnerships and that any or all of the conditions precedent to the obligations of such underwriters under such underwriting agreement be conditions precedent to the obligations of the Registering Forstmann Little Partnerships. None of the Registering Forstmann Little Partnerships shall be required to make any representations or warranties to or agreements with Parent or the underwriters other than representations, warranties or agreements regarding such Registering Forstmann Little Partnership, its ownership of and title to the Registrable Securities, and its intended method of distribution; and any liability of any Registering Forstmann Little Partnership to any underwriter or other Person under such underwriting agreement shall be limited to liability arising from breach of its representations and warranties and shall be limited to an amount equal to the proceeds (net of expenses and underwriting discounts and commissions) that it derives from such registration.

2.5 PREPARATION; REASONABLE INVESTIGATION. In connection with the preparation and filing of each registration statement under the Securities Act pursuant to this Agreement, Parent will give the Registering Forstmann Little Partnerships, their underwriters, if any, and their respective counsel, accountants and other representatives and agents the opportunity to participate in the preparation of such registration statement, each prospectus included therein or filed with the Commission, and each amendment

thereof or supplement thereto, and give each of them such access to its books and records and such opportunities to discuss the business of Parent with its officers and employees and the independent public accountants who have certified its financial statements, and supply all other information reasonably requested by each of them, as shall be necessary or appropriate, in the opinion of the Registering Forstmann Little Partnerships and such underwriters' respective counsel, to conduct a reasonable investigation within the meaning of the Securities Act.

2.6 INDEMNIFICATION.

(a) INDEMNIFICATION BY PARENT AND THE COMPANY. Parent and the Company agree, jointly and severally, that in the event of any registration of any securities of Parent under the Securities Act, each of Parent and the Company shall, and hereby does, indemnify and hold harmless each Forstmann Little Partnership, its respective directors, officers, partners, agents and affiliates and each other Person who participates as an underwriter in the offering or sale of such securities and each other Person, if any, who controls such Forstmann Little Partnership or any such underwriter within the meaning of the Securities Act, against any losses, claims, damages, or liabilities, joint or several, to which such Forstmann Little Partnership or any such director, officer, partner, agent or affiliate or underwriter or controlling person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities, joint or several (or actions or proceedings, whether commenced or threatened, in respect thereof), arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which such securities were registered under the Securities Act, any preliminary prospectus, final prospectus or summary prospectus contained therein, or any amendment or supplement thereto, (ii) any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein in light of the circumstances in which they were made not misleading, or (iii) any violation by Parent of any federal, state or common law rule or regulation applicable to Parent and relating to action required of or inaction by Parent in connection with any such registration, and each of Parent and the Company shall reimburse such Forstmann Little Partnership and each such director, officer, partner, agent or affiliate, underwriter and controlling Person for any legal or any other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, liability, action or proceeding; PROVIDED that Parent and the Company shall not be liable in any such case to the Forstmann Little Partnerships or any such director, officer, partner, agent, affiliate, or controlling person to the extent that any such loss, claim, damage, liability (or action or proceeding in respect thereof) or expense arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement, any such preliminary prospectus, final prospectus, summary prospectus, amendment or supplement in reliance upon and in conformity with written

information furnished to Parent through an instrument duly executed by or on behalf of the Forstmann Little Partnerships, specifically stating that it is for use in the preparation thereof; and PROVIDED, FURTHER, that Parent and the Company shall not be liable to any Person who participates as an underwriter in the offering or sale of Registrable Securities or any other Person, if any, who controls such underwriter within the meaning of the Securities Act, in any such case to the extent that any such loss, claim, damage, liability (or action or proceeding in respect thereof) or expense (i) arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement, any such preliminary prospectus, final prospectus, summary prospectus, amendment or supplement in reliance upon and in conformity with written information furnished to Parent through an instrument duly executed by or on behalf of such Person or (ii) arises out of such Person's failure to send or give a copy of the final prospectus, as the same may be then supplemented or amended, to the Person asserting an untrue statement or alleged untrue statement or omission or alleged omission at or prior to the written confirmation of the sale of Registrable Securities to such Person if such statement or omission was corrected in such final prospectus. Such indemnity shall remain in full force regardless of any investigation made by or on behalf of any Forstmann Little Partnership or any such director, officer, partner, agent, affiliate, underwriter or controlling Person and shall survive the transfer of such securities by such Forstmann Little Partnership.

(b) INDEMNIFICATION BY THE FORSTMANN LITTLE PARTNERSHIPS. As a condition to including any Registrable Securities in any registration statement, Parent shall have received an undertaking reasonably satisfactory to it from each Registering Forstmann Little Partnership so including any Registrable Securities to indemnify and hold harmless (in the same manner and to the same extent as set forth in paragraph (a) of this Section 2.6) Parent, and each director of Parent, each officer of Parent and each other Person, if any, who controls Parent within the meaning of the Securities Act, with respect to any statement or alleged statement in or omission or alleged omission from such registration statement, any preliminary prospectus, final prospectus or summary prospectus contained therein, or any amendment or supplement thereto, but only to the extent such statement or alleged statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to Parent through an instrument duly executed by such Registering Forstmann Little Partnership specifically stating that it is for use in the preparation of such registration statement, preliminary prospectus, final prospectus, summary prospectus, amendment or supplement; PROVIDED, HOWEVER, that the liability of such indemnifying party under this Section 2.6(b) shall be limited to the amount of proceeds (net of expenses and underwriting discounts and commissions) received by such indemnifying party in the offering giving rise to such liability. Such indemnity shall remain in full force and effect, regardless of any investigation made by or on behalf of Parent or any such director,

officer or controlling Person and shall survive the transfer of such securities by such Forstmann Little Partnership.

(c) NOTICES OF CLAIMS, ETC. Promptly after receipt by an indemnified party of notice of the commencement of any action or proceeding involving a claim referred to in the preceding subsections of this Section 2.6, such indemnified party shall, if a claim in respect thereof is to be made against an indemnifying party, give written notice to the latter of the commencement of such action or proceeding; PROVIDED, HOWEVER, that the failure of any indemnified party to give notice as provided herein shall not relieve the indemnifying party of its obligations under the preceding subsections of this Section 2.6, except to the extent that the indemnifying party is actually prejudiced by such failure to give notice, and shall not relieve the indemnifying party from any liability which it may have to the indemnified party otherwise than under this Section 2.6. In case any such action or proceeding is brought against an indemnified party, the indemnifying party shall be entitled to participate therein and, unless in the opinion of outside counsel to the indemnified party a conflict of interest between such indemnified and indemnifying parties may exist in respect of such claim, to assume the defense thereof, jointly with any other indemnifying party similarly notified to the extent that it may wish, with counsel reasonably satisfactory to such indemnified party; PROVIDED, HOWEVER, that if the defendants in any such action or proceeding include both the indemnified party and the indemnifying party and if in the opinion of outside counsel to the indemnified party there may be legal defenses available to such indemnified party and/or other indemnified parties which are different from or in addition to those available to the indemnifying party, the indemnified party or parties shall have the right to select separate counsel to defend such action or proceeding on behalf of such indemnified party or parties, PROVIDED, HOWEVER, that the indemnifying party shall be obligated to pay for only one counsel for all indemnified parties. After notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof and approval by the indemnified party of such counsel, the indemnifying party shall not be liable to such indemnified party for any legal expenses subsequently incurred by the latter in connection with the defense thereof other than reasonable costs of investigation (unless the first proviso in the preceding sentence shall be applicable). No indemnifying party shall be liable for any settlement of any action or proceeding effected without its written consent. No indemnifying party shall, without the consent of the indemnified party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect to such claim or litigation.

(d) CONTRIBUTION. If the indemnification provided for in this Section 2.6 shall for any reason be held by a court to be unavailable to an indemnified party under subsection (a) or (b) hereof in respect of any loss, claim, damage or liability, or any action in respect thereof, then, in lieu of the amount paid or payable under

subsection (a) or (b) hereof, the indemnified party and the indemnifying party under subsection (a) or (b) hereof shall contribute to the aggregate losses, claims, damages and liabilities (including legal or other expenses reasonably incurred in connection with investigating the same), (i) in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand, and the indemnified party on the other, which resulted in such loss, claim, damage or liability, or action in respect thereof, with respect to the statements or omissions which resulted in such loss, claim, damage or liability, or action in respect thereof, as well as any other relevant equitable considerations, or (ii) if the allocation provided by clause (i) above is not permitted by applicable law or if the allocation provided in this clause (ii) provides a greater amount to the indemnified party than clause (i) above, in such proportion as shall be appropriate to reflect not only the relative fault but also the relative benefits received by the indemnifying party and the indemnified party from the offering of the securities covered by such registration statement as well as any other relevant equitable considerations. The parties hereto agree that it would not be just and equitable if contributions pursuant to this Section 2.6(d) were to be determined by pro rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to in the preceding sentence of this Section 2.6(d). No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation. The Registering Forstmann Little Partnerships' obligations to contribute as provided in this subsection (d) are several and not joint and shall be in proportion to the relative value of their respective Registrable Securities covered by such registration statement. In addition, no Person shall be obligated to contribute hereunder any amounts in payment for any settlement of any action or claim effected without such Person's consent, which consent shall not be unreasonably withheld. Notwithstanding anything in this subsection (d) to the contrary, no indemnifying party (other than Parent and the Company) shall be required to contribute any amount in excess of the proceeds (net of expenses and underwriting discounts and commissions) received by such party from the sale of the Registrable Securities in the offering to which the losses, claims, damages or liabilities of the indemnified parties relate.

(e) OTHER INDEMNIFICATION. Indemnification and contribution similar to that specified in the preceding subsections of this Section 2.6 (with appropriate modifications) shall be given by Parent, the Company and the Registering Forstmann Little Partnerships with respect to any required registration or other qualification of securities under any federal, state or blue sky law or regulation of any governmental authority other than the Securities Act. The indemnification agreements contained in this Section 2.6 shall be in addition to any other rights to indemnification or contribution which any indemnified party may have pursuant to law or contract and shall remain operative and in full force and effect regardless of any investigation made by or on behalf

of any indemnified party and shall survive the transfer of any of the Registrable Securities by any of the Forstmann Little Partnerships.

(f) INDEMNIFICATION PAYMENTS. The indemnification and contribution required by this Section 2.6 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or expense, loss, damage or liability is incurred.

2.7 UNLEGENDED CERTIFICATES. In connection with the offering of any Registrable Securities registered pursuant to this Section 2, Parent shall (i) facilitate the timely preparation and delivery to the Forstmann Little Partnerships, the Other Investors and the underwriters, if any, participating in such offering, of unlegended certificates representing ownership of such Registrable Securities being sold in such denominations and registered in such names as requested by the Forstmann Little Partnerships, the Other Investors or such underwriters and (ii) instruct any transfer agent and registrar of such Registrable Securities to release any stop transfer orders with respect to any such Registrable Securities.

2.8 LIMITATION ON SALE OF SECURITIES. Parent hereby agrees that if it shall previously have received a request for registration pursuant to Section 2.1 or 2.2 hereof, and if such previous registration shall not have been withdrawn or abandoned, (i) Parent shall not effect any public or private offer, sale or distribution of its securities or effect any registration of any of its equity securities under the Securities Act (other than a registration on Form S-8 or any successor or similar form which is then in effect), whether or not for sale for its own account, until a period of 90 days (or such shorter period as the Registering Forstmann Little Partnerships shall be advised by their managing underwriter) shall have elapsed from the effective date of such previous registration, and Parent shall so provide in any registration rights agreements hereafter entered into with respect to any of its securities; and (ii) Parent shall use its best efforts to cause each holder of its equity securities purchased from Parent at any time after the date of this Agreement to agree not to effect any public sale or distribution of any such securities during such period, including a sale pursuant to Rule 144 under the Securities Act.

2.9 NO REQUIRED SALE. Nothing in this Agreement shall be deemed to create an independent obligation on the part of any of the Forstmann Little Partnerships to sell any Registrable Securities pursuant to any effective registration statement.

3. RULE 144. Parent shall take all actions reasonably necessary to enable holders of Registrable Securities to sell such securities without registration under the Securities Act within the limitation of the exemptions provided by (a) Rule 144, or (b) any similar rule or regulation hereafter adopted by the Commission including, without limiting the generality of the foregoing, filing on a timely basis all reports required to be

filed by the Exchange Act. Upon the request of a Forstmann Little Partnership, Parent will deliver to such holder a written statement as to whether it has complied with such requirements.

4. AMENDMENTS AND WAIVERS. This Agreement may be amended, modified or supplemented only by written agreement of the party against whom enforcement of such amendment, modification or supplement is sought.

5. OTHER INVESTORS. The parties hereto acknowledge and agree that no Other Investor has any right to request registration of the Common Stock held by such Other Investor or to participate in any registration of securities by Parent, other than in accordance with the terms of the stockholder's agreement or option agreement, as the case may be, between such Other Investor and Parent, pursuant to which such Other Investor generally may have the right to participate in any public offering of all or a portion of the shares of Common Stock owned by the Forstmann Little Partnerships.

6. ADJUSTMENTS. In the event of any change in the capitalization of Parent as a result of any stock split, stock dividend, reverse split, combination, recapitalization, merger, consolidation, or otherwise, the provisions of this Agreement shall be appropriately adjusted. Parent agrees that it shall not effect or permit to occur any combination or subdivision of shares which would adversely affect the ability of the Forstmann Little Partnerships or the Other Investors to include any Registrable Securities in any registration contemplated by this Agreement or the marketability of such Registrable Securities in any such registration. Parent agrees that it will take all reasonable steps necessary to effect a combination or subdivision of shares if in the reasonable judgment of the Forstmann Little Partnerships such combination or subdivision would enhance the marketability of the Registrable Securities.

7. NOTICE. All notices and other communications hereunder shall be in writing and, unless otherwise provided herein, shall be deemed to have been given when received by the party to whom such notice is to be given at its address set forth below, or such other address for the party as shall be specified by notice given pursuant hereto:

(a) If to any of the Forstmann Little Partnerships, to it:

c/o Forstmann Little & Co.
767 Fifth Avenue, 44th Floor
New York, New York 10153
Attention: Ms. Sandra J. Horbach

With a copy to:

Fried, Frank, Harris, Shriver

& Jacobson
One New York Plaza
New York, New York 10004
Attention: Aviva Diamant, Esq.

(b) If to Parent or the Company, to it at:

155 Franklin Road, Suite 400
Brentwood, Tennessee 37027
Attention: President

8. ASSIGNMENT; THIRD PARTY BENEFICIARIES. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors and permitted assigns; provided, however, that the Other Investors shall have no rights under this Agreement. This Agreement may not be assigned by Parent. Any Forstmann Little Partnership may, at its election, at any time or from time to time, assign its rights under this Agreement, in whole or in part, to any purchaser of shares of Common Stock held by it.

9. REMEDIES. The parties hereto agree that money damages or other remedy at law would not be sufficient or adequate remedy for any breach or violation of, or a default under, this Agreement by them and that, in addition to all other remedies available to them, each of them shall be entitled to an injunction restraining such breach, violation or default or threatened breach, violation or default and to any other equitable relief, including without limitation specific performance, without bond or other security being required. In any action or proceeding brought to enforce any provision of this Agreement (including the indemnification provisions thereof), the successful party shall be entitled to recover reasonable attorneys' fees in addition to its costs and expenses and any other available remedy.

10. NO INCONSISTENT AGREEMENTS. Parent will not, on or after the date of this Agreement, enter into any agreement with respect to its securities which is inconsistent with the rights granted to the Forstmann Little Partnerships in this Agreement or otherwise conflicts with the provisions hereof, other than any customary lock-up agreement with the underwriters in connection with any Offering effected hereunder, pursuant to which Parent shall agree not to register for sale, and Parent shall agree not to sell or otherwise dispose of, Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock, for a specified period (not to exceed 180 days) following such Offering. Parent has not previously entered into any agreement with respect to its securities granting any registration rights to any Person. The rights granted to the Forstmann Little Partnerships hereunder do not in any way conflict with and are not inconsistent with any other agreements to which Parent is a party or by which it is bound.

Parent further agrees that if any other registration rights agreement entered into after the date of this Agreement with respect to any of its securities contains terms which are more favorable to, or less restrictive on, the other party thereto than the terms and conditions contained in this Agreement are (insofar as they are applicable) with respect to the Forstmann Little Partnerships, then the terms and conditions of this Agreement shall immediately be deemed to have been amended without further action by Parent or the Forstmann Little Partnerships so that the Forstmann Little Partnerships shall be entitled to the benefit of any such more favorable or less restrictive terms or conditions.

11. DESCRIPTIVE HEADINGS. The descriptive headings of the several sections and paragraphs of this Agreement are inserted for reference only and shall not control or otherwise affect the meaning hereof.

12. GOVERNING LAW. This Agreement shall be construed and enforced in accordance with, and the rights and obligations of the parties hereto shall be governed by, the laws of the State of New York, without giving effect to the conflicts of law principles thereof. Each of the parties hereto hereby irrevocably and unconditionally consents to submit to the exclusive jurisdiction of the courts of the State of New York and the United States of America located in the County of New York for any action or proceeding arising out of or relating to this Agreement and the transactions contemplated hereby (and agrees not to commence any action or proceeding relating thereto except in such courts), and further agrees that service of any process, summons, notice or document by U.S. registered mail to its respective address set forth in Section 7 hereof shall be effective service of process for any action or proceeding brought against it in any such court. Each of the parties hereto hereby irrevocably and unconditionally waives any objection to the laying of venue of any action or proceeding arising out of this Agreement or the transactions contemplated hereby in the courts of the State of New York or the United States of America located in the County of New York, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum.

13. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all such counterparts shall together constitute one and the same instrument.

14. INVALIDITY OF PROVISION. The invalidity or unenforceability of any provision of this Agreement in any jurisdiction shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of this Agreement, including that provision, in any other jurisdiction. If any restriction or provision of this Agreement is held unreasonable, unlawful or unenforceable in any respect, such restriction or provision shall be interpreted, revised or

applied in a manner that renders it lawful and enforceable to the fullest extent possible under law.

15. FURTHER ASSURANCES. Each party hereto shall do and perform or cause to be done and performed all further acts and things and shall execute and deliver all other agreements, certificates, instruments, and documents as any other party hereto reasonably may request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

16. ENTIRE AGREEMENT; EFFECTIVENESS. This Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, oral and written, between the parties hereto with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered by their respective officers thereunto duly authorized.

FLCH HOLDINGS CORP.

By: _____
Name:
Title:

FLCH ACQUISITION CORP.

By: _____
Name:
Title:

FORSTMANN LITTLE & CO. EQUITY PARTNERSHIP - V, L.P.

By: FLC XXX Partnership,
its general partner

By: _____
Sandra J. Horbach,
a general partner

FORSTMANN LITTLE & CO. SUBORDINATED
DEBT AND EQUITY MANAGEMENT BUYOUT
PARTNERSHIP - VI, L.P.

By: FLC XXIX Partnership,
its general partner

By: _____
Sandra J. Horbach,
a general partner

Exhibit 10.9

==========

$1,129,000,000
AMENDED AND RESTATED CREDIT AGREEMENT

among

COMMUNITY HEALTH SYSTEMS, INC.,

COMMUNITY HEALTH SYSTEMS HOLDINGS CORP.,

CERTAIN LENDERS,

THE CHASE MANHATTAN BANK,
as Administrative Agent, and

NATIONSBANK, N.A.

and

THE BANK OF NOVA SCOTIA,

as Co-Agents

Dated as of March 26, 1999

==========

TABLE OF CONTENTS

SCHEDULES:

EXHIBITS:

AMENDED AND RESTATED CREDIT AGREEMENT, dated as of March 26, 1999, among COMMUNITY HEALTH SYSTEMS, INC., a Delaware corporation (the "Company" or "CHS"), COMMUNITY HEALTH SYSTEMS HOLDINGS CORP., a Delaware corporation ("HoldCo"), the several lenders from time to time parties hereto (the "Lenders"), THE CHASE MANHATTAN BANK, as administrative agent for the Lenders (in such capacity, the "Administrative Agent"), and the Co-Agents (as hereinafter defined).

W I T N E S S E T H :

WHEREAS, the Company has requested, and the Additional Tranche D Term Loan Lenders (as defined below, including, without limitation, each Additional Tranche D Term Loan Lender which shall first become a party to this Agreement upon its execution hereof) have agreed to provide, an additional Tranche D Term Loan (an "Additional Tranche D Term Loan") so that the Company may make additional acquisitions consistent with its acquisition program and finance other general corporate purposes of the Company and its Subsidiaries; and

WHEREAS, to provide for (a) the Additional Tranche D Term Loans and (b) certain other amendments to the Existing Credit Agreement (as defined below) provided herein, the Company has requested, and the Required Lenders have agreed, that the Credit Agreement, dated as of July 22, 1996 (the "Existing Credit Agreement"), among the Company, HoldCo, the Lenders, the Administrative Agent and the Co-Agents be amended and restated as follows:

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the Company, the Lenders, the Administrative Agent and the Co-Agents hereby agree that the Existing Credit Agreement shall be and hereby is amended and restated in its entirety to read as follows:

SECTION 1. DEFINITIONS.

1.1 Defined Terms. As used in this Agreement, the terms defined in the preamble or recitals hereto shall have the meanings set forth therein, and the following terms shall have the following meanings:

"ABR": for any day, a rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Base CD Rate in effect on such day plus 1% and (c) the Federal Funds Effective Rate in effect on such day plus 2 of 1%. For purposes hereof: "Prime Rate" shall mean the rate of interest per annum publicly announced from time to time by Chase as its prime rate in effect at its principal office in New York City (the Prime Rate not being intended to be the lowest rate of interest charged by Chase in connection with extensions of credit to debtors); "Base CD Rate" shall mean the sum of (a) the product of (i) the Three-Month Secondary CD Rate and (ii) a fraction, the numerator of which is one and the denominator of which is one minus the C/D Reserve Percentage and (b) the C/D Assessment Rate; "Three-Month Secondary CD Rate" shall mean, for any day, the secondary market rate for three-month certificates of deposit reported as being in effect on such day (or, if such day shall not be a Business Day, the next preceding Business Day) by the Board through the public information telephone line of the Federal Reserve Bank of New York (which rate will, under the current practices of the Board, be published in Federal Reserve Statistical Release H.15(519) during the week following such day), or, if such rate shall not be so reported on such day or such next preceding Business Day, the average of the secondary market quotations for three-month certificates of deposit of major

money center banks in New York City received at approximately 10:00 A.M., New York City time, on such day (or, if such day shall not be a Business Day, on the next preceding Business Day) by the Administrative Agent from three New York City negotiable certificate of deposit dealers of recognized standing selected by it; and "Federal Funds Effective Rate" shall mean, for any day, the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for the day of such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by it. If for any reason the Administrative Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Base CD Rate or the Federal Funds Effective Rate, or both, for any reason, including the inability or failure of the Administrative Agent to obtain sufficient quotations in accordance with the terms hereof, the ABR shall be determined without regard to clause (b) or (c), or both, of the first sentence of this definition, as appropriate, until the circumstances giving rise to such inability no longer exist. Any change in the ABR due to a change in the Prime Rate, the Base CD Rate or the Federal Funds Effective Rate shall be effective as of the opening of business on the effective day of such change in the Prime Rate, the Base CD Rate or the Federal Funds Effective Rate, respectively.

"ABR Loans": Loans whose interest rate is based on the ABR.

"Acquisition Co." FLCH Acquisition Corp., a Delaware corporation.

"Acquisition Loan" and "Acquisition Loans": as defined in subsection 7.1.

"Acquisition Loan Commitment": as to any Lender, its Extended Acquisition Loan Commitment or Non-Extended Acquisition Loan Commitment, as the case may be.

"Acquisition Loan Commitment Percentage": as to any Lender at any time, the percentage which such Lender's Extended Acquisition Loan Commitment or Non-Extended Acquisition Loan Commitment, as the case may be, constitutes of all of such Extended Acquisition Loan Commitments or Non-Extended Acquisition Loan Commitments (or, if such Extended Acquisition Loan Commitments or Non-Extended Acquisition Commitment shall have been terminated, the percentage of the outstanding Acquisition Loans constituted by such Lender's Acquisition Loans).

"Acquisition Loan Commitment Period": the period from and including the Original Closing Date to but not including the Acquisition Loan Termination Date.

"Acquisition Loan Note": as defined in subsection 8.2(e).

"Acquisition Loan Termination Date": the earlier of (i) December 31, 2002 and (ii) any other date on which the Acquisition Loan Commitments shall terminate hereunder.

"Additional Tranche D Term Loan" and "Additional Tranche D Term Loans": as defined in the recitals hereto.

"Additional Tranche D Term Loan Commitment": as to any Lender, its obligation to make an Additional Tranche D Term Loan to the Company on the Closing Date pursuant to subsection 5.1(b), in an aggregate amount not to exceed the amount set forth opposite such Lender's name in Schedule I under the heading "Additional Tranche D Term Loan Commitment" and in an aggregate amount not to exceed the amount equal to such Lender's Additional Tranche D Term Loan Commitment Percentage of the aggregate Additional Tranche D Term Loan Commitments; collectively, as to all the Lenders, the "Additional Tranche D Term Loan Commitments".

"Additional Tranche D Term Loan Commitment Percentage": as to any Lender, the percentage which such Lender's Additional Tranche D Term Loan (or, prior to the Closing Date, Additional Tranche D Term Loan Commitment) constitutes of the aggregate then outstanding principal amount of Additional Tranche D Term Loans (or Additional Tranche D Term Loan Commitments).

"Additional Tranche D Term Loan Lender": any Lender having an Additional Tranche D Term Loan Commitment.

"Administrative Agent": as defined in the preamble hereto.

"Affiliate": of any Person (a) any Person (other than a Subsidiary) which, directly or indirectly, is in control of, is controlled by, or is under common control with such Person, or (b) any Person who is a director or officer (i) of such Person, (ii) of any Subsidiary of such Person or (iii) of any Person described in clause (a) above. For purposes of this definition, "control" of a Person shall mean the power, direct or indirect, either to (i) vote 10% or more of the securities having ordinary voting power for the election of directors of such Person, or (ii) direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"Agreement": this Credit Agreement, as amended, supplemented or otherwise modified from time to time.

"Aggregate Revolving Credit Extensions of Credit": at any particular time, the sum of (a) the aggregate then outstanding principal amount of the Revolving Credit Loans, (b) the aggregate amount then available to be drawn under all outstanding Letters of Credit and (c) the aggregate amount of Revolving L/C Obligations.

"Annualized Consolidated EBITDA": for any period, the sum of:

(a) Consolidated EBITDA for the period (the "Measurement

Period") of four full fiscal quarters ended on the last day of such period (other than Consolidated EBITDA attributable to businesses acquired during the Measurement Period);

plus

(b) the product for each separate business acquired during the Measurement Period of (x) the sum for each full fiscal quarter during the Measurement Period after such business was acquired of Consolidated EBITDA attributable to such business for such full fiscal quarter divided by the Seasonal Adjustment Factor for such fiscal quarter during the Measurement Period after such business was acquired times (y) a fraction of which the numerator is 4 and the denominator is the number of full fiscal quarters in the Measurement Period after such business was acquired.

"APB 16": Accounting Principles Board Opinion No. 16.

"Applicable Level": as of any day, Level 1, Level 2, Level 3, Level 4 or Level 5 below, whichever is applicable on such day, with each new Level to take effect on the day following the delivery to the Administrative Agent by the Company of the financial statements referred to in subsections 12.1(a) and (b) and the related certificate of the chief financial officer of the Company referred to in subsection 12.2(b), indicating the ratio of Total Senior Indebtedness as of the end of the period covered by such financial statements to Annualized Consolidated EBITDA for the period covered by such financial statements:

	Ratio of Total Senior Indebtedness to Annualized Consolidated EBITDA
Level 1	Greater than or equal to 3.25 to 1.0
Level 2	Greater than or equal to 3.00 to 1.0 but less than 3.25 to 1.0
Level 3	Greater than or equal to 2.50 to 1.0 but less than 3.00 to 1.0
Level 4	Greater than or equal to 2.00 to 1.0 but less than 2.50 to 1.0
Level 5	Less than 2.00 to 1.0

provided, however, that, in the event that the financial statements required to be delivered pursuant to subsection 12.1(a) or 12.1(b) and the related certificate of the chief financial officer of the Company

referred to in subsection 12.2(b) are not delivered when due, then during the period from the date upon which such financial statements and certificate were required to be delivered until the date upon which they actually are delivered, the Applicable Level shall be Level 1.

"Applicable Margin": (a) for each Revolving Credit Loan, Tranche A Term Loan, Acquisition Loan and Swing Line Loan (with respect to ABR only) for each day, the rate per annum for the relevant Type of such Loan set forth below opposite the Applicable Level in effect on such day:

	ABR Loan	Eurodollar Loan
Level 1	1.50%	2.50%
Level 2	1.25%	2.25%
Level 3	1.00%	2.00%
Level 4	.75%	1.75%
Level 5	.50%	1.50%

(b) for each Tranche B Term Loan for each day, the rate per annum for the relevant Type of such Tranche B Term Loan set forth below:

ABR Loan	Eurodollar Loan
2.00%	3.00%

(c) for each Tranche C Term Loan for each day, the rate per annum for the relevant Type of such Tranche C Term Loan set forth below:

ABR Loan	Eurodollar Loan
2.50%	3.50%

(d) for each Tranche D Term Loan for each day, the rate per annum for the relevant Type of such Tranche D Term Loan set forth below:

ABR Loan	Eurodollar Loan
2.75%	3.75%

"Arranger": Chase Securities Inc.

"Asset Exchange": as defined in subsection 13.6.

"Asset Sale": any sale, sale-leaseback, assignment, conveyance, transfer or other disposition by the Company or any Subsidiary thereof of any of its property or assets, including the stock of any Subsidiary of the Company (except sales, sale-leasebacks, assignments, conveyances, transfers and other dispositions permitted by clauses

(a), (b), (c), (d), and (h) of subsection 13.6 and by subsection 13.13 only to the extent of the first $30,000,000 thereunder).

"Assignee": as defined in subsection 16.6(c).

"Assignment and Acceptance": an Assignment and Acceptance substantially in the form of Exhibit G hereto.

"Available Acquisition Loan Commitment": as to any Lender, at a particular time, an amount equal to the excess, if any, of (a) the amount of such Lender's Acquisition Loan Commitment at such time less (b) the aggregate unpaid principal amount at such time of all Acquisition Loans made by such Lender pursuant to subsection 7.1; collectively, as to all the Lenders, the "Available Acquisition Loan Commitments".

"Available Revolving Credit Commitment": as to any Lender, at a particular time, an amount equal to the excess, if any, of (a) the amount of such Lender's Revolving Credit Commitment at such time less (b) the sum of (i) the aggregate unpaid principal amount at such time of all Revolving Credit Loans made by such Lender pursuant to subsection 6.1, (ii) such Lender's L/C Participating Interest in the aggregate amount available to be drawn at such time under all outstanding Letters of Credit, (iii) such Lender's Revolving Credit Commitment Percentage of the aggregate outstanding amount of Revolving L/C Obligations and (iv) such Lender's Revolving Credit Commitment Percentage of the aggregate unpaid principal amount at such time of all Swing Line Loans, provided that for purposes of calculating Available Revolving Credit Commitments pursuant to subsection 8.9 the amount referred to in this clause (iv) shall be zero; collectively, as to all the Lenders, the "Available Revolving Credit Commitments".

"Benefitted Lender": as defined in subsection 16.7 hereof.

"Board": the Board of Governors of the Federal Reserve System of the United States (or any successor).

"Bond Documents": the Series A and Series B Bond Documents and the Fulton Bond Documents.

"Bond Pledge Agreements": (a) the Bond Pledge Agreement dated October 29, 1991, from the Company to First Union, as amended by a First Amendment to Bond Pledge Agreement dated as of August 24, 1994, as amended by a Second Amendment to Bond Pledge Agreement dated May 12, 1995, as amended by a Third Amendment to Bond Pledge Agreement dated July 9, 1996, and as further amended by a Fourth Amendment to Bond Pledge Agreement dated of even date herewith, with respect to the Series A Bonds, (b) the Bond Pledge Agreement dated October 29, 1991 from the Company to First Union, as amended by a First Amendment to Bond Pledge Agreement dated as of August 24, 1994, as amended by a Second Amendment to Bond Pledge Agreement dated May 12, 1995, as amended by a Third Amendment to Bond Pledge Agreement dated July 9, 1996, and as further amended by a Fourth Amendment to Bond Pledge Agreement dated of even date herewith, with respect to the Series B

Bonds and (c) the Bond Pledge Agreement dated August 14, 1992, among Hospital of Fulton, Inc., a Kentucky corporation, the Company and First Union, as amended by a First Amendment to Bond Pledge Agreement dated as of August 24, 1994, as amended by a Second Amendment to Bond Pledge Agreement dated May 12, 1995, as amended by a Third Amendment to Bond Pledge Agreement dated July 9, 1996, and as further amended by a Fourth Amendment to Bond Pledge Agreement dated of even date herewith, with respect to the Fulton Bonds.

"Bonds": the Series A Bonds, the Series B Bonds, the Fulton Bonds or all of them as the context indicates.

"Borrowing Date": any Business Day, or, in the case of Eurodollar Loans, any Working Day, specified in a notice pursuant to (a) subsection 6.7 or 8.1 as a date on which the Company requests Chase to make Swing Line Loans or the Lenders to make Revolving Credit Loans or Acquisition Loans hereunder or (b) subsection 6.5 as a date on which the Company requests the Issuing Lender to issue a Letter of Credit hereunder.

"Business Day": a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close.

"Capital Expenditures": for any period, all amounts (other than those arising from the acquisition or lease of businesses and assets which are permitted by subsection 13.7) which are set forth on the Company and its Subsidiaries' consolidated statement of cash flows for such period as the "purchase of property and equipment," in accordance with GAAP, consistent with the Company's financial statements for the year ended December 31, 1998; provided, however, that "Capital Expenditures", as it is used in subsections 13.1(b), 13.1(c) and 13.8, shall not include any such amounts representing Y2K Costs (as defined in subsection 10.16) of up to $20,000,000 in the aggregate for the Company and its Subsidiaries in the 1998, 1999 and 2000 fiscal years of the Company. For purposes of paragraphs (b) and (c) of subsection 13.1, Capital Expenditures attributable to any businesses and assets acquired as permitted by subsection 13.7 shall be disregarded through the end of the fiscal quarter in which such acquisition occurred, and thereafter shall, for any four quarter period ending prior to the end of the first quarter on which the Company shall have owned such business or assets for four full fiscal quarters, equal the Company's good faith estimate of the Capital Expenditures attributable to the business or assets so acquired for each of such first four full fiscal quarters after the Company's acquisition of such business or assets, which estimate shall be delivered at the time of such acquisition.

"Cash Equivalents": (i) securities issued or directly and fully guaranteed or insured by the United States Government or any agency or instrumentality thereof having maturities of not more than six months from the date of acquisition, (ii) certificates of deposit and eurodollar time deposits with maturities of six months or less from the date of acquisition, bankers' acceptances with maturities not exceeding six months and overnight bank deposits, in each case, with

any Lender or with any domestic commercial bank having capital and surplus in excess of $300,000,000, (iii) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (i) and (ii) entered into with any financial institution meeting the qualifications specified in clause (ii) above, and (iv) commercial paper issued by any Lender, the parent corporation of any Lender or any Subsidiary of such Lender's parent corporation, and commercial paper rated A-1 or the equivalent thereof by Standard & Poor's Rating Group or P-1 or the equivalent thereof by Moody's Investors Service, Inc. and in each case maturing within six months after the date of acquisition thereof.

"C/D Assessment Rate": for any day as applied to any ABR Loan, the net annual assessment rate (rounded upward to the nearest 1/100th of 1%) determined by the Administrative Agent to be payable on such day to the Federal Deposit Insurance Corporation or any successor ("FDIC") for FDIC's insuring time deposits made in Dollars at the offices of Chase in the United States.

"C/D Reserve Percentage": for any day as applied to any ABR Loan, that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board, for determining the maximum reserve requirement for a Depositary Institution (as defined in Regulation D of the Board) in respect of new non-personal time deposits in Dollars having a maturity of 30 days or more.

"Change in Law": with respect to any Lender, the adoption of any law, rule, regulation, policy, guideline or directive (whether or not having the force of law) or any change therein or in the interpretation or application thereof by any Governmental Authority, including, without limitation, the issuance of any final rule, regulation or guideline by any regulatory agency having jurisdiction over such Lender or, in the case of subsection 8.12(b) or 8.20(b), any corporation controlling such Lender.

"Chase": The Chase Manhattan Bank

"CHS": as defined in the preamble hereto.

"CHS Facility": the $425,000,000 Credit Agreement, dated as of July 9, 1996, among CHS, the Lenders parties thereto and Chase, as administrative agent thereunder, as amended, supplemented or otherwise modified to the Original Closing Date.

"CHS Stock": the common stock, par value $.01 per share, of the Company.

"Closing Date": the date on which each of the conditions precedent to the effectiveness of this Agreement contained in subsection 11.1 has been either satisfied or waived.

"Co-Agents": collectively, Nationsbank, N.A. and The Bank of Nova Scotia, in their capacities as co-agents with respect to the Commitments (each, a "Co-Agent").

"Code": the Internal Revenue Code of 1986, as amended from time to time.

"Commercial L/C": a commercial documentary Letter of Credit under which the relevant Issuing Lender agrees to make payments in Dollars for the account of the Company, on behalf of the Company or any Subsidiary thereof, in respect of obligations of the Company or any Subsidiary thereof in connection with the purchase of goods or services in the ordinary course of business.

"Commitment Percentage": with respect to any Lender, any of the Tranche A Term Loan Commitment Percentage, the Tranche B Term Loan Commitment Percentage, the Tranche C Term Loan Commitment Percentage, the Tranche D Term Loan Commitment Percentage, the Additional Tranche D Term Loan Commitment Percentage, the Revolving Credit Commitment Percentage and the Acquisition Loan Commitment Percentage of such Lender, as the context may require.

"Commitments": the collective reference to the Tranche A Term Loan Commitments, the Tranche B Term Loan Commitments, the Tranche C Term Loan Commitments, the Tranche D Term Loan Commitments, the Additional Tranche D Term Loan Commitments, the Revolving Credit Commitments, the Swing Line Commitment and the Acquisition Loan Commitments; individually, a "Commitment".

"Commonly Controlled Entity": an entity, whether or not incorporated, which is under common control with the Company within the meaning of Section 4001 of ERISA or is part of a group which includes the Company and which is treated as a single employer under Section 414 of the Code.

"Company": as defined in the preamble hereto.

"Company Pledge Agreement": the Pledge Agreement, dated as of July 22, 1996, made by the Company in favor of the Administrative Agent, for the ratable benefit of the Lenders, substantially in the form of Exhibit B-1, as the same may be amended, supplemented or otherwise modified in accordance with its terms from time to time (it being understood and agreed that, notwithstanding anything that may be to the contrary herein, the Company Pledge Agreement shall not require the Company to pledge (x) any of the outstanding capital stock of, or other equity interests in, (i) any Non-Significant Subsidiary of the Company or (ii) any Foreign Subsidiary of the Company which is owned by a Foreign Subsidiary of the Company or, (y) more than 65% of the outstanding capital stock of, or other equity interests in, (i) any other Foreign Subsidiary of the Company, or (ii) any other Subsidiary of the Company if more than 65% of the assets of such Subsidiary are securities of foreign Persons (such determination to be made on the basis of fair market value).

"Consolidated Cash Interest Expense": for any four-quarter period, the amount of Consolidated Interest Expense (other than Consolidated Interest Expense arising from the Subordinated Loan) for

such four-quarter period (or such other period) plus the amount, if greater than zero, equal to (i) the actual cash interest payments made on the Subordinated Loan during such four-quarter period (or such other period) minus (ii) the portion, if any, of the cash interest payment due on the Subordinated Loan on the interest payment date next following the end of such four-quarter period (or such other period) which the Company advises the Administrative Agent that it will not pay (the portion which the Company so advises it will not pay, the "Restricted Interest") in cash during the quarterly period in which such interest payment is otherwise due or at any time thereafter except as contemplated by the proviso to this definition solely to cause the Company to be in compliance with the Fixed Charge Coverage Ratio during such four-quarter period (or such other period); provided that (i) if the Company has so advised the Administrative Agent that it will not pay Restricted Interest and, so long as such Restricted Interest is not then overdue, as of the end of the fiscal quarter immediately prior to the date such Restricted Interest was scheduled to be paid, the Company was either in compliance with the Fixed Charge Coverage Ratio for the four-quarter period (or such other period) ending as of such date or the amount by which the Company was not in compliance with the Fixed Charge Coverage Ratio for such period was less than the amount of such Restricted Interest, the Company may, on the date such Restricted Interest was so scheduled to be paid, pay all such Restricted Interest or the portion thereof in excess of the amount by which the Company was not in compliance with the Fixed Charge Coverage Ratio for such period, as the case may be, and (ii) the Company may pay all or any portion of the aggregate amount of Restricted Interest which is overdue and unpaid as of the end of any quarterly period if the Company would be in compliance with the Fixed Charge Coverage Ratio for the four-quarter period (or such other period) ending on such date after giving effect to the inclusion in Consolidated Cash Interest Expense of all cash interest payments on the Subordinated Loan made during such period plus the amount of Restricted Interest proposed to be paid as of such date (and, to the extent such Restricted Interest is so paid, it shall be deemed for all purposes of this definition to have been paid during the last quarter of such four-quarter period (or such other period)).

"Consolidated EBITDA": for any period, the consolidated net income ((i) including earnings and losses from discontinued operations, (ii) excluding extraordinary gains, and gains and losses arising from the proposed or actual disposition of material assets, and (iii) excluding the non-cash portion of other non-recurring losses) of the Company and its Subsidiaries for such period, plus to the extent reflected as a charge in the statement of consolidated net income for such period, the sum of (a) interest expense (net of interest income), including amortization and write offs of debt discount and debt issuance costs and commissions, discounts and other fees and charges associated with Letters of Credit, (b) taxes measured by income, (c) depreciation and amortization expenses including acceleration thereof and including the amortization of the increase in inventory resulting from the application of APB 16 for transactions contemplated by this Agreement including Permitted Acquisitions, (d) non-cash compensation expenses arising from the sale of stock, the

granting of stock options, the granting of stock appreciation rights and similar arrangements and (e) the excess of the expense in respect of post-retirement benefits and post-employment benefits accrued under Statement of Financial Accounting Standards No. 106 ("FASB 106") and Statement of Financial Accounting Standards No. 112 ("FASB 112") over the cash expense in respect of such post-retirement benefits and post-employment benefits, plus for purposes of calculating the covenants in Section 13 only, the amount of any non-recurring or extraordinary charges taken by the Company in fiscal year 1998 or to be taken by the Company in fiscal years 1999 or 2000, provided, that the amount of such charges shall not exceed, in the aggregate, $35,000,000.

"Consolidated Interest Expense": for any period, the amount of interest expense, both expensed and capitalized (excluding amortization and write offs of debt discount and debt issuance costs), net of interest income, of the Company and its Subsidiaries, determined on a consolidated basis in accordance with GAAP, for such period and excluding for purposes of Section 13.1(b) and (c) any interest expense attributable to Indebtedness incurred or assumed in connection with any acquisition of any business until the day following the end of the fiscal quarter during which the acquisition occurred.

"Consolidated Total Indebtedness": as of any date of determination, all Indebtedness of the Company and its Subsidiaries, determined on a consolidated basis in accordance with GAAP.

"Contingent Obligation": as to any Person, any obligation of such Person guaranteeing or in effect guaranteeing any Indebtedness, leases, dividends or other obligations ("primary obligations") of any other Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent (a) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (b) to advance or supply funds (i) for the purchase or payment of any such primary obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (d) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, however, that the term Contingent Obligation shall not (i) include endorsements of instruments for deposit or collection in the ordinary course of business or (ii) Practice Guarantees. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determinable amount (based on the maximum reasonably anticipated net liability in respect thereof as determined by the Company in good faith) of the primary obligation or portion thereof in respect of which such Contingent Obligation is made or, if not stated or determinable, the maximum reasonably anticipated net liability in respect thereof (assuming such Person is required to perform

thereunder) as determined by the Company in good faith.

"Contractual Obligation": as to any Person, any provision of any security issued by such Person or of any agreement, instrument or undertaking to which such Person is a party or by which it or any of the property owned by it is bound.

"Credit Documents": the collective reference to this Agreement, the Notes, the Pledge Agreements, the Guarantees and any guarantee executed and delivered pursuant to the terms of subsection 12.8.

"Credit Parties": the collective reference to HoldCo, the Company and each Subsidiary which is a party, or which at any time becomes a party, to a Credit Document.

"Debentures": the Company's 10-1/4% Senior Subordinated Debentures due 2003 in the original principal amount of $100,000,000.

"Debenture Refinancing Loans": Loans made under the CHS Facility for the purpose of paying the purchase price of, interest on or consent payments in respect of, the Debentures pursuant to the tender offer described in subsection 11.1(f) or for paying fees, consent payments and expenses in connection with or pursuant to such tender offer in an aggregate amount for such purchase price, interest, fees, payments and expenses not to exceed $115,000,000.

"Default": any of the events specified in Section 14, whether or not any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

"Dollars" and "$": dollars in lawful currency of the United States of America.

"Domestic Subsidiary": any Subsidiary of the Company other than a Foreign Subsidiary.

"Environmental Laws": any and all applicable Federal, state, local or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees or requirements of any Governmental Authority regulating, relating to or imposing liability or standards of conduct concerning human health or the protection of the environment, including without limitation, Materials of Environmental Concern, as now or may at any time hereafter be in effect.

"ERISA": the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Eurocurrency Reserve Requirements": for any day, as applied to a Eurodollar Loan, the aggregate (without duplication) of the rates (expressed as a decimal) of reserve requirements current on such day (including, without limitation, basic, supplemental, marginal and emergency reserves under any regulations of the Board or other Governmental Authority having jurisdiction with respect thereto), as now and from time to time hereafter in effect, dealing with reserve

requirements prescribed for Eurocurrency funding (currently referred to as "Eurocurrency liabilities" in Regulation D of such Board) maintained by a member bank of such System.

"Eurodollar Base Rate": with respect to each day during any Interest Period for any Eurodollar Loan, the rate per annum equal to the rate at which Chase is offered Dollar deposits at or about 10:00 a.m., New York City time, two Working Days prior to the beginning of such Interest Period in the interbank eurodollar market where the foreign currency and exchange operations in respect of its Eurodollar Loans then are being conducted for delivery on the first day of such Interest Period for the number of days comprised therein and in an amount comparable to the amount of its Eurodollar Loan to be outstanding during such Interest Period.

"Eurodollar Lending Office": the office of each Lender which shall be making or maintaining its Eurodollar Loans.

"Eurodollar Loans": Loans at such time as they are made and/or being maintained at a rate of interest based upon a Eurodollar Rate.

"Eurodollar Rate": with respect to each day during each Interest Period pertaining to a Eurodollar Loan, a rate per annum determined for such day in accordance with the following formula (rounded upward to the nearest 1/100th of 1%):

$$\frac{\text{Eurodollar Base Rate}}{1.00 - \text{Eurocurrency Reserve Requirement}}$$

"Event of Default": any of the events specified in Section 14, provided that any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

"Existing Credit Agreement": as defined in the recitals hereto.

"Existing Credit Agreements": (a) the Amended and Restated Credit Agreements dated as of May 12, 1995, relating to the provision by the lenders parties thereto to CHS of two revolving credit facilities in the aggregate principal amount of $50,000,000 and $150,000,000, respectively, (b) the CHS Facility and (c) the Existing Credit Agreement.

"Existing Letters of Credit": the Series A Bonds Letter of Credit, the Series B Bonds Letter of Credit and the Fulton Letter of Credit, issued pursuant to the First Union Credit Agreement or the Previous Credit Agreement and currently outstanding under the Existing Credit Agreements, together with any and all amendments, modifications, supplements, extensions, renewals, substitutions and/or replacements thereof issued pursuant to the Existing Credit Agreements, and any other letters of credit listed on Schedule 1.1(A) hereto.

"Extended Acquisition Loan Commitment": as to any Lender, its

commitment to make Acquisition Loans to the Company pursuant to subsection 7.1, in an aggregate amount not to exceed at any time the amount set forth opposite such Lender's name in Schedule I under the heading "Extended Acquisition Loan Commitment" and in an aggregate amount not to exceed at any time the amount equal to such Lender's Acquisition Loan Commitment Percentage of the aggregate Extended Acquisition Loan Commitments, as the aggregate Extended Acquisition Loan Commitments may be reduced or adjusted from time to time pursuant to this Agreement; collectively, as to all the Lenders, the "Extended Acquisition Loan Commitments".

"Extensions of Credit": the collective reference to Loans made and Letters of Credit issued under this Agreement.

"First Union": First Union National Bank of North Carolina, as the issuing bank and co-agent for the lenders under the Existing Credit Agreements, other than the Existing Credit Agreement.

"First Union Credit Agreement": the Amended and Restated Credit Agreement dated as of August 14, 1992, as amended by Amendment to Credit Agreement dated as of August 16, 1992, Second Amendment to Credit Agreement dated November 2, 1992, Third Amendment to Credit Agreement dated January 13, 1993, Fourth Amendment to Credit Agreement dated May 28, 1993, Fifth Amendment to Credit Agreement dated August 11, 1993, Sixth Amendment to Credit Agreement dated October 20, 1993, Seventh Amendment to Credit Agreement dated January 20, 1994 and Eighth Amendment to Credit Agreement dated May 1, 1994, each among the Company, certain Subsidiaries of the Company and the lenders parties thereto.

"FL Affiliate": any of FL & Co., MBO-VI, FLCXXIX, FLCXXXIII, the partners of FL & Co., MBO-VI, FLCXXIX, FLCXXXIII on the Closing Date, any subordinated debt and equity partnership controlled by FL & Co. or MBO-VI, FLCXXIX or FLCXXXIII, any equity partnership controlled by FL & Co. or MBO-VI, FLCXXIX or FLCXXXIII, any Affiliate of FL & Co., MBO-VI, FLCXXIX or FLCXXXIII, any directors, executive officers or other employees or other members of the management of HoldCo, the Company, CHS or any Subsidiary of any thereof (or any "associate" (as defined in Rule 405 under the Securities Act of 1933, as amended) of any thereof or employee benefit plan beneficially owned by any thereof), the Company, CHS or any Subsidiary of any thereof on the Closing Date, or any combination of the foregoing.

"FL & Co.": FLCXXXI Partnership, L.P., a New York limited partnership, doing business as "Forstmann Little & Co.", the general partners of which are FLCXXIX Partnership, L.P., a New York limited partnership (AFLCXXIX@), and FLCXXXIII Partnership, a New York general partnership (AFLCXXIII@), and the limited partner of which is FLCXXIX.

"Foreign Subsidiary": any Subsidiary of the Company (a) which is organized under the laws of any jurisdiction outside the United States (within the meaning of Section 7701(a)(9) of the Code), or (b) whose principal assets consist of capital stock or other equity interests of one or more Persons which conduct the major portion of their business

outside the United States (within the meaning of Section 7701(a)(9) of the Code).

"Fulton Bond Documents": the Loan Agreement, as amended (as defined in the Fulton Indenture), the Remarketing Agreement (as defined in the Fulton Indenture), the Fulton Indenture, the Fulton Bonds and the corresponding Bond Pledge Agreement.

"Fulton Bonds": the $8,000,000 aggregate principal amount City of Fulton, Kentucky Floating Rate Weekly Demand Revenue Bonds, Series 1985 (United Healthcare of Kentucky, Inc. Project).

"Fulton Indenture": the Trust Indenture dated as of May 22, 1985, as amended by the First Supplemental Trust Indenture, dated as of August 14, 1992, between the City of Fulton and the Fulton Trustee.

"Fulton Letter of Credit": that certain irrevocable letter of credit, dated August 14, 1992, issued by First Union for the account of Hospital of Fulton, Inc. to the Fulton Trustee, in an aggregate principal amount of $8,138,083.

"Fulton Trustee": the Third National Bank in Nashville, a national banking association with principal offices in Nashville, Tennessee, and any successor trustee pursuant to the terms of the Fulton Indenture.

"GAAP": generally accepted accounting principles in the United States of America in effect from time to time.

"Governmental Authority": any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Guarantees": the collective reference to the HoldCo Guarantee and the Subsidiary Guarantees.

"Health Care Associates": as defined in subsection 13.7(g).

"HoldCo": as defined in the preamble hereto.

"HoldCo Dividend Limit": as defined in subsection 13.9(c).

"HoldCo Guarantee": the Guarantee, substantially in the form of Exhibit B-2 hereto, made by HoldCo in favor of the Administrative Agent, for the ratable benefit of the Lenders, as the same may be amended, supplemented or otherwise modified from time to time.

"HoldCo Pledge Agreement": the Pledge Agreement, dated as of July 22, 1996, made by HoldCo in favor of the Administrative Agent, for the ratable benefit of the Lenders, substantially in the form of Exhibit B-3, as the same may be amended, supplemented or otherwise modified from time to time.

"Hospital": each hospital listed in Schedule 1.1(B) hereto and each hospital now or hereafter owned or operated by the Company or any of its Subsidiaries.

"Indebtedness": of any Person, at any particular date, (a) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services (other than current trade payables or liabilities and deferred payment for services to employees or former employees incurred in the ordinary course of business and payable in accordance with customary practices and other deferred compensation arrangements), (b) the face amount of all letters of credit issued for the account of such Person and, without duplication, all drafts drawn thereunder, (c) all liabilities (other than Lease Obligations) secured by any Lien on any property owned by such Person, to the extent attributable to such Person's interest in such property, even though such Person has not assumed or become liable for the payment thereof, (d) lease obligations of such Person which, in accordance with GAAP, should be capitalized and (e) all indebtedness of such Person arising under acceptance facilities; but excluding (y) customer deposits and interest payable thereon in the ordinary course of business and (z) trade and other accounts and accrued expenses payable in the ordinary course of business in accordance with customary trade terms and in the case of both clauses (y) and (z) above, which are not overdue for a period of more than 90 days or, if overdue for more than 90 days, as to which a dispute exists and adequate reserves in conformity with GAAP have been established on the books of such Person.

"Insolvency": with respect to a Multiemployer Plan, the condition that such Plan is insolvent within the meaning of such term as used in Section 4245 of ERISA.

"Interest Payment Date": (a) as to ABR Loans, the last day of each March, June, September and December, commencing on the first such day to occur after any ABR Loans are made or any Eurodollar Loans are converted to ABR Loans, (b) as to any Eurodollar Loan in respect of which the Company has selected an Interest Period of one, two or three months, the last day of such Interest Period, (c) as to any Eurodollar Loan in respect of which the Company has selected an Interest Period of six months, the day which is three months after the date on which such Eurodollar Loan is made or an ABR Loan is converted to such a Eurodollar Loan, and the last day of such Interest Period, (d) as to any Term Loan, each day on which principal of such Term Loan is payable and (e) in the case of the Revolving Credit Loans and Acquisition Loans, the Revolving Credit Termination Date or Acquisition Loan Termination Date, as the case may be.

"Interest Period": with respect to any Eurodollar Loan:

(a) initially, the period commencing on, as the case may be, the Borrowing Date or conversion date with respect to such Eurodollar Loan and ending one, two, three or six months thereafter as selected by the Company in its notice of borrowing as provided in subsection 8.1 or its notice of conversion as

provided in subsection 8.3; and

(b) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such Eurodollar Loan and ending one, two, three or six months thereafter as selected by the Company by irrevocable notice to the Administrative Agent not less than three Working Days prior to the last day of the then current Interest Period with respect to such Eurodollar Loan;

provided that the foregoing provisions relating to Interest Periods are subject to the following:

(A) if any Interest Period would otherwise end on a day which is not a Working Day, that Interest Period shall be extended to the next succeeding Working Day, unless the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the immediately preceding Working Day;

(B) any Interest Period with respect to any Revolving Credit Loan or Acquisition Loan that would otherwise extend beyond the Revolving Credit Termination Date or Acquisition Loan Termination Date, as the case may be, shall end on the Revolving Credit Termination Date or Acquisition Loan Termination Date, as the case may be, or if the Revolving Credit Termination Date or Acquisition Loan Termination Date, as the case may be, shall not be a Working Day, on the next preceding Working Day;

(C) if the Company shall fail to give notice as provided above in clause (b), it shall be deemed to have selected a conversion of a Eurodollar Loan into an ABR Loan (which conversion shall occur automatically and without need for compliance with the conditions for conversion set forth in subsection 8.3);

(D) any Interest Period that begins on the last day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Working Day of a calendar month; and

(E) the Company shall select Interest Periods so as not to require a prepayment (to the extent practicable) or a scheduled payment of a Eurodollar Loan during an Interest Period for such Eurodollar Loan.

"Issuing Lender": either Chase or First Union, as issuer of Letters of Credit.

"L/C Application": a letter of credit application in the Issuing Lender's then customary form for the type of letter of credit requested.

"L/C Participating Interest": an undivided participating interest in the face amount of each issued and outstanding Letter of Credit and the L/C Application relating thereto.

"L/C Participation Certificate": a certificate in substantially the form of Exhibit E hereto.

"Lease Obligations": of the Company and its Subsidiaries, as of the date of any determination thereof, the rental commitments of the Company and its Subsidiaries determined on a consolidated basis, if any, under leases for real and/or personal property (net of rental commitments from sub-leases thereof), excluding however, obligations under leases which are classified as Indebtedness under clause (d) of the definition of Indebtedness.

"Lenders": as defined in the preamble hereto.

"Letter of Credit": a letter of credit issued by an Issuing Lender pursuant to the terms of subsection 6.3.

"Lien": any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction in respect of any of the foregoing, except for the filing of financing statements in connection with Lease Obligations incurred by the Company or its Subsidiaries to the extent that such financing statements relate to the property subject to such Lease Obligations).

"Loans": the collective reference to the Term Loans, the Revolving Credit Loans, the Acquisition Loans and the Swing Line Loans; individually, a "Loan".

"Material Adverse Effect": a material adverse effect on the business, financial condition, assets or results of operations of the Company and its Subsidiaries taken as a whole.

"Material Subsidiaries": any Subsidiary of the Company other than (i) any Permitted Minority-Interest Subsidiary, (ii) any Foreign Subsidiary of the Company, (iii) any Subsidiary of the Company if more than 65% of the assets of such Subsidiaries are securities of foreign Persons (such determination to be made on the basis of fair market value) and (iv) any Non-Significant Subsidiary of the Company.

"Materials of Environmental Concern": any gasoline or petroleum (including crude oil or any fraction thereof) or petroleum products or any hazardous or toxic substances, materials or wastes, defined or regulated as such in, or which form the basis of liability under, any Environmental Law, including, without limitation, asbestos, polychlorinated biphenyls and urea-formaldehyde insulation, medical

waste, radioactive materials and electromagnetic fields.

"MBO-VI": Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VI, L.P., a Delaware limited partnership.

"Merger": as defined in the Merger Agreement.

"Merger Agreement": the Agreement and Plan of Merger, dated as of June 9, 1996 among HoldCo, Acquisition Co, and the Company, as amended, supplemented or otherwise modified from time to time in accordance with the terms hereof.

"Merger Date": the date of the filing of the Certificate of Merger relating to the Merger with the Secretary of State of Delaware.

"Multiemployer Plan": a Plan which is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Net Proceeds": the aggregate cash proceeds received by the Company or any Subsidiary of the Company in respect of any Asset Sale, and any cash payments received in respect of promissory notes or other non-cash consideration delivered to the Company or such Subsidiary in respect of an Asset Sale (subject to the limitations set forth in subsection 13.7(j)), net of (without duplication) (i) the reasonable expenses (including legal fees and brokers' and underwriters' commissions paid to third parties which are not Affiliates or Subsidiaries of the Company) incurred in effecting such Asset Sale, (ii) any taxes reasonably attributable to such Asset Sale and, in case of an Asset Sale in a foreign jurisdiction, any taxes reasonably attributable to the repatriation of the proceeds of such Asset Sale reasonably estimated by the Company or such Subsidiary to be actually payable, (iii) any amounts payable to a Governmental Entity triggered as a result of any such Asset Sale, (iv) any Indebtedness or Contractual Obligation of the Company and its Subsidiaries (other than the Loans and other Obligations) required to be paid or retained in connection with such Asset Sale and (v) the aggregate amount of reserves required in the reasonable judgment of the Company or such Subsidiary to be maintained on the books of the Company or such Subsidiary in order to pay contingent liabilities with respect to such Asset Sale; provided that amounts deducted from aggregate proceeds pursuant to clause (v) and not actually paid by the Company or any of its Subsidiaries in liquidation of such contingent liabilities shall be deemed to be Net Proceeds and shall be applied in accordance with subsection 8.6 at such time as such contingent liabilities shall cease to be obligations of the Company or any of its Subsidiaries.

"Non-Extended Acquisition Loan Commitment": as to any Lender, its commitment to make Acquisition Loans to the Company pursuant to subsection 7.1, in an aggregate amount not to exceed at any time the amount set forth opposite such Lender's name in Schedule I under the heading "Non-Extended Acquisition Loan Commitment" and in an aggregate amount not to exceed at any time the amount equal to such Lender's Acquisition Loan Commitment Percentage of the aggregate Non-Extended

Acquisition Loan Commitments, as the aggregate Non-Extended Acquisition Loan Commitments may be reduced or adjusted from time to time pursuant to this Agreement; collectively, as to all the Lenders, the "Non-Extended Acquisition Loan Commitments".

"Non-Significant Subsidiary": at any time, any Subsidiary of the Company (i) which at such time has total assets book value (including the total assets book value of any Subsidiaries), or for which the Company or any of its Subsidiaries shall have paid (including the assumption of Indebtedness) in connection with the acquisition of capital stock (or other equity interests) or the total assets of such Subsidiary, less than $1,000,000 or (ii) which does not and will not itself or through Subsidiaries own a Hospital or an interest in a Hospital or manage or operate a Hospital and which is listed on Schedule 1.1(C) hereto (or on any updates to such Schedule subsequently furnished by the Company to the Administrative Agent) as a "Non-Significant Subsidiary" of the Company, provided that the total assets of all Non-Significant Subsidiaries at any time does not exceed 5% of the total assets of the Company and its Subsidiaries on a consolidated basis.

"Non-U.S. Lender": as defined in subsection 8.18(e) hereof.

"Notes": the collective reference to the Revolving Credit Notes, the Swing Line Note, the Acquisition Loan Notes and the Term Notes; one of the Notes, a "Note".

"Obligations": the unpaid principal of and interest on the Loans and all other obligations and liabilities of the Company to the Administrative Agent, the Co-Agents or any Lenders (and in the case of any interest rate, currency or similar swap and hedging arrangements entered into with any Affiliate of a Lender, such Affiliates) (including, without limitation, interest accruing after the maturity of the Loans and interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, related to the Company, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding), whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter incurred, which may arise under, out of, or in connection with, this Agreement, the Loans, the other Credit Documents, any Letter of Credit or L/C Application, any agreements between the Company and any Lender relating to interest rate, currency or similar swap and hedging arrangements permitted pursuant to subsection 13.11 or any other document made, delivered or given in connection therewith, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses (including, without limitation, all fees and disbursements of counsel to the Administrative Agent, or any Co-Agent or any Lender or any such Affiliate) or otherwise.

"Original Closing Date": July 22, 1996

"Participants": as defined in subsection 16.6(b).

"Participating Lender": any Lender (other than the Issuing Lender with respect to such Letter of Credit) with respect to its L/C Participating Interest in each Letter of Credit.

"PBGC": the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA (or any successor).

"Permitted Acquisitions": non-hostile acquisitions (by merger, purchase, lease (including any lease that contains up front payments and/or buyout options) or otherwise) by the Company or any of its Subsidiaries of any of the assets of, or shares of the capital stock of or other equity interests in, a Person or division or line of business of a Person engaged in the same business as the Company and its Subsidiaries or in a related business, provided that immediately after giving effect thereto: (1) at least 80% of the outstanding capital stock or other equity interests of any acquired or newly formed corporation or other entity that acquires or leases such Person, division or line of business is owned directly by the Company or a Domestic Subsidiary; (2) any such capital stock or other equity interests owned directly by the Company or a Domestic Subsidiary are duly and validly pledged to the Administrative Agent for the ratable benefit of the Lenders (other than any capital stock of, or other equity interests in, any Non-Significant Subsidiary or Foreign Subsidiary of the Company or any other Subsidiary of the Company that is not required to be so pledged pursuant to the definition of "Company Pledge Agreement" or "Subsidiary Pledge Agreement" or pursuant to subsection 12.8(c)); (3) the Company causes any such corporation or other entity to comply with subsection 12.8 hereof, if subsection 12.8 is applicable; (4) any such corporation or other entity is not liable for and the Company and its Subsidiaries do not assume any Indebtedness (except for Indebtedness permitted pursuant to subsection 13.2); and (5) no Default or Event of Default shall have occurred and be continuing and the Company shall have delivered to the Administrative Agent an officers' certificate to such effect, together with all relevant financial information for such corporation or other entity or acquired assets.

"Permitted Joint Ventures": acquisitions (by merger, purchase, lease (including any lease that contains upfront payments or buy out options) or otherwise) by the Company or any of its Subsidiaries not constituting Permitted Acquisitions of interests in any of the assets of, or shares of the capital stock of or other equity interests in, a Person or division or line of business of a Person engaged in the same business as the Company and its Subsidiaries or in a related business, provided that immediately after giving effect thereto: (1) any outstanding capital stock or other equity interests of any acquired or newly formed corporation or other entity owned directly by the Company or a Domestic Subsidiary is duly and validly pledged to the Administrative Agent for the ratable benefit of the Lenders (other than any capital stock of, or other equity interests in, any Non-Significant Subsidiary or Foreign Subsidiary of the Company or any other Subsidiary of the Company that is not required to be so pledged pursuant to the definition of "Company Pledge Agreement" or "Subsidiary Pledge Agreement" or pursuant to subsection 12.8(c)); and

(2) no Default or Event of Default shall have occurred and be continuing, and the Company shall have delivered to the Administrative Agent an officers' certificate to such effect, together with all relevant financial information for such corporation or other entity or acquired assets.

"Permitted Minority-Interest Subsidiary":

(a) a Subsidiary of the Company (i) that itself or through wholly-owned Subsidiaries thereof owns or will own a Hospital or an interest in a Hospital, (ii) in which the Company and/or one or more Subsidiary Guarantors collectively own not less than eighty and one-tenth percent (80.1%) of the outstanding shares of each class of the capital stock thereof, which shares so owned, to the extent required under the definition of "Company Pledge Agreement" or "Subsidiary Pledge Agreement" or under subsection 12.8(c), constitute Pledged Stock, (iii) that has executed and delivered a "capitalization note" constituting a Pledged Note in a principal amount not less than eighty percent (80%) of the fair market value of the assets of such Subsidiary as of the date such Subsidiary becomes a Permitted Minority Interest Subsidiary, and (iv) any Indebtedness of such Permitted Minority Interest Subsidiary to the Company or any Subsidiary Guarantor is evidenced by a promissory note in form and substance satisfactory to the Administrative Agent which is a Pledged Note (a "First-Tier Permitted Minority-Interest Hospital Subsidiary"),

(b) any wholly-owned Subsidiary of a First-Tier Permitted Minority-Interest Hospital Subsidiary, provided that (i) any Indebtedness of such wholly-owned Subsidiary to such First-Tier Permitted Minority-Interest Hospital Subsidiary (or to any other Subsidiary of such First-Tier Permitted Minority Interest Hospital Subsidiary) is evidenced by a promissory note in form and substance satisfactory to the Administrative Agent, and (ii) the Indebtedness evidenced by the Pledged Note of such First-Tier Permitted Minority-Interest Hospital Subsidiary is secured by a first priority perfected security interest in the promissory note described in the preceding clause (i) and the Indebtedness evidenced thereby, which security interest has been assigned to the Administrative Agent for the ratable benefit of the Lenders pursuant to documentation in form and substance satisfactory to the Administrative Agent, and

(c) a Subsidiary of the Company (i) that does not and will not itself or through the Subsidiaries own a Hospital or an interest in a Hospital or manage or operate a Hospital, (ii) in which the Company and/or one or more Subsidiary Guarantors collectively own not less than fifty-one percent (51%) of the outstanding shares of each class of the capital stock thereof, and (iii) in which an Investment is permitted under Section 13.7(c) or Section 13.7(m).

"Permitted Minority-Interest Transfer": a sale, issuance or other transfer of securities of a Subsidiary of the Company, if after such

sale or other transfer, such Subsidiary shall meet the applicable requirements of the definition of "Permitted Minority-Interest Subsidiary".

"Permitted Uses of Proceeds": as defined in subsection 2.3.

"Person": an individual, partnership, corporation, business trust, joint stock company, trust, limited liability company, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"Plan": any pension plan which is covered by Title IV of ERISA and in respect of which the Company or a Commonly Controlled Entity is an "employer" as defined in Section 3(5) of ERISA.

"Pledge Agreements": the collective reference to the Company Pledge Agreement, the Subsidiary Pledge Agreement and the HoldCo Pledge Agreement.

"Pledged Note": as defined in the Pledge Agreements.

"Pledged Stock": as defined in the Pledge Agreements.

"Practice Guarantees": the physician or mental health professional practice guarantees pursuant to which the Company or any of its Subsidiaries guarantees to pay a physician or mental health professional on the medical staff of a hospital owned, leased or operated by the Company or one of its Subsidiaries the difference between the physician's or mental health professional's monthly net revenue from professional fees and a minimum monthly guaranteed amount.

"Previous Credit Agreement": that certain Amended and Restated Credit Agreement of CHS dated as of August 24, 1994.

"Principal Debt Payments": for any period, the sum of all scheduled payments of principal amounts of Indebtedness of the Company and its Subsidiaries, on a consolidated basis, during such period (provided that reductions in the Acquisition Loan Commitments are not payments of principal amounts of Indebtedness for purposes of this definition, unless and to the extent that the Company must pay Acquisition Loans at such time in accordance with subsection 7.2).

"Properties": each parcel of real property currently or previously owned or operated by the Company or any Subsidiary of the Company.

"Qualified Non-U.S. Lender Note": as defined in subsection 16.6(d).

"Qualified Non-U.S. Lender Noteholder": as defined in subsection 16.6(e).

"Register": as defined in subsection 16.6(f).

"Refunded Swing Line Loans": as defined in subsection 6.7(b).

"Regulation G": Regulation G of the Board, as from time to time in effect.

"Regulation U": Regulation U of the Board, as from time to time in effect.

"Related Document": any agreement, certificate, document or instrument relating to a Letter of Credit.

"Release Lenders": at a particular time Lenders that hold at least (a) 75% of (i) the aggregate then outstanding principal amount of the Tranche A Term Loans, (ii) the Revolving Credit Commitments or if the Revolving Credit Commitments have been cancelled (w) the aggregate then outstanding principal amount of the Revolving Credit Loans, (x) the L/C Participating Interests in the aggregate amount then available to be drawn under all outstanding Letters of Credit, (y) the aggregate then outstanding principal amount of Revolving L/C Obligations and (z) the aggregate amount represented by the agreements of the Lenders in subsections 6.7(b) and (d) with respect to the Swing Line Loans then outstanding or the Swing Line Loan Participation Certificates then outstanding and (iii) the Acquisition Loan Commitments or if the Acquisition Loan Commitments have been cancelled the aggregate then outstanding principal amount of the Acquisition Loans and (b) 75% of the aggregate then outstanding principal amount of the Term Loans (other than the Tranche A Term Loans).

"Reorganization": with respect to a Multiemployer Plan, the condition that such Plan is in reorganization as such term is used in Section 4241 of ERISA.

"Reportable Event": any of the events set forth in Section 4043(b) of ERISA or the regulations thereunder.

"Required Lenders": at a particular time Lenders that hold at least 51% of (a) the aggregate then outstanding principal amount of the Term Loans or, prior to the Closing Date, the Term Loan Commitments, (b) the Revolving Credit Commitments or if the Revolving Credit Commitments have been cancelled (i) the aggregate then outstanding principal amount of the Revolving Credit Loans, (ii) the L/C Participating Interests in the aggregate amount then available to be drawn under all outstanding Letters of Credit, (iii) the aggregate then outstanding principal amount of Revolving L/C Obligations and (iv) the aggregate amount represented by the agreements of the Lenders in subsections 6.7(b) and (d) with respect to the Swing Line Loans then outstanding or the Swing Line Loan Participation Certificates then outstanding and (c) the Acquisition Loan Commitments or if the Acquisition Loan Commitments have been cancelled the aggregate then outstanding principal amount of the Acquisition Loans.

"Required Application Lenders": at a particular time Lenders that hold:

(a) at least 51% of (x) the aggregate then outstanding principal amount of Tranche A Term Loans, (y) the Revolving Credit Commitments or if the Revolving Credit Commitments have been cancelled (i) the aggregate then outstanding principal amount of the Revolving Credit Loans, (ii) the L/C Participating Interests in the aggregate amount then available to be drawn under all outstanding Letters of Credit, (iii) the aggregate then outstanding principal amount of Revolving L/C Obligations and (iv) the aggregate amount represented by the agreements of the Lenders in subsections 6.7(b) and (d) with respect to the Swing Line Loans then outstanding or the Swing Line Loan Participation Certificates then outstanding and (z) the Acquisition Loan Commitments or if the Acquisition Loan Commitments have been cancelled the aggregate then outstanding principal amount of the Acquisition Loans, and

(b) at least 51% of the aggregate then outstanding principal amount of the Tranche B Term Loans, Tranche C Term Loans and Tranche D Term Loans.

"Requirement of Law": as to any Person, the Certificate of Incorporation and By-Laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation (including, without limitation, Environmental Laws) or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Responsible Officer": the chief executive officer or the chief operating officer of the Company or, with respect to financial matters, the chief financial officer or controller of the Company.

"Restricted Payments": as defined in subsection 13.9.

"Revolving Credit Commitment": as to any Lender, its obligations to make Revolving Credit Loans to the Company pursuant to subsection 6.1, and to purchase its L/C Participating Interest in any Letter of Credit in an aggregate amount not to exceed at any time the amount set forth opposite such Lender's name in Schedule I under the heading "Revolving Credit Commitment" and in an aggregate amount not to exceed at any time the amount equal to such Lender's Revolving Credit Commitment Percentage of the aggregate Revolving Credit Commitments, as the aggregate Revolving Credit Commitments may be reduced or adjusted from time to time pursuant to this Agreement; collectively, as to all the Lenders, the "Revolving Credit Commitments".

"Revolving Credit Commitment Percentage": as to any Lender at any time, the percentage which such Lender's Revolving Credit Commitment constitutes of all of the Revolving Credit Commitments (or, if the Revolving Credit Commitments shall have been terminated, the percentage of the outstanding Aggregate Revolving Credit Extensions of Credit and Swing Line Loans constituted by such Lender's Aggregate Revolving Credit Extensions of Credit and participating interest in

Swing Line Loans).

"Revolving Credit Commitment Period": the period from and including the Original Closing Date to but not including the Revolving Credit Termination Date.

"Revolving Credit Loan" and "Revolving Credit Loans": as defined in subsection 6.1(a).

"Revolving Credit Note": as defined in subsection 8.2(e).

"Revolving Credit Termination Date": the earlier of (i) December 31, 2002 and (ii) any other date on which the Revolving Credit Commitments shall terminate hereunder.

"Revolving L/C Obligations": the obligations of the Company to reimburse the Issuing Lender for any payments made by an Issuing Lender under any Letter of Credit that have not been reimbursed by the Company pursuant to subsection 6.6.

"Seasonal Adjustment Factor": (a) with respect to a fiscal quarter, during any Measurement Period, ending on March 31, 1.08, (b) with respect to a fiscal quarter, during any Measurement Period, ending on June 30, .97, (c) with respect to a fiscal quarter, during any Measurement Period, ending on September 30, .93, and (d) with respect to a fiscal quarter, during any Measurement Period, ending on December 31, 1.02.

"Senior Interest Expense": for any period, the amount of Consolidated Interest Expense for such period less, to the extent included therein, the amount of any interest expense on the Subordinated Loan.

"Series A and Series B Bond Documents": shall mean the Remarketing Agreement (as defined in the Series A and Series B Indenture), the Series A and Series B Indenture, the Series A Bonds, the Series B Bonds and the corresponding Bond Pledge Agreement(s).

"Series A and Series B Indenture": (i) the trust indenture dated as of October 1, 1991, between the Company and the Trustee, executed with respect to the Series A Bonds and the Series B Bonds, as the same may be modified, amended restated or supplemented from time to time, including in connection with a conversion of the interest rate on any portion of the Series A Bonds or the Series B Bonds to a fixed rate and (ii) any indenture, note purchase agreement or other similar debt instrument pursuant to which the Company issues bonds, notes or other evidences of indebtedness secured by the Series A Letter of Credit or the Series B Letter of Credit.

"Series A and Series B Trustee": with respect to the Series A and Series B Indenture pursuant to which the Series A Bonds and the Series B Bonds have been issued, Texas Commerce Bank National Association and any successor trustee pursuant to the terms thereof.

"Series A Bonds": up to $40,000,000 aggregate principal amount of Company's bonds, notes or other evidences of indebtedness supported by the Series A Bonds Letters of Credit, initially, the Company's Floating Rate Weekly Demand Taxable, Series 1991A.

"Series A Bonds Letter of Credit": that certain irrevocable letter of credit, dated October 29, 1991, issued by the First Union for the account of the Company to the Series A and Series B Trustee, in the aggregate principal amount of $40,000,000 plus an amount equal to the interest computed on such amount for forty-two (42) days at fifteen percent (15%) per annum.

"Series B Bonds": up to $20,000,000 aggregate principal amount of Company's bonds, notes or other evidences of indebtedness supported by the Series B Bonds Letter of Credit, initially, the Company's Floating Rate Weekly Demand Taxable Bond Series 1991B.

"Series B Bond Letter of Credit": that certain irrevocable letter of credit, dated October 29, 1991, issued by the First Union for the account of the Company to the Series A and Series B Trustee, in the aggregate principal amount of $20,000,000 plus an amount equal to the interest computed on such amount for forty-two (42) days at fifteen percent (15%) per annum.

"Single Employer Plan": any Plan which is covered by Title IV of ERISA, but which is not a Multiemployer Plan.

"Standby L/C": an irrevocable standby or direct pay Letter of Credit under which the Issuing Lender agrees to make payments in Dollars for the account of the Company on behalf of the Company or any Subsidiary thereof, in respect of obligations of the Company or a Subsidiary thereof incurred pursuant to contracts made or performance undertaken, or to be undertaken, or like matters relating to contracts to which the Company or a Subsidiary thereof is or proposes to become a party in the ordinary course of the Company's or such Subsidiary's business, including, without limitation, for insurance purposes or in respect of advance payments or as bid or performance bonds.

"Subordinated HoldCo Debentures": the collective reference to HoldCo's (i) 7-1/2% Series A Debentures due June 30, 2007, in the aggregate principal amount of $166,666,666, (ii) 7-1/2% Series B Debentures due June 30, 2008, in the aggregate principal amount of $166,666,667, and (iii) 7-1/2% Series C Debentures due June 30, 2009, in the aggregate principal amount of $166,666,667, each substantially in the form of Exhibit J-1 to the Tender Facility, as each may be amended, endorsed, substituted, replaced, refinanced, supplemented or otherwise modified from time to time in accordance with subsection 13.12.

"Subordinated Loan": the subordinated loan made by HoldCo to the Company and evidenced by the Subordinated Note in the principal amount of $500,000,000.

"Subordinated Note": the 7-1/2% Note due June 30, 2009, in the

principal amount of $500,000,000, made by the Company in favor of HoldCo, to evidence the Subordinated Loan, substantially in the form of Exhibit J-2 to the Tender Facility, as the same may be amended, endorsed, substituted, replaced, refinanced, supplemented or otherwise modified from time to time in accordance with subsection 13.12.

"Subsidiary": as to any Person, a corporation, partnership or other entity of which shares of capital stock or other equity interests having ordinary voting power (other than capital stock or other equity interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, directly or indirectly, or the management of which is otherwise controlled, directly or indirectly, or both, by such Person.

"Subsidiary Guarantee": the Subsidiary Guarantee to be executed by each Subsidiary Guarantor in favor of the Administrative Agent, for the ratable benefit of the Lenders, substantially in the form of Exhibit B-4 hereto, as the same may be amended, supplemented or otherwise modified from time to time.

"Subsidiary Guarantor": any Subsidiary which enters into a Subsidiary Guarantee (it being understood and agreed that, subject to subsection 12.8(b), (i) no Foreign Subsidiary of the Company or HoldCo, (ii) no other Subsidiary of the Company if more than 65% of the assets of such Subsidiary are securities of foreign Persons (such determination to be made on the basis of fair market value), (iii) no Non-Significant Subsidiary and (iv) no Permitted Minority Interest Subsidiary shall, in any case, enter into a Subsidiary Guarantee pursuant to subsection 12.8(a)).

"Subsidiary Pledge Agreement": the Pledge Agreement dated as of the date hereof made by any Material Subsidiary in favor of the Administrative Agent, for the ratable benefit of the Lenders, substantially in the form of Exhibit B-5, as the same may be amended, supplemented or otherwise modified from time to time (it being understood and agreed that, notwithstanding anything that may be to the contrary herein, the Subsidiary Pledge Agreement shall not require any Material Subsidiary to pledge (x) any of the outstanding capital stock of, or other equity interests in any (i) Non-Significant Subsidiary of the Company or (ii) any Foreign Subsidiary of the Company which is owned by a Foreign Subsidiary of the Company or, (y) more than 65% of the outstanding capital stock of, or other equity interest in, (i) any other Foreign Subsidiary of the Company, or (ii) any other Subsidiary of the Company if more than 65% of the assets of such Subsidiary are securities of foreign Persons (such determination to be made on the basis of fair market value)).

"Swing Line Commitment": Chase's obligation to make Swing Line Loans pursuant to subsection 6.7.

"Swing Line Loan" and "Swing Line Loans": as defined in subsection 6.7(a).

"Swing Line Loan Participation Certificate": a certificate in substantially the form of Exhibit F hereto.

"Swing Line Note": as defined in subsection 8.2(e).

"Tender Draft": with respect to any Existing Letter of Credit, a Tender Draft as defined in such Existing Letter of Credit.

"Tender Facility": the $175,000,000 Credit Agreement among Acquisition Co., HoldCo, the Lenders parties thereto and Chase, as administrative agent thereunder, as amended, supplemented or otherwise modified prior to the Original Closing Date.

"Tender Offer": the offer by Acquisition Co. to purchase all outstanding shares of CHS Stock of the Company.

"Term Loan Commitments": as to any Lender, the collective reference to its Tranche A Term Loan Commitment, its Tranche B Term Loan Commitment, its Tranche C Term Loan Commitment, its Tranche D Term Loan Commitment and its Additional Tranche D Term Loan Commitment.

"Term Loans": collectively, the Tranche A Term Loans, the Tranche B Term Loans, the Tranche C Term Loans and the Tranche D Term Loans; each, a "Term Loan".

"Term Notes": collectively, the Tranche A Term Notes, the Tranche B Term Notes, the Tranche C Term Notes and the Tranche D Term Notes; each a "Term Note".

"Total Senior Indebtedness": as of any date of determination, Consolidated Total Indebtedness less the principal amount of the Subordinated Loan, and excluding for purposes of Section 13.1(a) and the definition of "Applicable Level" any Indebtedness incurred or assumed in connection with an acquisition of any business until the end of the first full fiscal quarter after the date of acquisition.

"Tranche A Term Loan" and "Tranche A Term Loans": as defined in subsection 2.1.

"Tranche A Term Loan Commitment": as to any Lender, its obligations to make Tranche A Term Loans to the Company on the Original Closing Date pursuant to subsection 2.1, in an aggregate amount not to exceed the amount set forth opposite such Lender's name in Schedule I under the heading "Tranche A Term Loan" and in an aggregate amount not to exceed the amount equal to such Lender's Tranche A Term Loan Commitment Percentage of the aggregate Tranche A Term Loan Commitments; collectively, as to all the Lenders, the "Tranche A Term Loan Commitments".

"Tranche A Term Loan Commitment Percentage": as to any Lender, the percentage which such Lender's Tranche A Term Loan constitutes of the aggregate then outstanding principal amount of Tranche A Term

Loans.

"Tranche A Term Note" and "Tranche A Term Notes": as defined in subsection 8.2(e).

"Tranche B Term Loan" and "Tranche B Term Loans": as defined in subsection 3.1.

"Tranche B Term Loan Commitment": as to any Lender, its obligation to make a Tranche B Term Loan to the Company on the Original Closing Date pursuant to subsection 3.1, in an aggregate amount not to exceed the amount set forth opposite such Lender's name in Schedule I under the heading "Tranche B Term Loan" and in an aggregate amount not to exceed the amount equal to such Lender's Tranche B Term Loan Commitment Percentage of the aggregate Tranche B Term Loan Commitments; collectively, as to all the Lenders, the "Tranche B Term Loan Commitments".

"Tranche B Term Loan Commitment Percentage": as to any Lender, the percentage which such Lender's Tranche B Term Loan constitutes of the aggregate then outstanding principal amount of Tranche B Term Loans.

"Tranche B Term Note" and "Tranche B Term Notes": as defined in subsection 8.2(e).

"Tranche C Term Loan" and "Tranche C Term Loans": as defined in subsection 4.1.

"Tranche C Term Loan Commitment": as to any Lender, its obligation to make a Tranche C Term Loan to the Company on the Original Closing Date pursuant to subsection 4.1, in an aggregate amount not to exceed the amount set forth opposite such Lender's name in Schedule I under the heading "Tranche C Term Loan" and in an aggregate amount not to exceed the amount equal to such Lender's Tranche C Term Loan Commitment Percentage of the aggregate Tranche C Term Loan Commitments; collectively, as to all the Lenders, the "Tranche C Term Loan Commitments".

"Tranche C Term Loan Commitment Percentage": as to any Lender, the percentage which such Lender's Tranche C Term Loan constitutes of the aggregate then outstanding principal amount of Tranche C Term Loans.

"Tranche C Term Note" and "Tranche C Term Notes": as defined in subsection 8.2(e).

"Tranche D Term Loan" and "Tranche D Term Loans": as defined in subsection 5.1(a).

"Tranche D Term Loan Commitment": as to any Lender, its obligation to make a Tranche D Term Loan (excluding any Additional Tranche D Term Loan) to the Company on the Original Closing Date pursuant to subsection 5.1, in an aggregate amount not to exceed the

amount set forth opposite such Lender's name in Schedule I under the heading "Tranche D Term Loan" and in an aggregate amount not to exceed the amount equal to such Lender's Tranche D Term Loan Commitment Percentage of the aggregate Tranche D Term Loan Commitments; collectively, as to all the Lenders, the "Tranche D Term Loan Commitments".

"Tranche D Term Loan Commitment Percentage": as to any Lender, the percentage which such Lender's Tranche D Term Loans, excluding any Additional Tranche D Term Loan, constitutes of the aggregate then outstanding principal amount of Tranche D Term Loans, excluding Additional Tranche D Term Loans.

"Tranche D Term Note" and "Tranche D Term Notes": as defined in subsection 8.2(e).

"Type": as to any Loan, its nature as an ABR Loan or a Eurodollar Loan.

"Uniform Customs": the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500 (or any successor publication), as the same may be amended from time to time.

"U.S. Taxes": any tax, assessment, or other charge or levy and any liabilities with respect thereto, including any penalties, additions to tax, fines or interest thereon, imposed by or on behalf of the United States or any taxing authority thereof.

"Working Day": any day on which dealings in foreign currencies and exchange between banks may be carried on in London, England and in New York, New York.

"Y2K Costs": as defined in subsection 10.16.

1.2 Other Definitional Provisions. (a) Unless otherwise specified therein, all terms defined in this Agreement shall have the defined meanings when used in the Notes, any other Credit Document or any certificate or other document made or delivered pursuant hereto.

(b) As used herein and in the Notes, any other Credit Document and any certificate or other document made or delivered pursuant hereto, accounting terms relating to HoldCo, the Company and its Subsidiaries not defined in subsection 1.1 and accounting terms partly defined in subsection 1.1 to the extent not defined, shall have the respective meanings given to them under GAAP.

(c) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and section, subsection, schedule and exhibit references are to this Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to the singular and plural forms of such terms.

SECTION 2. AMOUNT AND TERMS OF TRANCHE A TERM LOAN COMMITMENTS.

2.1 Tranche A Term Loans. The Company acknowledges and confirms that each Lender has made a term loan (a "Tranche A Term Loan") to the Company on the Original Closing Date in an amount equal to the Tranche A Term Loan Commitment of such Lender. The Tranche A Term Loans may from time to time be (a) Eurodollar Loans or (b) ABR Loans or (c) a combination thereof, as determined by the Company and notified to the Administrative Agent in accordance with subsections 8.1, 8.2 and 8.3.

2.2 Repayment of Tranche A Term Loans. The Company shall continue to repay the aggregate principal amount of the Tranche A Term Loans outstanding on the Closing Date in the aggregate principal amount set forth opposite each of the dates specified below:

Date	Amount
March 31, 1999	$2,000,000
June 30, 1999	2,000,000
September 30, 1999	2,250,000
December 31, 1999	2,250,000
March 31, 2000	2,250,000
June 30, 2000	2,250,000
September 30, 2000	2,500,000
December 31, 2000	2,500,000
March 31, 2001	2,500,000
June 30, 2001	2,500,000
September 30, 2001	2,500,000
December 31, 2001	2,500,000
March 31, 2002	2,500,000
June 30, 2002	2,500,000
September 30, 2002	2,500,000
December 31, 2002	2,500,000

2.3 Proceeds of Tranche A Term Loans. The Company acknowledges and confirms that it has used the proceeds of the Tranche A Term Loans made on the Original Closing Date (i) to refinance the borrowings of Acquisition Co. under the Tender Facility and the CHS Facility, (ii) to finance the payment of the consideration payable in or as a result of the Merger to holders of CHS Stock (other than Acquisition Co.) or options thereon, (iii) to finance the repurchase or refinancing by the Company of all or such portion of the Indebtedness (other than under the CHS Facility) of the Company outstanding after the Merger, as the Company shall determine, (iv) to finance the payment of up to $80,000,000 of the fees and expenses of the Merger and the Tender Offer and the transactions contemplated thereby, including the tender offer for the Debentures, (v) to finance Permitted Acquisitions and Permitted Joint Ventures and (vi) to finance other general corporate purposes of the Company or any of its Subsidiaries (including severance and interest expense and Supplemental Subordinated Debt Interest)

and pay related fees and expenses (the uses referred to in clauses (i) through (vi) referred to as the "Permitted Uses of Proceeds").

SECTION 3. AMOUNT AND TERMS OF TRANCHE B TERM LOAN COMMITMENTS.

3.1 Tranche B Term Loans. The Company acknowledges and confirms that each Lender has made a term loan (a "Tranche B Term Loan") to the Company on the Original Closing Date in an amount equal to the Tranche B Term Loan Commitment of such Lender. The Tranche B Term Loans may from time to time be (a) Eurodollar Loans or (b) ABR Loans or (c) a combination thereof, as determined by the Company and notified to the Administrative Agent in accordance with subsections 8.1, 8.2 and 8.3.

3.2 Repayment of Tranche B Term Loans. The Company shall continue to repay the aggregate principal amount of the Tranche B Term Loans outstanding on the Closing Date in the aggregate principal amount set forth opposite each of the dates specified below:

Date	Amount
March 31, 1999	$ 500,000
June 30, 1999	500,000
September 30, 1999	500,000
December 31, 1999	500,000
March 31, 2000	500,000
June 30, 2000	500,000
September 30, 2000	500,000
December 31, 2000	500,000
March 31, 2001	500,000
June 30, 2001	500,000
September 30, 2001	500,000
December 31, 2001	500,000
March 31, 2002	500,000
June 30, 2002	500,000
September 30, 2002	14,375,000
December 31, 2002	14,375,000
March 31, 2003	14,375,000
June 30, 2003	14,375,000
September 30, 2003	16,250,000
December 31, 2003	48,750,000

3.3 Proceeds of Tranche B Term Loans. The Company acknowledges and confirms that it has used the proceeds of the Tranche B Term Loans, together with the proceeds of the other Term Loans and the Revolving Credit Loans, made on the Original Closing Date for the Permitted Uses of Proceeds.

SECTION 4. AMOUNT AND TERMS OF TRANCHE C TERM LOAN COMMITMENTS.

4.1 Tranche C Term Loans. The Company acknowledges and confirms

that each Lender has made a term loan (a "Tranche C Term Loan") to the Company on the Original Closing Date in an amount equal to the Tranche C Term Loan Commitment of such Lender. The Tranche C Term Loans may from time to time be (a) Eurodollar Loans or (b) ABR Loans or (c) a combination thereof, as determined by the Company and notified to the Administrative Agent in accordance with subsections 8.1, 8.2 and 8.3.

4.2 Repayment of Tranche C Term Loans. The Company shall continue to repay the aggregate principal amount of the Tranche C Term Loans outstanding on the Closing Date in the aggregate principal amount set forth opposite each of the dates specified below:

Date	Amount
March 31, 1999	$ 500,000
June 30, 1999	500,000
September 30, 1999	500,000
December 31, 1999	500,000
March 31, 2000	500,000
June 30, 2000	500,000
September 30, 2000	500,000
December 31, 2000	500,000
March 31, 2001	500,000
June 30, 2001	500,000
September 30, 2001	500,000
December 31, 2001	500,000
March 31, 2002	500,000
June 30, 2002	500,000
September 30, 2002	500,000
December 31, 2002	500,000
March 31, 2003	500,000
June 30, 2003	500,000
September 30, 2003	13,875,000
December 31, 2003	13,875,000
March 31, 2004	13,875,000
June 30, 2004	13,875,000
September 30, 2004	16,250,000
December 31, 2004	48,750,000

4.3 Proceeds of Tranche C Term Loans. The Company acknowledges and confirms that it has used the proceeds of the Tranche C Term Loans first to refinance the Debenture Refinancing Loans in full and second the balance of such proceeds, together with the proceeds of the other Term Loans and the Revolving Credit Loans, made on the Original Closing Date for the Permitted Uses of Proceeds.

SECTION 5. AMOUNT AND TERMS OF TRANCHE D TERM LOAN COMMITMENTS AND ADDITIONAL TRANCHE D TERM LOAN COMMITMENTS.

5.1(a) Tranche D Term Loans. The Company acknowledges and

confirms that each Lender has made a term loan (such term loan or any Additional Tranche D Term Loan, a "Tranche D Term Loan") to the Company on the Original Closing Date in an amount equal to the Tranche D Term Loan Commitment of such Lender. The Tranche D Term Loans may from time to time be (a) Eurodollar Loans or (b) ABR Loans or (c) a combination thereof, as determined by the Company and notified to the Administrative Agent in accordance with subsections 8.1, 8.2 and 8.3.

(b) Additional Tranche D Term Loans. Subject to the terms and conditions hereof, each Additional Tranche D Lender severally agrees to make an Additional Tranche D Term Loan to the Company on the Closing Date in an amount equal to the Additional Tranche D Term Loan Commitment of such Lender. The Additional Tranche D Term Loans may from time to time be (a) Eurodollar Loans or (b) ABR Loans or (c) a combination thereof, as determined by the Company and notified to the Administrative Agent in accordance with subsections 8.1, 8.2 and 8.3; provided on the Closing Date, the Additional Tranche D Term Loans shall be made as ABR Loans. The Company and the Additional Tranche D Lenders agree that the Interest Periods applicable to the Additional Tranche D Term Loan shall be determined by the Administrative Agent in its reasonable discretion in consultation with the Company without regard to the provisions of the definition of "Interest Period" in subsection 1.1 or subsection 8.1(b) during the three months following the Closing Date in order to conform the Interest Periods for the Additional Tranche D Term Loans to the Interest Periods for the other Tranche D Term Loans.

5.2 Repayment of Tranche D Term Loans. The Company shall continue to repay the Tranche D Term Loans outstanding on the Closing Date (after giving effect to the making of the Additional Tranche D Term Loans) ratably in the aggregate principal amount set forth opposite each of the dates specified below:

Date	Amount
March 31, 1999	$1,788,700
June 30, 1999	1,788,700
September 30, 1999	1,788,700
December 31, 1999	1,788,700
March 31, 2000	1,788,700
June 30, 2000	1,788,700
September 30, 2000	1,788,700
December 31, 2000	1,788,700
March 31, 2001	1,788,700
June 30, 2001	1,788,700
September 30, 2001	1,788,700
December 31, 2001	1,788,700
March 31, 2002	1,788,700
June 30, 2002	1,788,700
September 30, 2002	1,788,700

December 31, 2002	1,788,700
March 31, 2003	1,788,700
June 30, 2003	1,788,700
September 30, 2003	1,788,700
December 31, 2003	1,788,700
31, 2004	1,788,700
June 30, 2004	1,788,700
September 30, 2004	36,667,500
December 31, 2004	36,667,500
31, 2005	36,667,500
June 30, 2005	36,667,500
September 30, 2005	40,244,800
December 31, 2005	120,733,800

5.3 Proceeds of Tranche D Term Loans. The Company acknowledges and confirms that it has used the proceeds of the Tranche D Term Loans (other than the Additional Tranche D Term Loans), together with the proceeds of the other Term Loans and the Revolving Credit Loans, made on the Original Closing Date for the Permitted Uses of Proceeds.

5.4 Proceeds of Additional Tranche D Term Loans. The Company shall use the proceeds of the Additional Tranche D Term Loans to make optional prepayments of the Revolving Credit Loans and Acquisition Loans on the Closing Date as permitted hereunder.

SECTION 6. AMOUNT AND TERMS OF REVOLVING CREDIT COMMITMENTS.

6.1 Revolving Credit Commitments. (a) Each of the Company and each Lender acknowledges and confirms that, as of the Original Closing Date, each Lender agreed to extend credit, and subject to the terms and conditions hereof, each Lender agrees to continue to extend credit, in an aggregate amount not to exceed such Lender's Revolving Credit Commitment, to the Company from time to time on any Borrowing Date during the Revolving Credit Commitment Period by purchasing an L/C Participating Interest in each Letter of Credit issued by the Issuing Lender and by making loans to the Company ("Revolving Credit Loans") from time to time. Notwithstanding the foregoing, in no event shall (i) any Revolving Credit Loan or Swing Line Loan be made, or any Letter of Credit be issued, if, after giving effect to such making or issuance and the use of proceeds thereof as irrevocably directed by the Company, the sum of the Aggregate Revolving Credit Extensions of Credit and the aggregate outstanding principal amount of the Swing Line Loans would exceed the aggregate Revolving Credit Commitments or if subsection 6.7 would be violated thereby or (ii) any Revolving Credit Loan or Swing Line Loan be made, or any Letter of Credit be issued, if the amount of such Loan to be made or any Letter of Credit to be issued would, after giving effect to the use of proceeds, if any, thereof, exceed the Available Revolving Credit Commitments. During the Revolving Credit Commitment Period, the Company may use the Revolving Credit Commitments by borrowing, prepaying the Revolving Credit Loans or Swing Line Loans in whole or in part, and reborrowing, all in accordance with the terms and conditions hereof, and/or by having the Issuing Lenders issue Letters of Credit, having such Letters of Credit expire undrawn upon or if drawn upon, reimbursing the relevant Issuing Lender for such drawing, and having the Issuing Lenders issue new Letters of Credit.

(b) Each borrowing of Revolving Credit Loans pursuant to the

Revolving Credit Commitments shall be in an aggregate principal amount of the lesser of (i) $3,000,000, or a whole multiple of $1,000,000 in excess thereof, and (ii) the Available Revolving Credit Commitments, except that any borrowing of a Revolving Credit Loan to be used solely to pay a like amount of Swing Line Loans may be in the aggregate principal amount of such Swing Line Loans.

6.2 Proceeds of Revolving Credit Loans. The Company shall use the proceeds of Revolving Credit Loans solely for (a) Permitted Uses of Proceeds, (b) making payments to the Issuing Lender to reimburse the Issuing Lender for drawings made under the Letters of Credit, (c) repaying Swing Line Loans and Revolving Credit Loans after the Original Closing Date, (d) financing the general working capital needs of the Company or any of its Subsidiaries, and (e) other general corporate purposes of the Company or any of its Subsidiaries, including, without limitation, to finance the purchase price of Permitted Acquisitions and Permitted Joint Ventures and pay related fees and expenses, all in accordance with the terms and conditions hereof.

6.3 Issuance of Letters of Credit. (a) The Company may from time to time request any Issuing Lender to issue a Letter of Credit, which may be either a Standby L/C or a Commercial L/C, by delivering to the Administrative Agent at its address specified in subsection 16.2 and the Issuing Lender an L/C Application completed to the satisfaction of the Issuing Lender, together with the proposed form of the Letter of Credit (which shall comply with the applicable requirements of paragraph (b) below) and such other certificates, documents and other papers and information as the Issuing Lender may reasonably request; provided that if the Issuing Lender informs the Company that it is for any reason unable to open such Letter of Credit, the Company may request another Lender to open such Letter of Credit upon the same terms offered to the initial Issuing Lender and if such other Lender agrees to issue such Letter of Credit each reference to the Issuing Lender for purposes of the Credit Documents shall be deemed to be a reference to such Lender.

(b) Each Letter of Credit issued hereunder shall, among other things, (i) be in such form requested by the Company as shall be acceptable to the Issuing Lender in its sole discretion and (ii) have an expiry date, in the case of each Standby L/C, other than Existing Letters of Credit, occurring not later than the earlier of (w) 365 days after the date of issuance of such Standby L/C and (x) the Revolving Credit Termination Date, and, in the case of each Commercial L/C, occurring not later than the earlier of (y) 180 days after the date of issuance of such Commercial L/C; provided, however, that at the request of the Company and upon the consent, in its sole and absolute discretion, of the Issuing Lender issuing such Commercial L/C, such date may be up to 360 days after the date of issuance of such Commercial L/C and (z) the Revolving Credit Termination Date. Each L/C Application and each Letter of Credit shall be subject to the Uniform Customs and, to the extent not inconsistent therewith, the laws of the State of New York.

(c) The Existing Letters of Credit shall be deemed outstanding pursuant to, and shall constitute "Letters of Credit" for all purposes of, this Agreement. For purposes of each of the Series A and B Indenture and

the Fulton Indenture, this Agreement shall be deemed to be a "Reimbursement Agreement" as therein defined.

(d) Notwithstanding anything to the contrary contained in this subsection 6.3, when the Issuing Lender shall make any payment under any Existing Letter of Credit pursuant to a Tender Draft, the amount of such payment by the Issuing Lender shall constitute a Revolving L/C Obligation by the Company, which shall be repaid by the Company pursuant to subsection 6.6. Subject to all of the terms and conditions set forth in this Agreement, upon receipt of notice of any such payment by the Issuing Lender under an Existing Letter of Credit, the Administrative Agent shall establish the appropriate Revolving L/C Obligation effective on the date of the corresponding payment under such Existing Letter of Credit.

(e) Pursuant to the Bond Pledge Agreements, the Company has agreed that, in accordance with the terms of the Indentures, Bonds purchased with the proceeds of any Tender Draft and not remarketed on the date of such Tender Draft shall be delivered by the respective Tender Agent to the Administrative Agent as designee of the Issuing Bank, to be held by the Administrative Agent in pledge as collateral securing the Revolving L/C Obligations arising from the purchase of such Bonds with the proceeds of such Tender Draft until such time as all such Revolving L/C Obligations have been paid in full. Bonds so delivered to the Administrative Agent shall, at the request of the Administrative Agent, be registered in the name of the Administrative Agent or its designee, as pledgee of the Company, as provided in the applicable Bond Pledge Agreement.

6.4 Participating Interests. Effective in the case of each Letter of Credit opened by the Issuing Lender as of the date of the opening thereof, the Issuing Lender agrees to allot and does allot, to itself and each other Lender, and each Lender severally and irrevocably agrees to take and does take in such Letter of Credit and the related L/C Application, an L/C Participating Interest in a percentage equal to such Lender's Revolving Credit Commitment Percentage.

6.5 Procedure for Opening Letters of Credit. Upon receipt of any L/C Application from the Company in respect of a Letter of Credit, the Issuing Lender will promptly notify the Administrative Agent thereof. The Issuing Lender will process such L/C Application, and the other certificates, documents and other papers delivered to the Issuing Lender in connection therewith, upon receipt thereof in accordance with its customary procedures and, subject to the terms and conditions hereof, shall promptly open such Letter of Credit by issuing the original of such Letter of Credit to the beneficiary thereof and by furnishing a copy thereof to the Company; provided that no such Letter of Credit shall be issued (a) if the amount of such requested Letter of Credit, together with the sum of (i) the aggregate unpaid amount of Revolving L/C Obligations outstanding at the time of such request and (ii) the maximum aggregate amount available to be drawn under all Letters of Credit outstanding at such time, would exceed $90,000,000 or (b) if subsection 6.1 would be violated thereby.

6.6 Payments in Respect of Letters of Credit. (a) The Company agrees forthwith upon demand by the Issuing Lender and otherwise in accordance with the terms of the L/C Application relating thereto (i) to

reimburse the Issuing Lender, through the Administrative Agent, for any payment made by the Issuing Lender under any Letter of Credit, including any payment arising from the purchase of Bonds with the proceeds of a Tender Draft, and (ii) to pay interest on any unreimbursed portion of any such payment from the date of such payment until reimbursement in full thereof at a rate per annum equal to (A) prior to the date which is one Business Day after the day on which the Issuing Lender demands reimbursement from the Company for such payment, the ABR plus the Applicable Margin for Revolving Credit Loans which are ABR Loans and (B) on such date and thereafter, the ABR plus the Applicable Margin for Revolving Credit Loans which are ABR Loans plus 2%.

(b) In the event that the Issuing Lender makes a payment under any Letter of Credit and is not reimbursed in full therefor forthwith upon demand of the Issuing Lender, and otherwise in accordance with the terms of the L/C Application relating to such Letter of Credit, the Issuing Lender will promptly notify each other Lender with a Revolving Credit Commitment through the Administrative Agent. Forthwith upon its receipt of any such notice, each other Lender with a Revolving Credit Commitment will transfer to the Issuing Lender, through the Administrative Agent, in immediately available funds, an amount equal to such other Lender's pro rata share of the Revolving L/C Obligation arising from such unreimbursed payment. Upon its receipt from such other Lender of such amount and a request of such Lender, the Issuing Lender will complete, execute and deliver to such other Lender an L/C Participation Certificate dated the date of such receipt and in such amount.

(c) Whenever, at any time after the Issuing Lender has made a payment under any Letter of Credit and has received from any other Lender such other Lender's pro rata share of the Revolving L/C Obligation arising therefrom, the Issuing Lender receives any reimbursement on account of such Revolving L/C Obligation or any payment of interest on account thereof (including, as result of any foreclosure or other exercise of remedies under any Bond Pledge Agreement), the Issuing Lender will distribute to such other Lender, through the Administrative Agent, its pro rata share thereof in like funds as received (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's participating interest was outstanding and funded); provided that, in the event that the receipt by the Issuing Lender of such reimbursement or such payment of interest (as the case may be) is required to be returned, such other Lender will return to the Issuing Lender, through the Administrative Agent, any portion thereof previously distributed by the Issuing Lender to it in like funds as such reimbursement or payment is required to be returned by the Issuing Lender.

6.7 Swing Line Commitment. (a) Subject to the terms and conditions hereof, Chase agrees to make swing line loans (individually, a "Swing Line Loan"; collectively, the "Swing Line Loans") to the Company from time to time during the Revolving Credit Commitment Period in an aggregate principal amount at any one time outstanding not to exceed $25,000,000; provided that at no time may the sum of the aggregate outstanding principal amount of the Swing Line Loans and the Aggregate Revolving Credit Extensions of Credit exceed the Revolving Credit Commitments. Amounts borrowed by the Company under this subsection may be

repaid and, through but excluding the Revolving Credit Termination Date, reborrowed. The Swing Line Loans shall be ABR Loans, and shall not be entitled to be converted into Eurodollar Loans. The Company shall give Chase irrevocable notice (which notice must be received by Chase prior to 12:00 Noon, New York City time) on the requested Borrowing Date specifying the amount of each requested Swing Line Loan, which shall be in the minimum amount of $500,000 or a whole multiple thereof. The proceeds of each Swing Line Loan will be made available by Chase to the Company by crediting the account of the Company at Chase with such proceeds. The proceeds of Swing Line Loans may be used solely for the purposes referred to in subsection 6.2.

(b) Chase at any time in its sole and absolute discretion may, and on the thirtieth day (or if such day is not a Business Day, the next Business Day) after the Borrowing Date with respect to any Swing Line Loans shall, on behalf of the Company (which hereby irrevocably directs Chase to act on its behalf), request each Lender, including Chase, to make a Revolving Credit Loan (which shall be initially an ABR Loan) in an amount equal to such Lender's Revolving Credit Commitment Percentage of the amount of such Swing Line Loans (the "Refunded Swing Line Loans") outstanding on the date such notice is given. Unless any of the events described in paragraph (f) of Section 14 shall have occurred (in which event the procedures of paragraph (c) of this subsection shall apply) each Lender shall make the proceeds of its Revolving Credit Loan available to Chase for the account of Chase at the office of Chase located at 270 Park Avenue, New York, New York 10017 prior to 12:00 Noon (New York City time) in funds immediately available on the Business Day next succeeding the date such notice is given. The proceeds of such Revolving Credit Loans shall be immediately applied to repay the Refunded Swing Line Loans.

(c) If prior to the making of a Revolving Credit Loan pursuant to paragraph (b) of this subsection one of the events described in paragraph (f) of Section 14 shall have occurred, each Lender will, on the date such Loan would otherwise have been made, purchase an undivided participating interest in the Refunded Swing Line Loans in an amount equal to its Revolving Credit Commitment Percentage of such Refunded Swing Line Loans. Each Lender will immediately transfer to Chase, in immediately available funds, the amount of its participation and upon receipt thereof Chase will deliver to such Lender a Swing Line Loan Participation Certificate dated the date of receipt of such funds and in such amount.

(d) Whenever, at any time after Chase has received from any Lender such Lender's participating interest in a Swing Line Loan, Chase receives any payment on account thereof, Chase will distribute to such Lender its participating interest in such amount (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's participating interest was outstanding and funded) in like funds as received; provided, however, that in the event that such payment received by Chase is required to be returned, such Lender will return to Chase any portion thereof previously distributed by Chase to it in like funds as such payment is required to be returned by Chase.

6.8 Participations. Each Lender's obligation to purchase participating interests pursuant to subsection 6.4 and clauses (b) and (c)

of subsection 6.7 is absolute and unconditional as set forth in subsection 8.16.

SECTION 7. AMOUNT AND TERMS OF ACQUISITION LOAN COMMITMENTS.

7.1 Acquisition Loan Commitments. (a) Subject to the terms and conditions hereof, each Lender agrees to extend credit, in an aggregate amount not to exceed such Lender's Acquisition Loan Commitment, to the Company from time to time on any Borrowing Date during the Acquisition Loan Commitment Period by making loans to the Company ("Acquisition Loans") from time to time. Notwithstanding the foregoing, in no event shall any Acquisition Loan be made if after giving effect to such making and the use of proceeds thereof as irrevocably directed by the Company, the aggregate then outstanding principal amount of Acquisition Loans would exceed the aggregate Acquisition Loan Commitments. During the Acquisition Loan Commitment Period, the Company may use the Acquisition Loan Commitments by borrowing, prepaying the Acquisition Loans in whole or in part, and reborrowing, all in accordance with the terms and conditions hereof.

(b) Each borrowing of Acquisition Loans pursuant to the Acquisition Loan Commitments shall be in an aggregate principal amount of the lesser of (i) $5,000,000, or a whole multiple of $1,000,000 in excess thereof, and (ii) the Available Acquisition Loan Commitments.

7.2 Mandatory Reduction of Acquisition Loan Commitments. On each anniversary of the Original Closing Date set forth on Schedules 7.2(a) and 7.2 (b), (a) Extended Acquisition Loan Commitments shall automatically be permanently reduced to, and each Lender's Extended Acquisition Loan Commitment shall be permanently reduced to an amount equal to such Lender's Acquisition Loan Commitment Percentage of the amount set forth on Schedule 7.2(a) and (b) Non-Extended Acquisition Loan Commitments shall automatically be permanently reduced to, and each Lender's Non-Extended Acquisition Loan Commitment shall be permanently reduced to an amount equal to such Lender's Acquisition Loan Commitment Percentage of the amount set forth on Schedule 7.2(b); provided, however, if prior to any of the dates specified in Schedules 7.2(a) or 7.2(b), the Acquisition Loan Commitment shall have been permanently reduced pursuant to subsection 8.4 or 8.6 to an amount less than the amount to which the Acquisition Loan Commitment is required to be reduced on such date pursuant to such Schedules, the Acquisition Loan Commitments shall as of such date be such lesser amount. If at the time of any such mandatory reduction of the Acquisition Loan Commitments, the aggregate principal amount of the Acquisition Loans then outstanding exceeds the Acquisition Loan Commitments as so reduced on such date, the Company shall on such date prepay the Acquisition Loans in the amount of such excess, together with accrued interest thereon to the date of payment.

7.3 Proceeds of Acquisition Loans. The Company acknowledges and confirms its agreement to use the proceeds of Acquisition Loans solely for purposes of financing Permitted Acquisitions and Permitted Joint Ventures, including to finance the purchase price thereof and to refinance any Indebtedness assumed or being repaid or repurchased in connection therewith, including the upfront payment and any buy-out or termination

payments associated with any lease by the Company or a Subsidiary of a Hospital, or any investment in working capital following a Permitted Acquisition or Permitted Joint Venture, and to pay related fees and expenses.

SECTION 8. GENERAL PROVISIONS APPLICABLE TO LOANS AND LETTERS OF CREDIT.

8.1 Procedure for Borrowing by the Company. (a) The Company may borrow under the Commitments on any Working Day, if the borrowing is of Eurodollar Loans, or on any Business Day, if the borrowing is of ABR Loans. With respect to the borrowings to take place on the Closing Date, the Company shall give the Administrative Agent irrevocable notice (which notice must be received by the Administrative Agent prior to 10:00 A.M., New York City time, on the Closing Date). With respect to any subsequent borrowings, the Company shall give the Administrative Agent irrevocable notice (which notice must be received by the Administrative Agent prior to 12:00 Noon, New York City time, (i) three Working Days prior to the requested Borrowing Date if all or any part of the Loans are to be Eurodollar Loans and (ii) one Business Day prior to the requested Borrowing Date if the borrowing is to be solely of ABR Loans) specifying (A) the amount of the borrowing, (B) whether such Loans are initially to be Eurodollar Loans or ABR Loans, or a combination thereof, (C) if the borrowing is to be entirely or partly Eurodollar Loans, the length of the Interest Period for such Eurodollar Loans, (D) if the borrowing is to be made after the Closing Date, the amount of such borrowing to be constituted by Revolving Credit Loans and/or Acquisition Loans and (E) if the borrowing is to be made on the Closing Date, the amount of such borrowing to be constituted by Additional Tranche D Term Loans and/or Revolving Credit Loans. Upon receipt of such notice the Administrative Agent shall promptly notify each Lender (which notice shall in any event be delivered to each Lender by 4:00 P.M., New York City time, on such date). Not later than 12:00 Noon, New York City time, on the Borrowing Date specified in such notice, each Lender shall make available to the Administrative Agent at the office of the Administrative Agent specified in subsection 16.2 (or at such other location as the Administrative Agent may direct) an amount in immediately available funds equal to the amount of the Loan to be made by such Lender. Subject to subsection 6.7(b) and any irrevocable direction of the Company pursuant to subsection 6.1(a), loan proceeds received by the Administrative Agent hereunder shall promptly be made available to the Company by the Administrative Agent's crediting the account of the Company, at the office of the Administrative Agent specified in subsection 16.2, with the aggregate amount actually received by the Administrative Agent from the Lenders and in like funds as received by the Administrative Agent.

(b) Any borrowing of Eurodollar Loans by the Company hereunder shall be in such amounts and be made pursuant to such elections so that, after giving effect thereto, (i) the aggregate principal amount of all Eurodollar Loans having the same Interest Period shall not be less than $3,000,000, or a whole multiple of $1,000,000 in excess thereof, and (ii) no more than ten Interest Periods shall be in effect at any one time with respect to Eurodollar Loans which are Tranche A Term Loans, Tranche B Term

Loans, Tranche C Term Loans or Tranche D Term Loans, respectively, and no more than five Interest Periods shall be in effect at any one time with respect to Eurodollar Loans which are Revolving Credit Loans or Acquisition Loans.

8.2 Repayment of Loans; Evidence of Debt. (a) The Company hereby unconditionally promises to pay to the Administrative Agent for the account of each Lender (i) the then unpaid principal amount of each Revolving Credit Loan of such Lender on the Revolving Credit Termination Date (or such earlier date on which the Revolving Credit Loans become due and payable pursuant to Section 14), (ii) the then unpaid principal amount of each Acquisition Loan of such Lender on the Acquisition Loan Termination Date (or such earlier date on which the Acquisition Loans become due and payable pursuant to Section 14) and (iii) the principal amount of the Term Loan of such Lender, in accordance with the applicable amortization schedule set forth in subsections 2.2, 3.2, 4.2 and 5.2 (or the then unpaid principal amount of such Term Loans, on the date that any or all of the Term Loans become due and payable pursuant to Section 14). The Company hereby further agrees to pay interest on the unpaid principal amount of the Loans from time to time outstanding from the date hereof until payment in full thereof at the rates per annum, and on the dates, set forth in subsection 8.7.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing indebtedness of the Company to such Lender resulting from each Loan of such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement.

(c) The Administrative Agent shall maintain the Register pursuant to subsection 16.6(f), and a subaccount therein for each Lender, in which shall be recorded (i) the amount of each Loan made hereunder, the Type thereof and each Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Company to each Lender hereunder and (iii) both the amount of any sum received by the Administrative Agent hereunder from the Company and each Lender's share thereof.

(d) The entries made in the Register and the accounts of each Lender maintained pursuant to subsection 8.2(b) shall, to the extent permitted by applicable law, be prima facie evidence of the existence and amounts of the obligations of the Company therein recorded; provided, however, that the failure of any Lender or the Administrative Agent to maintain the Register or any such account, or any error therein, shall not in any manner affect the obligation of the Company to repay (with applicable interest) the Loans made to such Company by such Lender in accordance with the terms of this Agreement.

(e) The Company agrees that, upon the request to the Company and the Administrative Agent by any Lender, the Company will execute and deliver to such Lender (i) a promissory note of the Company evidencing the Revolving Credit Loans of such Lender, substantially in the form of Exhibit A-5 with appropriate insertions as to date and principal amount (a "Revolving Credit Note"), (ii) a promissory note of the Company evidencing

the Swing Line Loans of such Lender, substantially in the form of Exhibit A-6 with appropriate insertions as to date and principal amount (a "Swing Line Note"), (iii) a promissory note of the Company evidencing the Acquisition Loans of such Lender, substantially in the form of Exhibit A-7 with appropriate insertions as to date and principal amount (an "Acquisition Loan Note"), (iv) a promissory note of the Company evidencing the Tranche A Term Loan of such Lender, substantially in the form of Exhibit A-1 with appropriate insertions as to date and principal amount (a "Tranche A Term Note"), (v) a promissory note of the Company evidencing the Tranche B Term Loan of such Lender, substantially in the form of Exhibit A-2 with appropriate insertions as to date and principal amount (a "Tranche B Term Note"), (vi) a promissory note of the Company evidencing the Tranche C Term Loan of such Lender, substantially in the form of Exhibit A-3 with appropriate insertions as to date and principal amount (a "Tranche C Term Note") and/or (vii) a promissory note of the Company evidencing the Tranche D Term Loan of such Lender, substantially in the form of Exhibit A-4 with appropriate insertions as to date and principal amount (a "Tranche D Term Note").

8.3 Conversion Options. The Company may elect from time to time to convert Eurodollar Loans into ABR Loans by giving the Administrative Agent irrevocable notice of such election, to be received by the Administrative Agent prior to 12:00 Noon, New York City time, at least three Working Days prior to the proposed conversion date, provided that any such conversion of Eurodollar Loans shall only be made on the last day of an Interest Period with respect thereto. The Company may elect from time to time to convert all or a portion of the ABR Loans (other than Swing Line Loans) then outstanding to Eurodollar Loans by giving the Administrative Agent irrevocable notice of such election, to be received by the Administrative Agent prior to 12:00 Noon, New York City time, at least three Working Days prior to the proposed conversion date, specifying the Interest Period selected therefor, and, if no Default or Event of Default has occurred and is continuing, such conversion shall be made on the requested conversion date or, if such requested conversion date is not a Working Day, on the next succeeding Working Day. Upon receipt of any notice pursuant to this subsection 8.3, the Administrative Agent shall promptly, but in any event by 4:00 P.M., New York City time, notify each Lender thereof. All or any part of the outstanding Loans (other than Swing Line Loans) may be converted as provided herein, provided that partial conversions of Loans shall be in the aggregate principal amount of $3,000,000, or a whole multiple of $1,000,000 in excess thereof, and the aggregate principal amount of the resulting Eurodollar Loans outstanding in respect of any one Interest Period shall be at least $3,000,000 or a whole multiple of $1,000,000 in excess thereof.

8.4 Changes of Commitment Amounts. (a) The Company shall have the right, upon not less than three Business Days' notice to the Administrative Agent, to terminate or, from time to time, reduce the Revolving Credit Commitments and/or the Acquisition Loan Commitments subject to the provisions of this subsection 8.4. To the extent, if any, that the sum of the amount of the Revolving Credit Loans, Swing Line Loans, and Revolving L/C Obligations then outstanding and the amounts available to be drawn under outstanding Letters of Credit exceeds the amount of the Revolving Credit Commitments as then reduced, the Company shall be required to make a

prepayment equal to such excess amount, the proceeds of which shall be applied first, to payment of the Swing Line Loans then outstanding, second, to payment of the Revolving Credit Loans then outstanding, third, to payment of any Revolving L/C Obligations then outstanding, and last, to cash collateralize any outstanding Letters of Credit on terms reasonably satisfactory to the Administrative Agent. Any such termination of the Revolving Credit Commitments shall be accompanied by prepayment in full of the Revolving Credit Loans, Swing Line Loans and Revolving L/C Obligations then outstanding and by cash collateralization of any outstanding Letter of Credit on terms reasonably satisfactory to the Administrative Agent. Upon termination of the Revolving Credit Commitments any Letter of Credit then outstanding which has been so cash collateralized shall no longer be considered a "Letter of Credit", as defined in subsection 1.1 and any L/C Participating Interests heretofore granted by the Issuing Lender to the Lenders in such Letter of Credit shall be deemed terminated (subject to automatic reinstatement in the event that such cash collateral is returned and the Issuing Lender is not fully reimbursed for any such L/C Obligations) but the Letter of Credit fees payable under subsection 8.11 shall continue to accrue to the Issuing Lender (or, in the event of any such automatic reinstatement, as provided in subsection 8.11) with respect to such Letter of Credit until the expiry thereof. To the extent, if any, that the amount of the Acquisition Loans then outstanding exceeds the amount of the Acquisition Loan Commitments as then reduced, the Company shall be required to make a prepayment of Acquisition Loans equal to such excess amount.

(b) Interest accrued on the amount of any partial prepayment pursuant to this subsection 8.4 to the date of such partial prepayment shall be paid on the Interest Payment Date next succeeding the date of such partial prepayment. In the case of the termination of the Revolving Credit Commitments and/or the Acquisition Loan Commitments, interest accrued on the amount of any prepayment relating thereto and any unpaid commitment fee accrued hereunder shall be paid on the date of such termination. Any such partial reduction of the Revolving Credit Commitments and/or the Acquisition Loan Commitments shall be in an amount of $3,000,000 or a whole multiple of $1,000,000 in excess thereof, and shall reduce permanently the Revolving Credit Commitments and/or the Acquisition Loan Commitments then in effect.

8.5 Optional Prepayments. The Company may at any time and from time to time prepay Loans, in whole or in part, without premium or penalty, upon at least one Business Days' irrevocable notice to the Administrative Agent in the case of ABR Loans and two Working Days' irrevocable notice to the Administrative Agent in the case of Eurodollar Loans and specifying the date and amount of prepayment; provided that Eurodollar Loans prepaid on other than the last day of any Interest Period with respect thereto shall be prepaid subject to the provisions of subsection 8.21. Upon receipt of such notice the Administrative Agent shall promptly notify each Lender thereof. If such notice is given, the Company shall make such prepayment, and the payment amount specified in such notice shall be due and payable, on the date specified therein. Accrued interest on any Notes or on the amount of any Loans paid in full pursuant to this subsection 8.5 shall be paid on the date of such prepayment. Accrued interest on the amount of any partial prepayment shall be paid on the Interest Payment Date next

succeeding the date of such partial prepayment. Partial prepayments shall be in an aggregate principal amount equal to the lesser of (A) $2,500,000 or a whole multiple of $1,000,000 in excess thereof and (B) the aggregate unpaid principal amount of the applicable Loans, as the case may be. Any amount prepaid on account of Term Loans may not be reborrowed. Partial prepayments of the Term Loans pursuant to this subsection 8.5 shall be applied as set forth in subsection 8.6(c).

8.6 Mandatory Prepayments. (a) Subject to the provisions of paragraphs (c) and (d) below, following any issuance of debt obligations of the Company or any of its Subsidiaries (other than Indebtedness of the Company or any of its Subsidiaries permitted to be issued under subsection 13.2), an amount equal to 100% of the net proceeds of such debt issuance shall, unless the Company and the Required Lenders otherwise agree, be applied by the Company in the following order of priority, except as such order of priority may be modified by agreement of the Company and the Required Application Lenders: first, to the ratable prepayment of the Term Loans (in the manner set forth in subsection 8.6(c)) and the Acquisition Loans (with any such prepayments of Acquisition Loans permanently reducing the Acquisition Loan Commitments in the amount thereof) and second, to permanently reduce the Revolving Credit Commitments in the manner set forth in subsection 8.4(a) (and, to the extent that the Aggregate Revolving Credit Extensions of Credit plus the then outstanding principal amount of the Swing Line Loans exceed the Revolving Credit Commitments as so reduced, such net proceeds shall be applied to the prepayment of the Revolving Credit Loans and the Swing Line Loans and the cash collateralization of the Letters of Credit in accordance with subsection 8.4 in an amount equal to such excess).

(b) Subject to paragraphs (c) and (d) below, following the consummation of any Asset Sale by the Company or any of its Subsidiaries, in the case of cash proceeds, and following receipt of cash proceeds representing payments under notes or other securities received in connection with any non-cash consideration obtained in connection with such Asset Sale, an amount equal to 100% of the Net Proceeds of such Asset Sale shall, unless the Company and the Required Lenders otherwise agree, be applied by the Company in the following order of priority, except as such order of priority may be modified by agreement of the Company and the Required Application Lenders, first, to the ratable prepayment of the Term Loans (in the manner set forth in subsection 8.6(c)) and the Acquisition Loans (with any such prepayments of Acquisition Loans permanently reducing the Acquisition Loan Commitments in the amount thereof) and second, to permanently reduce the Revolving Credit Commitments in the manner set forth in subsection 8.4(a) (and, to the extent that the Aggregate Revolving Credit Extensions of Credit exceed the Revolving Credit Commitments as so reduced, such cash proceeds shall be applied to the prepayment of the Revolving Credit Loans and the cash collateralization of the Letters of Credit in an amount equal to such excess in accordance with subsection 8.4).

(c) Partial prepayments of the Term Loans pursuant to subsection 8.5 or 8.6 shall be applied first, to the installments thereof scheduled to be paid during the next twelve months after the date of such prepayment, in the order that such installments are scheduled to be paid, and second, to

the remaining installments on a pro rata basis. Subject to clause first of the immediately preceding sentence and the third succeeding sentence, prepayments applicable to the Tranche A Term Loans, the Tranche B Term Loans, the Tranche C Term Loans and the Tranche D Term Loans shall be made on a pro rata basis based on the aggregate amount of such Term Loans then outstanding. With respect to any optional prepayment pursuant to subsection 8.5, at any time prior to the date of such prepayment, any holder of Tranche B Term Loans, Tranche C Term Loans or Tranche D Term Loans may notify the Company and the Administrative Agent that such holder of Tranche B Term Loans, Tranche C Term Loans or Tranche D Term Loans elects not to have such optional prepayment applied to such Tranche B Term Loans, Tranche C Term Loans or Tranche D Term Loans pursuant to this subsection 8.6(c). Any such notice given by any such holder of Tranche B Term Loans, Tranche C Term Loans or Tranche D Term Loans shall become effective on the date three Business Days after the date received by the Company and the Administrative Agent and shall remain in effect until the date three Business Days after the date on which the Company and the Administrative Agent receive a notice of revocation from such holder. If any such holder of a Tranche B Term Loan, Tranche C Term Loan or Tranche D Term Loan shall have so elected not to have optional prepayments applied to such Tranche B Term Loan, Tranche C Term Loan or Tranche D Term Loan, the amount of such optional prepayment which would have been applied to such Tranche B Term Loans, Tranche C Term Loans or Tranche D Term Loans shall be instead applied, first, ratably, to the Tranche A Term Loans and the Acquisition Loans (with any such prepayments of Acquisition Loans permanently reducing the Acquisition Loan Commitments in the amount thereof), second, to the Tranche B Term Loans, Tranche C Term Loans and Tranche D Term Loans held by any holder which has not made an election pursuant to this subsection 8.6(c), pro rata in accordance with the principal amounts held by such holders, and third, to the other Tranche B Term Loans, Tranche C Term Loans and Tranche D Term Loans, pro rata in accordance with the principal amount thereof, and

(d)(i) Immediately upon receipt by the Company or any of its Subsidiaries of any cash proceeds relating to any Asset Sale or other transaction described in paragraph (a) or (b) above, the Company shall apply such cash proceeds (less the aggregate amount of any reasonable underwriter's commissions and discounts, placement agency fees and expenses, financial advisory fees and expenses, accounting and legal fees and expenses, and other fees and expenses, in each case relating to, and payable at the closing of, the transaction or transactions resulting in such cash proceeds ("Closing Transaction Fees")) to prepay the Revolving Credit Loans (or to the extent there are no Revolving Credit Loans outstanding or the Company would not, as determined by the Company in good faith, be permitted to reborrow Revolving Credit Loans as contemplated in this subsection 8.6(d), such cash proceeds (less Closing Transaction Fees) shall be delivered to the Administrative Agent to be held by it on behalf of the Lenders until the calculations required to be made pursuant to clause (ii) hereof have been reported to the Administrative Agent) and any such prepaid amounts may not be reborrowed until the calculations required to be made pursuant to clause (ii) hereof have been reported to the Administrative Agent.

(ii) Within five days following the receipt by the Company or any of its Subsidiaries of such cash proceeds, the Company shall calculate the

anticipated net proceeds of any debt issuance or the anticipated amount of Net Proceeds of any Asset Sale and shall report such calculation to the Administrative Agent.

(iii) Subject to the terms and conditions hereunder, after the Company has reported such calculations to the Administrative Agent, the Company shall immediately borrow Revolving Credit Loans, or apply from the cash proceeds delivered to the Administrative Agent pursuant to clause (i) of this subsection 8.6(c), in an aggregate amount equal to the lesser of (A) 80% of the anticipated net proceeds of such debt issuance or 80% of the anticipated amount of Net Proceeds of such Asset Sale or (B) 50% of the cash proceeds used to prepay Revolving Credit Loans or delivered to the Administrative Agent pursuant to clause (i) of this subsection 8.6(c), and the proceeds of such Revolving Credit Loans or such application shall immediately be used by the Company to prepay an equal amount of the Term Loans and Acquisition Loans in accordance with this subsection 8.6.

(iv) Within 30 days following the receipt by the Company or any of its Subsidiaries of such cash proceeds, the Company shall apply an amount equal to (A) 100% of the net proceeds (in the case of a debt issuance) or 100% of the Net Proceeds of an Asset Sale less (B) any amount used to prepay the Term Loans and Acquisition Loans pursuant to clause (iii) hereof, to prepay the Loans and permanently reduce the Acquisition Loan Commitments and the Revolving Credit Commitments in the order set forth in paragraph (a) or (b) above, as applicable, and the Administrative Agent shall remit to the Company the remainder, if any, of any funds delivered to the Administrative Agent pursuant to clause (i) of this subsection 8.6(c) therefor. For purposes of this subsection 8.6(c), the net proceeds of any transaction (other than an Asset Sale) giving rise to a required prepayment shall be determined in accordance with the definition of "Net Proceeds" in subsection 1.1, with appropriate changes.

(e) Upon receipt by the Administrative Agent of the amounts required to be paid pursuant to clause (i) of paragraph (d) above from any Asset Sale consisting of the sale of all of the shares of capital stock of any Subsidiary Guarantor (or, upon receipt by the Company or its Subsidiaries of such amounts as are permitted to be retained in accordance with clause (g) of this subsection 8.6), (1) the obligations of such Subsidiary Guarantor under its Guarantee shall automatically be discharged and released without any further action by the Administrative Agent, the Co-Agents or any Lender, and (2) the Administrative Agent, the Co-Agents and the Lenders will, upon the request of the Company, execute and deliver any instrument or other document in a form acceptable to the Administrative Agent which may reasonably be required to evidence such discharge and release.

(f) Upon receipt by the Administrative Agent of the amounts required to be paid pursuant to clause (i) of paragraph (d) above from any Asset Sale consisting of the sale of shares of capital stock of any Subsidiary Guarantor or any Subsidiary of the Company (or, upon receipt by the Company or its Subsidiaries of such amounts as are permitted to be retained in accordance with clause (g) of this subsection 8.6), (1) the Administrative Agent shall release to the Company, without representation, warranty or recourse, express or implied, those of such shares of capital

stock of such Subsidiary Guarantor or Subsidiary held by it as Pledged Stock (as defined in the Company Pledge Agreement) and (2) the Administrative Agent, the Co-Agents and the Lenders will, upon the request of the Company, execute and deliver any instrument or other document in a form acceptable to the Administrative Agent which may reasonably be required to evidence such release.

(g) Notwithstanding anything to the contrary contained in this subsection 8.6, so long as no Default or Event of Default has occurred or is continuing or would result therefrom, the Company may elect, by notice to the Administrative Agent, to retain, without compliance with respect thereto with any of the provisions of this subsection 8.6, up to $20,000,000 in the aggregate of (i) net proceeds from debt issuances and (ii) Net Proceeds from Asset Sales occurring after the Closing Date which the Company would otherwise be required to apply to prepayment of the Term Loans and the reduction of the Acquisition Loan Commitments and Revolving Credit Commitments, and the Term Loans need not be prepaid nor the Acquisition Loan Commitments and Revolving Credit Commitments reduced by such amount.

(h) The Company shall give the Administrative Agent (which shall promptly notify each Lender) at least one Business Day's notice of each prepayment pursuant to subsection 8.5 setting forth the date and amount thereof. Prepayments of Eurodollar Loans pursuant to this subsection 8.6, if not on the last day of the Interest Period with respect thereto, shall, at the Company's option, as long as no Default or Event of Default has occurred and is continuing, be prepaid subject to the provisions of subsection 8.21 or such prepayment (after application to any ABR Loans, in the case of prepayments by the Company) shall be deposited with the Administrative Agent as cash collateral for such Eurodollar Loans on terms reasonably satisfactory to the Administrative Agent and thereafter shall be applied to the prepayment of the Eurodollar Loans on the last day of the respective Interest Periods for such Eurodollar Loans next ending most closely to the date of receipt of such Net Proceeds. After such application, unless a Default or an Event of Default shall have occurred and be continuing, any remaining interest earned on such cash collateral shall be paid to the Company.

(i) Upon the Revolving Credit Termination Date the Company shall, with respect to each then outstanding Letter of Credit, if any, either (i) cause such Letter of Credit to be cancelled without such Letter of Credit being drawn upon or (ii) collateralize the Revolving L/C Obligations with respect to such Letter of Credit with a letter of credit issued by banks or a bank satisfactory to the Administrative Agent on terms satisfactory to the Administrative Agent.

(j) Upon consummation by the Company or any Subsidiary of a Permitted Minority Interest Transfer, (i) the Administrative Agent shall release to the Company, without representation, warranty or recourse, those shares of capital stock of the Subsidiary that are the subject of such Permitted Minority Interest Transfer as permitted in clauses (1) and (2) of subsection 8.6(f) and shall release any Pledged Note theretofore pledged, provided that the conditions set forth in clause (a)(iii) and (iv) of the definition of Permitted Minority Interest Subsidiaries shall have been

satisfied, and (ii) if such Subsidiary whose shares are the subject of such Permitted Minority Interest Transfer is a Subsidiary Guarantor, the obligations of such Subsidiary under its Subsidiary Guarantee shall automatically be discharged and released as provided in clauses (1) and (2) of subsection 8.6(e) above.

8.7 Interest Rates and Payment Dates. (a) Each Eurodollar Loan shall bear interest for each day during each Interest Period with respect thereto on the unpaid principal amount thereof at a rate per annum equal to the Eurodollar Rate determined for such Interest Period plus the Applicable Margin.

(b) ABR Loans shall bear interest for the period from and including the date thereof until maturity thereof on the unpaid principal amount thereof at a rate per annum equal to the ABR plus the Applicable Margin.

(c) If all or a portion of (i) the principal amount of any of the Loans or (ii) any interest payable thereon shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall, without limiting the rights of the Lenders under Section 14, bear interest at a rate per annum which is (x) in the case of overdue principal, 2% above the rate that would otherwise be applicable thereto pursuant to the foregoing provisions of this subsection (provided that for all purposes of determining the Applicable Margin, the Applicable Level shall be deemed to be Level 1) or (y) in the case of overdue interest, 2% above the rate described in paragraph (b) of this subsection for Revolving Credit Loans (provided that for purposes of this paragraph (c), the Applicable Level shall be deemed to be Level 1), in each case from the date of such nonpayment until such amount is paid in full (as well after as before judgment).

(d) Interest shall be payable in arrears on each Interest Payment Date; provided that interest accruing pursuant to paragraph (c) of this subsection shall be payable on demand by the Administrative Agent made at the request of the Required Lenders.

8.8 Computation of Interest and Fees. (a) Interest in respect of ABR Loans at any time the ABR is calculated based on the Prime Rate and all fees hereunder shall be calculated on the basis of a 365 or 366, as the case may be, day year for the actual days elapsed. Interest in respect of Eurodollar Loans and ABR Loans at any time the ABR is not calculated based on the Prime Rate shall be calculated on the basis of a 360 day year for the actual days elapsed. The Administrative Agent shall as soon as practicable notify the Company and the Lenders of each determination of a Eurodollar Rate. Any change in the interest rate on a Loan resulting from a change in the ABR shall become effective as of the opening of business on the day on which such change in the ABR becomes effective. The Administrative Agent shall as soon as practicable notify the Company and the Lenders of the effective date and the amount of each such change.

(b) Each determination of an interest rate by the Administrative Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Company and the Lenders in the absence of manifest error.

The Administrative Agent shall, at the request of the Company, deliver to the Company a statement showing the quotations used by the Administrative Agent in determining the Eurodollar Rate.

8.9 Commitment Fees. The Company agrees to pay to the Administrative Agent, for the account of each Lender, a commitment fee from and including the Closing Date to but excluding the later of the Revolving Credit Termination Date and the Acquisition Loan Termination Date on the sum of such Lender's Available Revolving Credit Commitment and Available Acquisition Loan Commitment outstanding from time to time, at the rate per annum for each day during the period for which payment is made set forth opposite the Applicable Margin in effect for Revolving Credit Loans which are Eurodollar Loans on such day, whether or not there are any such Eurodollar Loans outstanding on such day:

Eurodollar Applicable Margin for Revolving Credit Loans	Commitment Fee
2.50%	.500%
2.25%	.500%
2.00%	.375%
1.75%	.375%
1.50%	.375%

The commitment fee provided for in this subsection 8.9 shall be payable quarterly in arrears on the last day of each fiscal quarter and on the Revolving Credit Termination Date with respect to the Available Revolving Credit Commitments and on the Acquisition Loan Termination Date with respect to the Available Acquisition Loan Commitments.

8.10 Certain Fees. The Company agrees to pay to the Administrative Agent for its own account a non-refundable agent's fee of $600,000 in respect of the period from the Original Closing Date to the first anniversary thereof and of $500,000 in respect of each annual period thereafter, which fee shall be payable in equal quarterly installments in advance on the Original Closing Date in respect of the quarter in which the Original Closing Date occurs (prorated for the period from the Original Closing Date to the end of such quarter) and on the last day of each , June, September and December thereafter (pro rated for the quarterly installment paid immediately prior to the first anniversary of the Original Closing Date based on the $600,000 amount for the period from the scheduled date of payment of such quarterly installment to such first anniversary and based on the $500,000 amount for the remainder of the quarterly period for which such payment is made).

8.11 Letter of Credit Fees. (a) In lieu of any letter of credit commissions and fees provided for in any L/C Application relating to Letters of Credit (other than standard administrative issuance, amendment and negotiation fees), the Company agrees to pay the Administrative Agent a Letter of Credit fee, for the account of the Issuing Lender and the

Participating Lenders, (i) with respect to each Standby L/C, on the average outstanding amount available to be drawn under each Standby L/C at a rate per annum equal to the Applicable Margin for Revolving Credit Loans which are Eurodollar Loans in effect at such time, whether or not there are any such Eurodollar Loans outstanding at such time, payable in arrears, on the last day of each fiscal quarter of the Company and on the Revolving Credit Termination Date and (ii) with respect to each Commercial L/C, on the aggregate face amount of each Commercial L/C at a rate equal to the Applicable Margin for Revolving Credit Loans which are Eurodollar Loans in effect at such time, whether or not there are any such Eurodollar Loans outstanding at such time, payable on the date such Commercial L/C is issued.

In addition, the Company shall pay to the Issuing Lender, other than with respect to the issuance of the Existing Letters of Credit, (i) with respect to each Standby L/C, in arrears on the last day of each fiscal quarter of the Company and on the Revolving Credit Termination Date with respect to the Revolving Credit Commitments, a fee to be agreed with the applicable Issuing Lender but not greater than 2 of 1% per annum on the average outstanding amount available to be drawn under such Standby L/C, solely for its own account as Issuing Lender of such Standby L/C and not on account of its L/C Participating Interest therein and (ii) with respect to each Commercial L/C, on the date such Commercial L/C is issued, a fee to be agreed with the applicable Issuing Lender but not greater than 2 of 1% on the aggregate face amount of such Commercial L/C, solely for its own account as Issuing Lender of such Commercial L/C and not on account of its L/C Participating Interest therein.

(b) In connection with any payment of fees pursuant to this subsection 8.11, the Administrative Agent agrees to provide to the Company a statement of any such fees so paid; provided that the failure by the Administrative Agent to provide the Company with any such invoice shall not relieve the Company of its obligation to pay such fees.

8.12 Letter of Credit Reserves. (a) If any Change in Law after the date of this Agreement shall either (i) impose, modify, deem or make applicable any reserve, special deposit, assessment or similar requirement against letters of credit issued by the Issuing Lender or (ii) impose on the Issuing Lender any other condition regarding this Agreement or any Letter of Credit, and the result of any event referred to in clause (i) or (ii) above shall be to increase the cost to the Issuing Lender of issuing or maintaining any Letter of Credit (which increase in cost shall be the result of the Issuing Lender's reasonable allocation of the aggregate of such cost increases resulting from such events), then, upon demand by the Issuing Lender, the Company shall immediately pay to the Issuing Lender, from time to time as specified by the Issuing Lender, additional amounts which shall be sufficient to compensate the Issuing Lender for such increased cost, together with interest on each such amount from the date demanded until payment in full thereof at a rate per annum equal to the ABR plus the Applicable Margin for Revolving Credit ABR Loans. A certificate submitted by the Issuing Lender to the Company concurrently with any such demand by the Issuing Lender, shall be conclusive, absent manifest error, as to the amount thereof.

(b) In the event that at any time after the date hereof any Change in Law with respect to the Issuing Lender shall, in the opinion of the Issuing Lender, require that any obligation under any Letter of Credit be treated as an asset or otherwise be included for purposes of calculating the appropriate amount of capital to be maintained by the Issuing Lender or any corporation controlling the Issuing Lender, and such Change in Law shall have the effect of reducing the rate of return on the Issuing Lender's or such corporation's capital, as the case may be, as a consequence of the Issuing Lender's obligations under such Letter of Credit to a level below that which the Issuing Lender or such corporation, as the case may be, could have achieved but for such Change in Law (taking into account the Issuing Lender's or such corporation's policies, as the case may be, with respect to capital adequacy) by an amount deemed by the Issuing Lender to be material, then from time to time following notice by the Issuing Lender to the Company of such Change in Law, within 15 days after demand by the Issuing Lender, the Company shall pay to the Issuing Lender such additional amount or amounts as will compensate the Issuing Lender or such corporation, as the case may be, for such reduction. If the Issuing Lender becomes entitled to claim any additional amounts pursuant to this subsection 8.12(b), it shall promptly notify the Company of the event by reason of which it has become so entitled. A certificate submitted by the Issuing Lender to the Company concurrently with any such demand by the Issuing Lender, shall be conclusive, absent manifest error, as to the amount thereof.

(c) The Company agrees that the provisions of the foregoing paragraphs (a) and (b) and the provisions of each L/C Application providing for reimbursement or payment to the Issuing Lender in the event of the imposition or implementation of, or increase in, any reserve, special deposit, capital adequacy or similar requirement in respect of the Letter of Credit relating thereto shall apply equally to each Participating Lender in respect of its L/C Participating Interest in such Letter of Credit, as if the references in such paragraphs and provisions referred to, where applicable, such Participating Lender or any corporation controlling such Participating Lender.

8.13 Further Assurances. The Company hereby agrees, from time to time, to do and perform any and all acts and to execute any and all further instruments reasonably requested by the Issuing Lender to effect more fully the purposes of this Agreement and the issuance of Letters of Credit hereunder. The Company further agrees to execute any and all instruments reasonably requested by the Issuing Lender in connection with the obtaining and/or maintaining of any insurance coverage applicable to any Letters of Credit.

8.14 Obligations Absolute. The payment obligations of the Company under this Agreement with respect to the Letters of Credit shall be unconditional and irrevocable and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including, without limitation, the following circumstances:

(i) the existence of any claim, set-off, defense or other right which the Company or any of its Subsidiaries may have at any time against any beneficiary, or any transferee, of any Letter of Credit

(or any Persons for whom any such beneficiary or any such transferee may be acting), the Issuing Lender, the Administrative Agent, any Co-Agent or any Lender, or any other Person, whether in connection with this Agreement, the Related Documents, any Credit Documents, the transactions contemplated herein, or any unrelated transaction;

(ii) any statement or any other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(iii) payment by the Issuing Lender under any Letter of Credit against presentation of a draft or certificate which does not comply with the terms of such Letter of Credit, except where such payment constitutes gross negligence or wilful misconduct on the part of the Issuing Lender; or

(iv) any other circumstances or happening whatsoever, whether or not similar to any of the foregoing, except for any such circumstances or happening constituting gross negligence or wilful misconduct on the part of the Issuing Lender.

8.15 Assignments. No Participating Lender's participation in any Letter of Credit or any of its rights or duties hereunder shall be subdivided, assigned or transferred (other than in connection with a transfer of part or all of such Participating Lender's Revolving Credit Commitment in accordance with subsection 16.6) without the prior written consent of the Issuing Lender, which consent will not be unreasonably withheld. Such consent may be given or withheld without the consent or agreement of any other Participating Lender. Notwithstanding the foregoing, a Participating Lender may subparticipate its L/C Participating Interest without obtaining the prior written consent of the Issuing Lender.

8.16 Participations. Each Lender's obligation to purchase participating interests pursuant to subsections 6.4 and 6.7(c) shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (i) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against the Issuing Lender, the Company, HoldCo or any other Person for any reason whatsoever; (ii) the occurrence or continuance of a Default or an Event of Default; (iii) any adverse change in the condition (financial or otherwise) of the Company; (iv) any breach of this Agreement by the Company or any other Lender; or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

8.17 Inability to Determine Interest Rate for Eurodollar Loans. In the event that the Administrative Agent shall have determined (which determination shall be conclusive and binding upon the Company) that (a) by reason of circumstances affecting the interbank eurodollar market generally, adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for any Interest Period with respect to (i) proposed Loans that the Company has requested be made as Eurodollar Loans, (ii) any Eurodollar Loans that will result from the requested conversion of all or part of ABR Loans into Eurodollar Loans or (iii) the continuation of any

Eurodollar Loan as such for an additional Interest Period, (b) the Eurodollar Rate determined or to be determined for any Interest Period will not adequately and fairly reflect the cost to Lenders constituting the Required Lenders of making or maintaining their affected Eurodollar Loans during such Interest Period by reason of circumstances affecting the interbank eurodollar market generally or (c) dollar deposits in the relevant amount and for the relevant period with respect to any such Eurodollar Loan are not available to any of the Lenders in their respective Eurodollar Lending Offices' interbank eurodollar market, the Administrative Agent shall forthwith give notice of such determination, confirmed in writing, to the Company and the Lenders at least one day prior to, as the case may be, the requested Borrowing Date, the conversion date or the last day of such Interest Period. If such notice is given, (i) any requested Eurodollar Loans shall be made as ABR Loans, (ii) any ABR Loans that were to have been converted to Eurodollar Loans shall be continued as ABR Loans, and (iii) any outstanding Eurodollar Loans shall be converted, on the last day of the then current Interest Period applicable thereto, into ABR Loans. Until such notice has been withdrawn by the Administrative Agent, no further Eurodollar Loans shall be made and no ABR Loans shall be converted to Eurodollar Loans.

8.18 Pro Rata Treatment and Payments. (a) Each borrowing of any Loans (other than Swing Line Loans) by the Company from the Lenders, each payment by the Company on account of any fee hereunder (other than as set forth in subsections 8.10 and 8.11) and any reduction of the Revolving Credit Commitments or Acquisition Loan Commitments of the Lenders hereunder shall be made pro rata according to the relevant Commitment Percentages of the Lenders. Each payment (including each prepayment) by the Company on account of principal of and interest on the Loans (other than Swing Line Loans and other than as set forth in subsections 8.6, 8.19, 8.20 and 8.21) shall be made pro rata according to the relevant Commitment Percentages of the Lenders. All payments (including prepayments) to be made by the Company on account of principal, interest and fees shall be made without set-off or counterclaim and shall be made to the Administrative Agent, for the account of the Lenders, at the Administrative Agent's office located at 270 Park Avenue, New York, New York 10017, in lawful money of the United States of America and in immediately available funds. The Administrative Agent shall promptly distribute such payments ratably to each Lender in like funds as received. If any payment hereunder (other than payments on Eurodollar Loans) becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension. If any payment on a Eurodollar Loan becomes due and payable on a day other than a Working Day, the maturity thereof shall be extended to the next succeeding Working Day and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension unless the result of such extension would be to extend such payment into another calendar month in which event such payment shall be made on the immediately preceding Working Day.

(b) Unless the Administrative Agent shall have been notified in writing by any Lender prior to a Borrowing Date that such Lender will not make the amount which would constitute its relevant Commitment Percentage

of the borrowing on such date available to the Administrative Agent, the Administrative Agent may assume that such Lender has made such amount available to the Administrative Agent on such Borrowing Date in accordance with subsection 8.1 and the Administrative Agent may, in reliance upon such assumption, make available to the Company a corresponding amount. If such amount is made available to the Administrative Agent by such Lender on a date after such Borrowing Date, such Lender shall pay to the Administrative Agent on demand an amount equal to the product of (i) the daily average Federal funds rate during such period as quoted by the Administrative Agent, times (ii) the amount of such Lender's relevant Commitment Percentage of such borrowing, times (iii) a fraction the numerator of which is the number of days that elapse from and including such Borrowing Date to the date on which such Lender's relevant Commitment Percentage of such borrowing shall have become immediately available to the Administrative Agent and the denominator of which is 360. A certificate of the Administrative Agent submitted to any Lender with respect to any amounts owing under this subsection 8.18(b) shall be conclusive, absent manifest error. If such Lender's relevant Commitment Percentage of such borrowing is not in fact made available to the Administrative Agent by such Lender within three Business Days of such Borrowing Date, the Administrative Agent shall be entitled to recover such amount with interest thereon at the rate per annum applicable to ABR Loans hereunder, on demand, from the Company without prejudice to any rights which the Company or the Administrative Agent may have against such Lender hereunder. Nothing contained in this subsection 8.18(b) shall relieve any Lender which has failed to make available its ratable portion of any borrowing hereunder from its obligation to do so in accordance with the terms hereof.

(c) The failure of any Lender to make the Loan to be made by it on any Borrowing Date shall not relieve any other Lender of its obligation, if any, hereunder to make its Loan on such Borrowing Date, but no Lender shall be responsible for the failure of any other Lender to make the Loan to be made by such other Lender on such Borrowing Date.

(d) All payments and prepayments (other than mandatory prepayments as set forth in subsection 8.6 and other than prepayments as set forth in subsection 8.20 with respect to increased costs) of Eurodollar Loans hereunder shall be in such amounts and be made pursuant to such elections so that, after giving effect thereto, the aggregate principal amount of all Eurodollar Loans with the same Interest Period shall not be less than $3,000,000 or a whole multiple of $1,000,000 in excess thereof.

(e) Each Lender, Assignee and Participant that is not a citizen or resident of the United States of America, a corporation, partnership or other entity created or organized in or under the laws of the United States of America, or any estate or trust that is subject to U.S. federal income taxation regardless of the source of its income (a "Non-U.S. Lender") shall deliver to the Company and the Administrative Agent, and if applicable, the assigning Lender (or, in the case of a Participant, to the Lender from which the related participation shall have been purchased) on or before the date on which it becomes a party to this Agreement (or, in the case of a Participant, on or before the date on which such Participant purchases the related participation) either:

(A) (x) two duly completed and signed copies of either Internal Revenue Service Form 1001 (relating to such Non-U.S. Lender and entitling it to a complete exemption from withholding of U.S. Taxes on all amounts to be received by such Non-U.S. Lender pursuant to this Agreement and the other Credit Documents) or Form 4224 (relating to all amounts to be received by such Non-U.S. Lender pursuant to this Agreement and the other Credit Documents), or successor and related applicable forms, as the case may be, and (y) two duly completed and signed copies of Internal Revenue Service Form W-8 or W-9, or successor and related applicable forms, as the case may be; or

(B) in the case of a Non-U.S. Lender that is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code and that does not comply with the requirements of clause (A) hereof, (x) a statement in the form of Exhibit H (or such other form of statement as shall be reasonably requested by the Company from time to time) to the effect that such Non-U.S. Lender is eligible for a complete exemption from withholding of U.S. Taxes under Code Section 871(h) or 881(c), and (y) two duly completed and signed copies of Internal Revenue Service Form W-8 or successor and related applicable forms (it being understood and agreed that no Participant and, without the prior written consent of the Company described in clause (C) of the proviso to the first sentence of subsection 16.6(c), no Assignee shall be entitled to deliver any forms or statements pursuant to this clause (B), but rather shall be required to deliver forms pursuant to clause (A) of this subsection 8.18(e)).

Each Non-U.S. Lender that delivers a statement in the form of Exhibit H (or such other form of statement as shall have been requested by the Company) agrees that it shall hold only Qualified Non-U.S. Lender Notes and that it shall be the sole beneficial and record owner of all Qualified Non-U.S. Lender Notes held by it. Further, each Non-U.S. Lender agrees (i) to deliver to the Company and the Administrative Agent, and if applicable, the assigning Lender (or, in the case of a Participant, to the Lender from which the related participation shall have been purchased) two further duly completed and signed copies of such Forms 1001, 4224, W-8 or W-9, as the case may be, or successor and related applicable forms, on or before the date that any such form expires or becomes obsolete and promptly after the occurrence of any event requiring a change from the most recent form(s) previously delivered by it to the Company (or, in the case of a Participant, to the Lender from which the related participation shall have been purchased) in accordance with applicable U.S. laws and regulations, (ii) in the case of a Non-U.S. Lender that delivers a statement in the form of Exhibit H (or such other form of statement as shall have been requested by the Company), to deliver to the Company and the Administrative Agent, and if applicable, the assigning Lender, such statement on an annual basis on the anniversary of the date on which such Non-U.S. Lender became a party to this Agreement and to deliver promptly to the Company and the Administrative Agent, and if applicable, the assigning Lender, such additional statements and forms as shall be reasonably requested by the Company from time to time, and (iii) to notify promptly the Company and the Administrative Agent (or, in the case of a Participant, the Lender from which the related participation shall have been purchased) if it is no longer able to deliver, or if it is required to withdraw or cancel, any

form or statement previously delivered by it pursuant to this subsection 8.18(e). Each Non-U.S. Lender agrees to indemnify and hold harmless the Company from and against any taxes, penalties, interest or other costs or losses (including, without limitation, reasonable attorneys' fees and expenses) incurred or payable by the Company as a result of the failure of the Company to comply with its obligations to deduct or withhold any U.S. Taxes from any payments made pursuant to this Agreement to such Non-U.S. Lender or the Administrative Agent which failure resulted from the Company's reliance on any form, statement, certificate or other information provided to it by such Non-U.S. Lender pursuant to clause (B) or clause (ii) of this subsection 8.18(e). The Company hereby agrees that for so long as a Non-U.S. Lender complies with this subsection 8.18(e), the Company shall not withhold any amounts from any payments made pursuant to this Agreement to such Non-U.S. Lender, unless the Company reasonably determines that it is required by law to withhold or deduct any amounts from any payments made to such Non-U.S. Lender pursuant to this Agreement. Notwithstanding any other provision of this subsection 8.18(e), a Non-U.S. Lender shall not be required to deliver any form or statement pursuant to the immediately preceding sentences in this subsection 8.18(e) that such Non-U.S. Lender is not legally able to deliver (it being understood and agreed that the Company shall withhold or deduct such amounts from any payments made to such Non-U.S. Lender that the Company reasonably determines are required by law). If any Credit Party other than the Company makes any payment to any Non-U.S. Lender under any Credit Document, the foregoing provisions of this subsection 8.18(e) shall apply to such Non-U.S. Lender and such Credit Party as if such Credit Party were the Company (but a Non-U.S. Lender shall not be required to provide any form or make any statement to any such Credit Party unless such Non-U.S. Lender has received a request to do so from such Credit Party and has a reasonable time to comply with such request).

8.19 Illegality. Notwithstanding any other provisions herein, if any Requirement of Law or any change therein or in the interpretation or application thereof occurring after the date that any lender becomes a Lender party to this Agreement shall make it unlawful for such Lender to make or maintain Eurodollar Loans as contemplated by this Agreement, the commitment of such Lender hereunder to make Eurodollar Loans or to convert all or a portion of ABR Loans into Eurodollar Loans shall forthwith be cancelled and such Lender's Loans then outstanding as Eurodollar Loans, if any, shall, if required by law and if such Lender so requests, be converted automatically to ABR Loans on the date specified by such Lender in such request. To the extent that such affected Eurodollar Loans are converted into ABR Loans, all payments of principal which would otherwise be applied to such Eurodollar Loans shall be applied instead to such Lender's ABR Loans. The Company hereby agrees promptly to pay any Lender, upon its demand, any additional amounts necessary to compensate such Lender for any costs incurred by such Lender in making any conversion in accordance with this subsection 8.19 including, but not limited to, any interest or fees payable by such Lender to lenders of funds obtained by it in order to make or maintain its Eurodollar Loans hereunder (such Lender's notice of such costs, as certified to the Company through the Administrative Agent, to be conclusive absent manifest error).

8.20 Requirements of Law. (a) In the event that, at any time

after the date hereof, the adoption of any Requirement of Law, or any change therein or in the interpretation or application thereof or compliance by any Lender with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority:

(i) does or shall subject any Lender to any tax of any kind whatsoever with respect to this Agreement, any Note or any Eurodollar Loans made by it, or change the basis of taxation of payments to such Lender of principal, interest or any other amount payable hereunder (except for changes in the rate of tax on the overall net income of such Lender), it being understood and agreed that, in the case of a Non-U.S. Lender that does not comply with clause (A) of subsection 8.18(e), this clause (i) shall apply only to the extent that it would have applied if such Non-U.S. Lender were able to comply with clause (A) of subsection 8.18(e);

(ii) does or shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, or deposits or other liabilities in or for the account of, advances or loans by, or other credit extended by, or any other acquisition of funds by, any office of such Lender which are not otherwise included in the determination of the Eurodollar Rate; or

(iii) does or shall impose on such Lender any other condition;

and the result of any of the foregoing is to increase the cost to such Lender of making, converting, renewing or maintaining advances or extensions of credit or to reduce any amount receivable hereunder, in each case, in respect of its Eurodollar Loans, then, in any such case, the Company, shall promptly pay such Lender, on demand, any additional amounts necessary to compensate such Lender on an after-tax basis for such additional cost or reduced amount receivable which such Lender deems to be material as determined by such Lender with respect to such Eurodollar Loans together with interest on each such amount from the date demanded until payment in full thereof at a rate per annum equal to the ABR plus the Applicable Margin for Revolving Credit Loans which are ABR Loans.

(b) In the event that at any time after the date hereof any Change in Law with respect to any Lender shall, in the opinion of such Lender, require that any Commitment of such Lender be treated as an asset or otherwise be included for purposes of calculating the appropriate amount of capital to be maintained by such Lender or any corporation controlling such Lender, and such Change in Law shall have the effect of reducing the rate of return on such Lender's or such corporation's capital, as the case may be, as a consequence of such Lender's obligations hereunder to a level below that which such Lender or such corporation, as the case may be, could have achieved but for such Change in Law (taking into account such Lender's or such corporation's policies, as the case may be, with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time following notice by such Lender to the Company of such Change in Law as provided in paragraph (c) of this subsection 8.20, within 15 days after demand by such Lender, the Company shall pay to such Lender such additional amount or amounts as will compensate such Lender or such

corporation, as the case may be, on an after-tax basis for such reduction.

(c) If any Lender becomes entitled to claim any additional amounts pursuant to this subsection 8.20, it shall promptly notify the Company through the Administrative Agent, of the event by reason of which it has become so entitled. If any Lender has notified the Company through the Administrative Agent of any increased costs pursuant to paragraph (a) of this subsection 8.20, the Company at any time thereafter may, upon at least two Working Days' notice to the Administrative Agent (which shall promptly notify the Lenders thereof), and subject to subsection 8.21, prepay or convert into ABR Loans all (but not a part) of the Eurodollar Loans then outstanding. Each Lender agrees that, upon the occurrence of any event giving rise to the operation of paragraph (a) of this subsection 8.20 with respect to such Lender, it will, if requested by the Company, and to the extent permitted by law or by the relevant Governmental Authority, endeavor in good faith to avoid or minimize the increase in costs or reduction in payments resulting from such event (including, without limitation, endeavoring to change its Eurodollar Lending Office); provided, however, that such avoidance or minimization can be made in such a manner that such Lender, in its sole determination, suffers no economic, legal or regulatory disadvantage. If any Lender has notified the Company, through the Administrative Agent, of any increased costs pursuant to paragraph (b) of this subsection 8.20, the Company at any time thereafter may, upon at least three Business Days' notice to the Administrative Agent (which shall promptly notify the Lender thereof), and subject to subsection 8.21, reduce or terminate the Revolving Credit Commitments in accordance with subsection 8.4.

(d) A certificate submitted by such Lender, through the Administrative Agent, to the Company shall be conclusive in the absence of manifest error. The covenants contained in this subsection 8.20 shall survive the termination of this Agreement and repayment of the outstanding Loans.

8.21 Indemnity. The Company agrees to indemnify each Lender and to hold such Lender harmless from any loss or expense which such Lender may sustain or incur as a consequence of (a) default by the Company in payment of the principal amount of or interest on any Eurodollar Loans of such Lender, including, but not limited to, any such loss or expense arising from interest or fees payable by such Lender to lenders of funds obtained by it in order to make or maintain its Eurodollar Loans hereunder, (b) default by the Company in making a borrowing of Eurodollar Loans after the Company has given a notice in accordance with subsection 8.1 or in making a conversion of ABR Loans to Eurodollar Loans after the Company has given notice in accordance with subsection 8.3 or in continuing Eurodollar Loans for an additional Interest Period after the Company has given a notice in accordance with clause (b) of the definition of Interest Period, (c) default by the Company in making any prepayment of Eurodollar Loans after the Company has given a notice in accordance with subsection 8.5 or (d) a payment or prepayment of a Eurodollar Loan or conversion of any Eurodollar Loan into an ABR Loan, in either case on a day which is not the last day of an Interest Period with respect thereto, including, but not limited to, any such loss or expense arising from interest or fees payable by such Lender to lenders of funds obtained by it in order to maintain its Eurodollar

Loans hereunder. This covenant shall survive termination of this Agreement and payment of the outstanding Obligations.

SECTION 9. [INTENTIONALLY OMITTED]

SECTION 10. REPRESENTATIONS AND WARRANTIES

In order to induce the Lenders to enter into this Agreement and to make or continue to make the Loans and to induce the Issuing Lenders to issue, and the Participating Lenders to participate in, the Letters of Credit, the Company hereby represents and warrants to each Lender, each Co-Agent and the Administrative Agent, (i) on and as of the date hereof and (ii) on the date of each Loan made or Letter of Credit issued thereafter, that (and, for purposes of this Agreement, HoldCo shall be deemed to be a party to the Subordinated Note to the extent HoldCo has obligations thereunder):

10.1 Financial Condition. (a) The audited consolidated balance sheets of the Company and its Subsidiaries at December 31, 1998 and the related consolidated statements of income, retained earnings and cash flows for the fiscal years ended on such dates, reported on by Deloitte & Touche LLP, copies of each of which have heretofore been furnished to each Lender, fairly present in all material respects (except, with respect to interim reports, for normal year-end adjustments) the consolidated financial position of the Company and its Subsidiaries as at such date, and the consolidated results of their operations and cash flows for the fiscal period then ended, in accordance with GAAP consistently applied throughout the periods involved (except as noted therein).

(b) Since December 31, 1998 (i) there have not been any events or states of fact which individually or in the aggregate would have a Material Adverse Effect, and (ii) no change has occurred or is threatened which individually or in the aggregate has had or is continuing to have a material adverse effect on the prospects of the Company and its Subsidiaries taken as a whole.

10.2 Corporate Existence; Compliance with Law. Each Credit Party and its Subsidiaries (a) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, (b) has the corporate power and authority and the legal right to own and operate its property, to lease the property it operates and to conduct the business in which it is currently engaged, except to the extent that the failure to possess such corporate power and authority and such legal right would not, in the aggregate, have a Material Adverse Effect, (c) is duly qualified as a foreign corporation and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification, except where the failure to be so qualified would not have a Material Adverse Effect and (d) is in compliance with all applicable Requirements of

Law (including, without limitation, occupational safety and health, health care, pension, certificate of need, Medicare, Medicaid, insurance fraud or similar law, the Comprehensive Environmental Response, Compensation and Liability Act, any so-called "Superfund" or "Superlien" law, or any applicable federal, state, local or other statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to, or imposing liability or standards of conduct concerning, any Materials of Environmental Concern), except to the extent that the failure to comply therewith would not, in the aggregate, have a Material Adverse Effect.

10.3 Corporate Power; Authorization. Each Credit Party has the corporate power and authority and the legal right to make, deliver and perform the Credit Documents to which it is a party; the Company has the corporate power and authority and legal right to borrow hereunder, to have Letters of Credit issued for its account hereunder and to perform its obligations under the Subordinated Note; and HoldCo has the corporate power and authority and legal right to make and maintain the Subordinated Loan. Each Credit Party has taken all necessary corporate action to authorize the execution, delivery and performance of the Credit Documents to which it is a party and (a) in case of the Company, to authorize the borrowings hereunder, the issuance of Letters of Credit for its account hereunder and to perform its obligations under the Subordinated Note, and (b) in case of HoldCo, to make and maintain the Subordinated Loan. No consent or authorization of, or filing with, any Person (including, without limitation, any Governmental Authority) is required in connection with the execution, delivery or performance by any Credit Party, or the validity or enforceability against any Credit Party, of any Credit Document and the Subordinated Note to the extent that it is a party thereto, or the guarantee of the Obligations pursuant to the Guarantees, or the making or maintaining of the Subordinated Loan by HoldCo.

10.4 Enforceable Obligations. Each of the Credit Documents and the Subordinated Note has been duly executed and delivered on behalf of each Credit Party party thereto and each of such Credit Documents and the Subordinated Note constitutes the legal, valid and binding obligation of such Credit Party, enforceable against such Credit Party in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

10.5 No Legal Bar. The performance of each Credit Document and the Subordinated Note, the guarantee of the Obligations pursuant to the Guarantees, the use of the proceeds of the Loans and of drawings under the Letters of Credit and the making of the Subordinated Loan will not violate any Requirement of Law or any Contractual Obligation applicable to or binding upon any Credit Party, any of its Subsidiaries or any of its properties or assets, which violations, individually or in the aggregate, would have a material adverse effect on the ability of such Credit Party to perform its obligations under the Credit Documents or the Subordinated Note to the extent that it is a party thereto, or which would give rise to any liability on the part of the Administrative Agent or any Lender, or which would have a Material Adverse Effect, and will not result in the creation

or imposition (or the obligation to create or impose) of any Lien (other than any Liens created pursuant to the Credit Documents) on any of its or their respective properties or assets pursuant to any Requirement of Law applicable to it or them, as the case may be, or any of its or their Contractual Obligations.

10.6 No Material Litigation. No litigation or investigation known to the Company through receipt of written notice or proceeding of or by any Governmental Authority or any other Person is pending against any Credit Party or any of its Subsidiaries, (a) with respect to the validity, binding effect or enforceability of any Credit Document or the Subordinated Note, or with respect to the Loans made hereunder, the use of proceeds thereof or of any drawings under a Letter of Credit, the making of the Subordinated Loan, the issuance of the Subordinated Note and the other transactions contemplated hereby or thereby, or (b) except as disclosed on Schedule 10.6 hereto, which would have a Material Adverse Effect or a material adverse effect on the validity or enforceability of this Agreement, any of the Notes or any of the other Credit Documents or the rights and remedies of the Administrative Agent or the Lenders hereunder or thereunder.

10.7 Investment Company Act. Neither any Credit Party nor any of its Subsidiaries is an "investment company" or a company "controlled" by an "investment company" (as each of the quoted terms is defined or used in the Investment Company Act of 1940, as amended).

10.8 Federal Regulation. No part of the proceeds of any of the Loans or any drawing under a Letter of Credit will be used for any purpose which violates, or which would be inconsistent with, the provisions of Regulation G, T, U or X of the Board. Neither the Company nor any of its Subsidiaries is engaged or will engage, principally or as one of its important activities, in the business of extending credit for the purpose of "purchasing" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under said Regulation U.

10.9 No Default. Neither the Company nor any of its Subsidiaries is in default in the payment or performance of any of its or their Contractual Obligations in any respect which would have a Material Adverse Effect. Neither the Company nor any of its Subsidiaries is in default under any order, award or decree of any Governmental Authority or arbitrator binding upon or affecting it or them or by which any of its or their properties or assets may be bound or affected in any respect which would have a Material Adverse Effect, and no such order, award or decree would materially adversely affect the ability of the Company and its Subsidiaries taken as a whole to carry on their businesses as presently conducted or the ability of any Credit Party to perform its obligations under any Credit Document or the Subordinated Note to which it is a party.

10.10 No Burdensome Restrictions. Neither the Company nor any of its Subsidiaries is a party to or is bound by any Contractual Obligation or subject to any Requirement of Law or other corporate restriction which would have a Material Adverse Effect.

10.11 Taxes. Each of the Company and its Subsidiaries has filed or caused to be filed or has timely requested an extension to file or has

received an approved extension to file all tax returns which, to the knowledge of the Company, are required to have been filed, and has paid all taxes shown to be due and payable on said returns or extension requests or on any assessments made against it or any of its property and all other taxes, fees or other charges imposed on it or any of its property by any Governmental Authority (other than those the amount or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided in the books of the Company or its Subsidiaries, as the case may be), except any such filings or taxes, fees or charges, the making of or the payment of which, or the failure to make or pay, would not have a Material Adverse Effect; and, to the knowledge of the Company, no claims are being asserted with respect to any such taxes, fees or other charges (other than those the amount or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided in the books of the Company or its Subsidiaries, as the case may be), except as to any such taxes, fees or other charges, the payment of which, or the failure to pay, would not have a Material Adverse Effect.

10.12 Subsidiaries. The Subsidiaries of the Company listed on Schedule 10.12(a) constitute all of the Domestic Subsidiaries of the Company and the Subsidiaries listed on Schedule 10.12(b) constitute all of the Foreign Subsidiaries of the Company as of the Closing Date.

10.13 Ownership of Property; Liens. Except as set forth in the Merger Agreement, the Company and each of its Subsidiaries has good and marketable title to, or valid and subsisting leasehold interests in, all its respective material real property, and good title to all its respective material other property, and none of such property is subject, except as permitted hereunder, to any Lien (including, without limitation, and subject to subsection 13.3 hereof, Federal, state and other tax liens).

10.14 ERISA. No "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) or "accumulated funding deficiency" (as defined in Section 302 of ERISA) or Reportable Event (other than a Reportable Event with respect to which the 30-day notice requirement under Section 4043 of ERISA has been waived) has occurred during the five years preceding each date on which this representation is made or deemed made with respect to any Plan in any case the consequences of which would have a Material Adverse Effect. The present value of all accrued benefits under each Single Employer Plan maintained by the Company or a Commonly Controlled Entity (based on those assumptions used to fund such Plan) did not, as of the most recent annual valuation date in respect of each such Plan, exceed the fair market value of the assets of the Plan (including for these purposes accrued but unpaid contributions) allocable to such benefits by an amount that would have a Material Adverse Effect. The liability to which the Company or any Commonly Controlled Entity would become subject under ERISA if the Company or any such Commonly Controlled Entity were to withdraw completely from all Multiemployer Plans as of the valuation date most closely preceding the date hereof would not have a Material Adverse Effect. No Multiemployer Plan is either in Reorganization or Insolvent in any case the consequences of which would have a Material Adverse Effect.

10.15 Environmental Matters. Except as disclosed in the Merger Agreement, to the Company's knowledge:

(a) The Properties do not contain any Materials of Environmental Concern in concentrations which constitute a violation of, or would reasonably be expected to give rise to liability under, Environmental Laws that would have a Material Adverse Effect.

(b) The Properties and all operations at the Properties are in compliance with all applicable Environmental Laws, except for failure to be in compliance that would not have a Material Adverse Effect, and there is no contamination at, under or about the Properties that would have a Material Adverse Effect.

(c) Neither the Company nor any of its Subsidiaries has received any written notice of violation, alleged violation, non-compliance, liability or potential liability regarding environmental matters or compliance with Environmental Laws with regard to the Properties that would have a Material Adverse Effect, nor does the Company have knowledge that any such action is being contemplated, considered or threatened.

(d) There are no judicial proceedings or governmental or administrative actions pending or threatened under any Environmental Law to which the Company or any Subsidiary is or will be named as a party with respect to the Properties that would have a Material Adverse Effect, nor are there any consent decrees or other decrees, consent orders, administrative orders or other orders under any Environmental Law with respect to the Properties that would have a Material Adverse Effect.

10.16 Year 2000 Matters. The costs (the "Y2K Costs") incurred and to be incurred by the Company and its Subsidiaries for any reprogramming required (or for replacing equipment where such reprogramming is not feasible) to permit the proper functioning (but only to the extent that such proper functioning would otherwise be impaired by the occurrence of the year 2000) in and following the year 2000 of computer systems and other equipment containing embedded microchips, in either case owned or operated by the Company or any of its Subsidiaries or used or relied upon in the conduct of their business (including any such systems and other equipment supplied by others or with which the computer systems of the Company or any of its Subsidiaries interface), and the testing of all such systems and other equipment as so reprogrammed (or replaced), will be completed prior to the end of the 1999 fiscal year of the Company, except to the extent that the failure to complete the same would not reasonably be expected to have a Material Adverse Effect. The Y2K Costs to the Company and its Subsidiaries that have not been incurred as of December 31, 1998 for such reprogramming and testing and for the other reasonably foreseeable consequences to them of any improper functioning of other computer systems and equipment containing embedded microchips due to the occurrence of the year 2000 would not reasonably be expected to have a Material Adverse Effect.

SECTION 11. CONDITIONS PRECEDENT

11.1 Conditions to Additional Tranche D Term Loans. The effectiveness of this Agreement and the obligation of each Lender to make Additional Tranche D Term Loans on the Closing Date are subject to the satisfaction, or waiver by the Lenders, immediately prior to or concurrently with the effectiveness of this Agreement, of the following conditions precedent:

(a) Required Lender Approval. The Administrative Agent shall have received this Agreement duly executed and delivered by the Required Lenders, the Additional Tranche D Term Loan Lenders, the Company and HoldCo.

(b) Acknowledgment of Guarantees and Pledge Agreements. The Administrative Agent shall have received Acknowledgments, subsequently in the form of Exhibit J-1, duly executed and delivered by the Company, in the form of Exhibit J-2, duly executed and delivered by HoldCo, and in the form of Exhibit J-3, duly executed and delivered by each Subsidiary Guarantor.

(c) Legal Opinions. The Administrative Agent shall have received, dated the Closing Date and addressed to the Administrative Agent and the Lenders, an opinion of Fried, Frank, Harris, Shriver & Jacobson, counsel to HoldCo and the Company, substantially in the form of Exhibit C-1 hereto and an opinion of the General Counsel of the Company, substantially in the form of Exhibit C-2 hereto, with such changes thereto as may be approved by the Administrative Agent and its counsel. Such opinion shall also cover such other matters incident to the transactions contemplated by this Agreement as the Administrative Agent shall reasonably require.

(d) Closing Certificates. The Administrative Agent shall have received a Closing Certificate of HoldCo, the Company, and each Subsidiary Guarantor, dated the Closing Date, substantially in the form of Exhibits D-1, D-2 and D-3 hereto, respectively, with appropriate insertions and attachments, satisfactory in form and substance to the Administrative Agent and its counsel, executed by the President or any Vice President and the Secretary or any Assistant Secretary of HoldCo, the Company and each Subsidiary Guarantor, respectively.

(e) Fees. The Administrative Agent shall have received for the account of each Lender that indicates its consent to this Agreement by its execution and delivery hereof, or for its own account, as the case may be, all fees (including the fees referred to in subsection 8.10) payable to such Lenders and the Administrative Agent on or prior to the Closing Date.

(f) Related Agreements. The Administrative Agent shall have received each additional document, instrument or piece of information reasonably requested by the Lenders, including, without limitation, a copy of any debt instrument, security agreement or other material contract to which any Credit Party or any of their Subsidiaries is a

party.

(g) Financial Statements. The Administrative Agent shall have received a copy of the financial statements referred to in subsection 10.1(a), with a photocopy thereof for each Lender, which shall be satisfactory in form and substance to the Administrative Agent.

(h) Additional Matters. All other documents and legal matters in connection with the transactions contemplated by this Agreement shall be reasonably satisfactory in form and substance to the Administrative Agent and its counsel.

11.2 Conditions to Acquisition Loans. The obligation of each Lender with an Acquisition Loan Commitment to make any Acquisition Loan on any Borrowing Date (other than the Original Closing Date) is subject to the satisfaction of the following conditions precedent on the relevant Borrowing Date:

(a) Permitted Acquisition. The Administrative Agent shall have received a certificate of an officer of the Company certifying to it that the Permitted Acquisition to be financed with the proceeds of such Acquisition Loans shall have been, or shall be concurrently therewith, consummated.

(b) No Legal Constraints. There shall be no inquiry, injunction, restraining order, action, suit or proceeding pending or entered or any statute or rule proposed, enacted or promulgated by any Governmental Authority or any other Person, which, in the opinion of the Administrative Agent (i) would have a material adverse effect on the making of such Acquisition Loans, (ii) would give rise to any liability on the part of any Lender, the Administrative Agent or the Co-Agents in connection with this Agreement, any other Credit Document or the transactions contemplated hereby or thereby or (iii) would bar the making of such Acquisition Loans, or the use of the proceeds thereof in accordance with the terms of this Agreement.

(c) The Permitted Acquisition to be funded, in whole or in part, with the proceeds of the Acquisition Loan to be made on such Borrowing Date shall be of an entity in a similar line of business as the Company.

(d) Legal Opinions. The Administrative Agent shall have received, dated such Borrowing Date and addressed to the Administrative Agent and the Lenders, an opinion of Fried, Frank, Harris, Shriver & Jacobson or other counsel to the Company, covering the matters incident to the Acquisition Loan to be made on such Borrowing Date and the Permitted Acquisition to be financed thereby, as the Administrative Agent shall reasonably require.

(e) Pledged Stock; Stock Powers; Pledged Notes. The Administrative Agent shall have received (i) the certificates representing all capital stock or other equity interests acquired by the Company or any of its Material Subsidiaries in the Permitted Acquisition being consummated on such Borrowing Date, if any, and

required to be pledged to the Administrative Agent pursuant to subsection 12.8(c) (pursuant to the Pledge Agreements or supplements thereto, in form and substance satisfactory to the Administrative Agent), together with an undated stock power for each such certificate executed in blank by a duly authorized officer of the pledgor thereof and (ii) any Pledged Notes to be issued.

(f) Additional Matters. All other certificates, documents and legal matters in connection with the transactions contemplated by the Acquisition Loan to be made on such Borrowing Date and the Permitted Acquisition to be financed thereby, shall be reasonably satisfactory in form and substance to the Administrative Agent and its counsel.

11.3 Conditions to All Loans and Letters of Credit. The obligation of each Lender to make any Loan (other than any Revolving Credit Loan the proceeds of which are to be used to repay Refunded Swing Line Loans) and the obligation of each Issuing Lender to issue any Letter of Credit is subject to the satisfaction of the following conditions precedent on the relevant Borrowing Date:

(a) Representations and Warranties. If such Loan is made (and/or Letter of Credit issued) on the Closing Date, each of the representations and warranties made as of the Closing Date in or pursuant to Section 10, or which are contained in any other Credit Document or any certificate, document or financial or other statement furnished by or on behalf of HoldCo, the Company or any Subsidiary thereof, at any time under or in connection herewith, shall be true and correct in all material respects on and as of the Closing Date as if made on and as of the Closing Date (unless stated to relate to a specific earlier date, in which case such representations and warranties shall be true and correct in all material respects as of such earlier date). If such Loan is made (and/or Letter of Credit issued) subsequent to the Closing Date, each of the representations and warranties made in or pursuant to Section 10 or which are contained in any other Credit Document or in any certificate, document or financial or other statement furnished by or on behalf of HoldCo, the Company or any Subsidiary thereof shall be true and correct in all material respects on and as of the date of such Loan (or such Letter of Credit) as if made on and as of such date (unless stated to relate to a specific earlier date, in which case, such representations and warranties shall be true and correct in all material respects as of such earlier date).

(b) No Default or Event of Default. No Default or Event of Default shall have occurred and be continuing on such date or after giving effect to the Loan to be made or the Letter of Credit to be issued on such Borrowing Date.

Each borrowing by the Company hereunder and the issuance of each Letter of Credit by each Issuing Lender hereunder shall constitute a representation and warranty by the Company as of the date of such borrowing or issuance that the conditions in clauses (a), (b) and (c) of this subsection 11.3, 11.4 have been satisfied.

11.4 Conditions to Effectiveness of Certain Provisions. The parties hereto agree that, notwithstanding whether the conditions set forth in subsection 11.1 are satisfied, or waived by the Lenders, upon execution and delivery of this Agreement by the Required Lenders, the Company and HoldCo, the definition of "Consolidated EBITDA" as it appears in subsection 1.1 of the Existing Credit Agreement and subsections 13.1, 13.2, 13.7 and 13.8 of the Existing Credit Agreement shall each be amended to read in its entirety as set forth herein.

SECTION 12. AFFIRMATIVE COVENANTS

The Company, and for the purpose of subsections 12.6 and 12.8, HoldCo hereby agrees that, so long as the Commitments remain in effect, any Loan, Note or Revolving L/C Obligation remains outstanding and unpaid, any amount remains available to be drawn under any Letter of Credit or any other amount is owing to any Lender, any Co-Agent, any Issuing Lender or the Administrative Agent hereunder, it shall, and, in the case of the agreements contained in subsections 12.3, 12.4, 12.5, 12.6, 12.7 and 12.8 cause each of its Subsidiaries to:

12.1 Financial Statements. Furnish to the Administrative Agent (with sufficient copies for each Lender):

(a) as soon as available, but in any event within 90 days after the end of each fiscal year of the Company, a copy of the consolidated balance sheet of the Company and its consolidated Subsidiaries as at the end of such year and the related consolidated statements of operations, stockholders' equity and cash flows for such year, setting forth in each case in comparative form the figures for the previous year, reported on without a "going concern" or like qualification or exception, or qualification arising out of the scope of the audit, by Deloitte & Touche LLP or other independent certified public accountants of nationally recognized standing not unacceptable to the Required Lenders;

(b) as soon as available, but in any event not later than 60 days after the end of each of the first three quarterly periods of each fiscal year of the Company, commencing with the quarterly period ending March 31, 1999 the unaudited consolidated balance sheet of the Company and its consolidated Subsidiaries as at the end of such quarter and the related unaudited consolidated statements of operations, stockholders' equity and cash flows of the Company and its consolidated Subsidiaries for such quarter and the portion of the fiscal year through the end of such quarter, setting forth in each case in comparative form the figures for the previous year, certified by a Responsible Officer as being fairly stated in all material respects (subject to normal year-end audit adjustments);

(c) as soon as available, but in any event not later than 45 days after the end of each fiscal month of each fiscal year or, in the case of December together with the financial statements required under subsection 12.1(a) of the Company, the unaudited consolidated balance sheet of the Company and its consolidated Subsidiaries as at the end

of such month and the related unaudited consolidated statements of operations, stockholders' equity and cash flows of the Company and its consolidated Subsidiaries for such month and the portion of the fiscal year through the end of such month, in the form and detail similar to those customarily prepared by the Company's management for internal use and reasonably satisfactory to the Administrative Agent, setting forth in each case in comparative form the consolidated figures for the corresponding fiscal month of the previous year, certified by the chief financial officer, controller or treasurer of the Company as being fairly stated in all material respects (subject to normal year-end audit adjustments); and

(d) as soon as available, but in any event within 60 days after the beginning of each fiscal year of the Company to which such budget relates, an annual operating budget of the Company and its Subsidiaries, on a consolidated basis, as adopted by the Board of Directors of the Company;

all financial statements shall be prepared in reasonable detail (except in the case of the statements referred to in subsection 12.1(c)) in accordance with GAAP applied consistently throughout the periods reflected therein and with prior periods (except as concurred in by such accountants or officer, as the case may be, and disclosed therein and except that interim financial statements need not be restated for changes in accounting principles which require retroactive application, and operations which have been discontinued (as defined in Accounting Principles Board Opinion No. 30) during the current year need not be shown in interim financial statements as such either for the current period or comparable prior period). In the event the Company changes its accounting methods because of changes in GAAP, or any change in GAAP occurs which increases or diminishes the protection and coverage afforded to the Lenders under current GAAP accounting methods, the Company or the Administrative Agent, as the case may be, may request of the other parties to this Agreement an amendment of the financial covenants contained in this Agreement to reflect such changes in GAAP and to provide the Lenders with protection and coverage equivalent to that existing prior to such changes in accounting methods or GAAP, and each of the Company, the Administrative Agent, the Co-Agents and the Lenders agree to consider such request in good faith.

12.2 Certificates; Other Information. Furnish to the Administrative Agent (with sufficient copies for each Lender):

(a) concurrently with the delivery of the consolidated financial statements referred to in subsection 12.1(a), a letter from the independent certified public accountants reporting on such financial statements stating that in making the examination necessary to express their opinion on such financial statements no knowledge was obtained of any Default or Event of Default, except as specified in such letter;

(b) concurrently with the delivery of the financial statements referred to in subsections 12.1(a) and (b), a certificate of the chief financial officer of the Company (i) stating that, to the best of such officer's knowledge, each of HoldCo, the Company and their respective

Subsidiaries has observed or performed all of its covenants and other agreements, and satisfied every applicable condition, contained in this Agreement, the Notes and the other Credit Documents and the Subordinated Note to be observed, performed or satisfied by it, and that such officer has obtained no knowledge of any Default or Event of Default except as specified in such certificate, (ii) showing in detail as of the end of the related fiscal period the figures and calculations supporting such statement in respect of subsection 13.1, clauses (h) and (l) of subsection 13.2, clauses (l), (m) and (n) of subsection 13.7, subsection 13.8, clauses (b) and (c) of subsection 13.9 and subsection 13.13, (iii) showing in detail as of the end of the related fiscal period for purposes of calculating the Applicable Level the ratio of Total Senior Indebtedness to Annualized Consolidated EBITDA and the calculations supporting such statement and if applicable, stating the Applicable Margin and commitment fee payable as a result of such ratios, (iv) if not specified in the financial statements delivered pursuant to subsection 12.1, specifying on a consolidated basis the aggregate amount of interest paid or accrued by the Company and its Subsidiaries, and the aggregate amount of depreciation, depletion and amortization charged on the books of the Company and its Subsidiaries, during such accounting period and (v) listing all Indebtedness (other than Indebtedness hereunder) in each case incurred since the date of the previous consolidated balance sheet of the Company delivered pursuant to subsection 12.1(a) or (b);

(c) promptly upon receipt thereof, copies of all final reports submitted to the Company by independent certified public accountants in connection with each annual, interim or special audit of the books of the Company made by such accountants, including, without limitation, any final comment letter submitted by such accountants to management in connection with their annual audit;

(d) promptly upon their becoming available, copies of all financial statements, reports, notices and proxy statements sent or made available generally by HoldCo, the Company or any of their respective Subsidiaries and all regular and periodic reports and all final registration statements and final prospectuses, if any, filed by HoldCo, the Company or any of their respective Subsidiaries with any securities exchange or with the Securities and Exchange Commission or any Governmental Authority succeeding to any of its functions;

(e) concurrently with the delivery of the financial statements referred to in subsections 12.1(a) and (b), a management summary describing and analyzing the performance of the Company and its Subsidiaries during the periods covered by such financial statements; and

(f) promptly, such additional financial and other information (including, without limitation, hospital operating statistics on a consolidated basis) as any Lender may from time to time reasonably request.

12.3 Payment of Obligations. Pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be,

all of its obligations and liabilities of whatever nature, except (a) when the amount or validity thereof is currently being contested in good faith by appropriate proceedings and reserves in conformity with GAAP with respect thereto have been provided on the books of the Company or any of its Subsidiaries, as the case may be, (b) for delinquent obligations which do not have a Material Adverse Effect and (c) for trade and other accounts payable in the ordinary course of business in accordance with customary trade terms and which are not overdue for a period of more than 90 days (or any longer period if longer payment terms are accepted in the ordinary course of business) or, if overdue for more than 90 days (or such longer period), as to which a dispute exists and adequate reserves in conformity with GAAP have been established on the books of the Company and its Subsidiaries, as the case may be.

12.4 Conduct of Business and Maintenance of Existence. Continue to engage in business of the same general type as now conducted by it, and preserve, renew and keep in full force and effect its corporate existence and take all reasonable action to maintain all rights, privileges, franchises, accreditations of Hospitals, certifications, authorizations, licenses, permits, approvals and registrations, necessary or desirable in the normal conduct of its business except for rights, privileges, franchises, accreditations of Hospitals, certifications, authorizations, licenses, permits, approvals and registrations the loss of which would not in the aggregate have a Material Adverse Effect, and except as otherwise permitted by subsections 13.5, 13.6 and 13.7; and comply with all applicable Requirements of Law and Contractual Obligations except to the extent that the failure to comply therewith would not, in the aggregate, have a Material Adverse Effect.

12.5 Maintenance of Property; Insurance. (a) Keep all property useful and necessary in its business in good working order and condition (ordinary wear and tear excepted); and

(b) Maintain with financially sound and reputable insurance companies insurance on all its property in at least such amounts and with only such deductibles as are usually maintained by, and against at least such risks as are usually insured against in the same general area by, companies engaged in the same or a similar business (in any event including hospital liability (general liability, medical professional liability, contractual liability, druggists' liability and personal injury), workers' compensation, employers' liability, automobile liability and physical damage coverage, environmental impairment liability, all risk property, business interruption, fidelity and crime insurance); provided that the Company may implement programs of self insurance in the ordinary course of business and in accordance with industry standards for a company of similar size so long as reserves are maintained in accordance with GAAP for the liabilities associated therewith.

12.6 Inspection of Property; Books and Records; Discussions. Keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities which permit financial statements to be prepared in conformity with GAAP and all Requirements of Law; and permit representatives of any Lender upon reasonable notice to visit and inspect any of its properties

and examine and make abstracts from any of its books and records at any reasonable time and as often as may reasonably be desired upon reasonable notice, and to discuss the business, operations, properties and financial and other condition of the Company and its Subsidiaries with officers and employees thereof and with their independent certified public accountants.

12.7 Notices. Promptly give notice to the Administrative Agent and each Lender:

(a) of the occurrence of any Default or Event of Default;

(b) of any (i) default or event of default under any instrument or other agreement, guarantee or collateral document of the Company or any of its Subsidiaries which default or event of default has not been waived and would have a Material Adverse Effect, or any other default or event of default under any such instrument, agreement, guarantee or other collateral document which, but for the proviso to clause (e) of Section 14, would have constituted a Default or Event of Default under this Agreement, or (ii) litigation, investigation or proceeding which may exist at any time between HoldCo, the Company or any of their respective Subsidiaries and any Governmental Authority, or receipt of any notice of any environmental claim or assessment against HoldCo, the Company or any of their respective Subsidiaries by any Governmental Authority, which in any such case would have a Material Adverse Effect;

(c) of any litigation or proceeding affecting the Company or any of its Subsidiaries (i) in which more than $15,000,000 of the amount claimed is not covered by insurance or (ii) in which injunctive or similar relief is sought which if obtained would have a Material Adverse Effect;

(d) of the following events, as soon as practicable after, and in any event within 30 days after, the Company knows thereof: (i) the occurrence of any Reportable Event with respect to any Single Employer Plan which Reportable Event is reasonably likely to have a Material Adverse Effect, or (ii) the institution of proceedings or the taking of any other action by PBGC, the Company or any Commonly Controlled Entity to terminate, withdraw from or partially withdraw from any Plan and, with respect to a Multiemployer Plan, the Reorganization or Insolvency of such Plan, in each of the foregoing cases which is reasonably likely to have a Material Adverse Effect, and in addition to such notice, deliver to the Administrative Agent and each Lender whichever of the following may be applicable: (A) a certificate of the chief financial officer of the Company setting forth details as to such Reportable Event and the action that the Company or such Commonly Controlled Entity proposes to take with respect thereto, together with a copy of any notice of such Reportable Event that may be required to be filed with PBGC, or (B) any notice delivered by PBGC evidencing its intent to institute such proceedings or any notice to PBGC that such Plan is to be terminated, as the case may be;

(e) of a failure or anticipated failure by the Company or HoldCo to make payment when due and payable on the Subordinated Note or the

Subordinated HoldCo Debentures.

(f) of a material adverse change known to the Company or any of its Subsidiaries in the business, financial condition, assets, liabilities, net assets, properties, results of operations, value or prospects of HoldCo, the Company and their respective Subsidiaries taken as a whole.

Each notice pursuant to this subsection 12.7 shall be accompanied by a statement of the chief executive officer or the chief financial officer of the Company setting forth details of the occurrence referred to therein and (in the cases of clauses (a) through (e)) stating what action the Company proposes to take with respect thereto.

12.8 Additional Subsidiary Guarantors; Pledge of Stock of Additional Subsidiaries. (a) If any Subsidiary of the Company (whether presently existing or hereafter created or acquired) is or shall become a Material Subsidiary (including as a result of the consummation of any Permitted Acquisition), cause such Material Subsidiary, no later than the end of the fiscal quarter in which such Subsidiary became a Material Subsidiary, to execute and deliver a Guarantee in favor of the Administrative Agent in substantially the form of Exhibit B-4, each of which Guarantees shall be accompanied by such resolutions, incumbency certificates and legal opinions as are reasonably requested by the Administrative Agent and its counsel.

(b) In the event that there shall be a change in law which eliminates the adverse tax consequences to the Company, or any of its Subsidiaries which would have resulted on the date hereof from the guarantee by a Subsidiary, which would be a Material Subsidiary but for the exception contained in clauses (ii) or (iii) of the definition thereof, of the Loans and the other obligations of the Company hereunder, promptly thereafter cause any such Subsidiary that has not previously executed and delivered a Guarantee because of such adverse tax consequences to deliver a Guarantee to the Administrative Agent to the extent any such Guarantee can be so executed and delivered without any adverse tax consequences to the Company, or any of their Subsidiaries.

(c) Pledge the capital stock, or other equity interests and intercompany indebtedness, owned by the Company or any of its Material Subsidiaries that is hereafter created or acquired pursuant to the Pledge Agreements (it being understood and agreed that, notwithstanding anything that may be to the contrary herein, this subsection 12.8(c) shall not require the Company or any Material Subsidiary thereof to pledge (x) more than 65% of the outstanding capital stock of, or other equity interests in, (i) any Foreign Subsidiary thereof, or (ii) any other Subsidiary thereof if more than 65% of the assets of such other Subsidiary are securities of foreign Persons (such determination to be made on the basis of fair market value) or (y) any capital stock or other equity interests of a Foreign Subsidiary thereof which (I) is owned by a Foreign Subsidiary thereof or (II) does not have in excess of $1,000,000 in total assets) or (z) any Non-Significant Subsidiary).

12.9 Operation of the Hospitals. Use best efforts to operate, and cause its Subsidiaries to operate, the Hospitals owned, leased or operated by the Company or any of its Subsidiaries now or in the future in a manner believed by the Company to be consistent with prevailing health care industry standards in the locations where the Hospitals exist from time to time, except to the extent failure to do so would not have a Material Adverse Effect.

SECTION 13. NEGATIVE COVENANTS

The Company hereby agrees that it shall not, and shall not permit any of its Subsidiaries to, and with respect to subsections 13.2 and 13.12 HoldCo agrees that it shall not, directly or indirectly so long as the Commitments remain in effect or any Loan, Note or Revolving L/C Obligation remains outstanding and unpaid, any amount remains available to be drawn under any Letter of Credit or any other amount is owing to any Lender, the Co-Agents, the Issuing Lenders or the Administrative Agent hereunder:

13.1 Financial Condition Covenants.

(a) Total Senior Indebtedness to Annualized Consolidated EBITDA. Permit for any period of four consecutive fiscal quarters ending during any Test Period listed below, commencing with the fiscal quarter ending December 31, 1998 the ratio of Total Senior Indebtedness as of the end of such period to Annualized Consolidated EBITDA for such period to be more than the ratio set forth opposite the Test Period below:

Test Period	Ratio
December 31, 1998 - December 30, 1999	4.75 to 1
December 31, 1999 - December 30, 2000	4.75 to 1
December 31, 2000 - December 30, 2001	4.50 to 1
December 31, 2001 - December 30, 2002	4.00 to 1
December 31, 2002 - December 30, 2003	3.50 to 1
December 31, 2003 - December 30, 2004	3.00 to 1
December 31, 2004 - December 30, 2005	3.00 to 1
December 31, 2005	3.00 to 1

(b) Senior Interest Coverage Ratio. Permit for any period of four consecutive fiscal quarters ending during any Test Period listed below, commencing with the fiscal quarter ending December 31, 1998 the ratio of (i) Annualized Consolidated EBITDA for such period minus Capital Expenditures made during such period to (ii) Senior Interest Expense to be less than the ratio set forth opposite the Test Period below:

Test Period	Ratio
December 31, 1998 - December 30, 1999	1.60 to 1

December 31, 1999 - December 30, 2000	1.60 to 1
December 31, 2000 - December 30, 2001	1.70 to 1
December 31, 2001 - December 30, 2002	1.80 to 1
December 31, 2002 - December 30, 2003	2.00 to 1
December 31, 2003 - December 30, 2004	2.50 to 1
December 31, 2004 - December 30, 2005	3.50 to 1
December 31, 2005	4.00 to 1

(c) Fixed Charge Coverage Ratio. Permit for any period of four consecutive fiscal quarters ending during any Test Period listed below, commencing with the fiscal quarter ending December 31, 1998, the ratio of (i) Annualized Consolidated EBITDA for such period minus Principal Debt Payments minus Capital Expenditures made during such period to (ii) Consolidated Cash Interest Expense (such ratio for any such period, the "Fixed Charge Coverage Ratio") to be less than the ratio set forth opposite the Test Period below:

Test Period	Ratio
December 31, 1998 - December 30, 1999	1.00 to 1
December 31, 1999 - December 30, 2000	1.00 to 1
December 31, 2000 - December 30, 2001	1.00 to 1
December 31, 2001 - December 30, 2002	1.00 to 1
December 31, 2002 - December 30, 2003	1.00 to 1
December 31, 2003 - December 30, 2004	1.00 to 1
December 31, 2004 - December 31, 2005	1.00 to 1

13.2 Indebtedness. Create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness of the Company evidenced by the Notes and in connection with the Letters of Credit and this Agreement;

(b) (i) Indebtedness of (i) the Company to any Subsidiary and (ii) any Subsidiary to the Company or any other Subsidiary to the extent the Indebtedness referred to in this clause 13.2(b)(ii) evidences a loan or advance permitted under subsection 13.7;

(c) Indebtedness of the Company evidenced by the Subordinated Note;

(d) Indebtedness in respect of foreign currency exchange contracts permitted by subsection 13.11;

(e) Indebtedness consisting of reimbursement obligations under surety, indemnity, performance, release and appeal bonds and guarantees thereof and letters of credit required in the ordinary course of business or in connection with the enforcement of rights or claims of the Company or its Subsidiaries, in each case to the extent a Letter of Credit supports in whole or in part the obligations of the Company and its Subsidiaries with respect to such bonds, guarantees and letters of credit;

(f) Indebtedness owed to a seller in a Permitted Acquisition or a Permitted Joint Venture or to a buyer in a disposition permitted under clauses (e), (f) or (h) of subsection 13.6 that (i) relates to customary post-closing adjustments with respect to accounts receivable, accounts payable, net worth and/or similar items typically subject to post-closing adjustments in similar transactions, and are outstanding for a period of two (2) years or less following the creation thereof or (ii) relates to indemnities granted to the seller or buyer in the transaction.

(g) other Indebtedness of the Company or any of its Subsidiaries incurred in the ordinary course of their respective businesses in an aggregate principal amount not to exceed $40,000,000 at any time;

(h) Indebtedness of HoldCo evidenced by the Subordinated HoldCo Debentures;

(i) from and after the Revolving Credit Termination Date, Indebtedness to finance the general needs of the Company and its Subsidiaries incurred after the Revolving Credit Termination Date in an aggregate principal amount not to exceed $200,000,000, provided that the Company shall have repaid all Revolving Credit Loans and Revolving L/C Obligations in accordance with the terms of this Agreement and that there are no Letters of Credit outstanding at such time;

(j) Indebtedness of the Company or any of its Subsidiaries listed on Schedule 13.2 hereto as of the Closing Date including any extension or renewals or refinancing thereof, provided the principal amount thereof is not increased; and

(k) Indebtedness on any date of the Company or any of its Subsidiaries assumed or issued in connection with a Permitted Acquisition (or, in the case of any Permitted Acquisition involving the purchase of capital stock or other equity interests in any Person, Indebtedness of such Person remaining outstanding after such Permitted Acquisition) and any extension or renewal thereof, provided that the aggregate principal amount of such Indebtedness, together with the aggregate amount of net investments made in Permitted Acquisitions pursuant to subsection 13.7(l) (and calculated as at such date as provided herein), shall not exceed $750,000,000.

13.3 Limitation on Liens. Create, incur, assume or suffer to exist any Lien upon any of its property, assets, income or profits, whether now owned or hereafter acquired, except:

(a) Liens for taxes, assessments or other governmental charges not yet due and payable or which are being contested in good faith and by appropriate proceedings if adequate reserves with respect thereto are maintained on the books of the Company or such Subsidiary, as the case may be, in accordance with GAAP;

(b) carriers', warehousemen's, mechanics', landlords', materialmen's, repairmen's or other like Liens arising in the ordinary

course of business in respect of obligations which are not yet due and payable or which are being contested in good faith and by appropriate proceedings if adequate reserves with respect thereto are maintained on the books of the Company or such Subsidiary, as the case may be, in accordance with GAAP;

(c) pledges or deposits in connection with workmen's compensation, unemployment insurance and other social security legislation;

(d) easements, right-of-way, zoning and similar restrictions and other similar encumbrances or title defects incurred, or leases or subleases granted to others, in the ordinary course of business, which, in the aggregate, are not substantial in amount, and which do not in any case materially detract from the value of the property subject thereto or do not interfere with or adversely affect in any material respect the ordinary conduct of the business of the Company and its Subsidiaries taken as a whole;

(e) Liens in favor of the Lenders pursuant to the Credit Documents (which Liens shall, at the request of the Company, be shared by the Lenders with the lenders providing any Indebtedness incurred under subsection 13.2(i) on a pari passu basis) and bankers' liens arising by operation of law;

(f) Liens on assets of entities or Persons which become Subsidiaries of the Company after the date hereof; provided that such Liens exist at the time such entities or Persons become Subsidiaries and are not created in anticipation thereof;

(g) Liens on documents of title and the property covered thereby securing Indebtedness in respect of the Letters of Credit which are Commercial L/Cs;

(h) Liens securing any Indebtedness permitted under subsection 13.2(g); provided that (i) the aggregate principal amount of Indebtedness secured by such Liens shall at no time exceed $40,000,000, and (ii) no such Liens shall encumber the Subordinated Note, any capital stock or other equity interests of HoldCo, the Company or any of their Subsidiaries;

(i) Liens in existence on the Original Closing Date and described in Schedule 13.3 as on the Closing Date and renewals thereof in amounts not to exceed the amounts listed on such Schedule 13.3;

(j) Liens to secure Indebtedness permitted pursuant to subsection 13.2(i), provided that the Obligations are, and the Obligations shall be, secured on a pari passu basis with such Indebtedness;

(k) Liens to secure Indebtedness permitted pursuant to subsection 13.2(k) or Liens on assets acquired in connection with a Permitted Acquisition; provided that such Liens exist at the time of the Permitted Acquisition in question and are not created in anticipation thereof;

(l) Liens securing arrangements permitted by the proviso contained in subsection 13.13;

(m) deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, licenses, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(n) Liens pursuant to the Bond Pledge Agreements; and

(o) Liens securing Indebtedness owing to the Company or any Subsidiary Guarantor under subsection 13.2(b)(ii).

13.4 Limitation on Contingent Obligations. Create, incur, assume or suffer to exist any Contingent Obligation except:

(a) guarantees of obligations to third parties made in the ordinary course of business in connection with relocation of employees or agents of Health Care Associates of the Company or any of its Subsidiaries;

(b) guarantees by the Company and its Subsidiaries incurred in the ordinary course of business for an aggregate amount not to exceed $40,000,000 at any one time;

(c) Contingent Obligations existing on the Original Closing Date and described in Schedule 13.4 as on the Original Closing Date including any extensions or renewals thereof;

(d) Contingent Obligations in respect of foreign currency exchange contracts permitted by subsection 13.11;

(e) Contingent Obligations pursuant to the Subsidiary Guarantees (which Subsidiary Guarantees shall, at the request of the Company, be shared on a pari passu basis with the lenders providing any Indebtedness under subsection 13.2(i)); and

(f) guarantees by the Company of (i) Indebtedness of its Subsidiaries permitted under subsection 13.2(g) and (ii) other obligations of Subsidiaries not prohibited hereunder.

13.5 Prohibition of Fundamental Changes. Enter into any transaction of acquisition of, or merger or consolidation or amalgamation with, any other Person (including any Subsidiary or Affiliate of the Company or any of its Subsidiaries), or transfer all or substantially all of its assets to any Foreign Subsidiary, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or make any material change in the present method of conducting business or engage in any type of business other than of the same general type now conducted by it, except for the Merger and the transactions otherwise permitted pursuant to subsections 13.6 and 13.7.

13.6 Prohibition on Sale of Assets. Convey, sell, lease, assign, transfer or otherwise dispose of any of its property, business or assets (including, without limitation, tax benefits, receivables and leasehold interests), whether now owned or hereafter acquired except:

(a) for the sale or other disposition of any tangible personal property that, in the reasonable judgment of the Company, has become uneconomic, obsolete or worn out, and which is disposed of in the ordinary course of business;

(b) for sales of inventory made in the ordinary course of business;

(c) that any Subsidiary of the Company may sell, lease, transfer or otherwise dispose of any or all of its assets (upon voluntary liquidation or otherwise) to the Company or a wholly-owned Domestic Subsidiary of the Company or make any investment permitted by subsection 13.7, and any Subsidiary of the Company may sell or otherwise dispose of, or part with control of any or all of, the stock of any Subsidiary to a wholly-owned Domestic Subsidiary of the Company or to any other Subsidiary to the extent such transfer constitutes an investment permitted by subsection 13.7; provided that in either case such transfer shall not cause such wholly-owned Domestic Subsidiary to become a Foreign Subsidiary and provided further that no such transaction may be effected if it would result in the transfer of any assets of, or any stock of, a Subsidiary to another Subsidiary whose capital stock has not been pledged to the Administrative Agent or which has pledged a lesser percentage of its capital stock to the Administrative Agent than was pledged by the transferor Subsidiary unless, in any such case, after giving effect to such transaction, the stock of such other Subsidiary is not required to be pledged under the definition of Company Pledge Agreement or Subsidiary Pledge Agreement or under subsection 12.8(c);

(d) that any Foreign Subsidiary of the Company may sell, lease, transfer or otherwise dispose of any or all of its assets (upon voluntary liquidation or by merger, consolidation, transfer of assets, or otherwise) to the Company or a wholly-owned Subsidiary of the Company and any Foreign Subsidiary of the Company may sell or otherwise dispose of, or part control of any or all of, the capital stock of, or other equity interests in, any Foreign Subsidiary of the Company to a wholly-owned Subsidiary of the Company; provided that in either case such transfer shall not cause a Domestic Subsidiary to become a Foreign Subsidiary;

(e) for the sale or other disposition by the Company or any of its Subsidiaries of any assets described on Schedule 13.6 consummated after the Original Closing Date, provided that (i) such sale or other disposition shall be made for fair value on an arm's-length basis, and (ii) the Net Proceeds from such sale or other disposition shall be applied in accordance with the provisions of subsection 8.6; and

(f) for the sale or other disposition by the Company or any of its Subsidiaries of other assets consummated after the Original

Closing Date, provided that (i) such sale or other disposition shall be made for fair value on an arm's-length basis, (ii) the aggregate fair market value of all such assets sold or disposed of under this clause after the Original Closing Date shall not exceed $90,000,000 and (iii) the Net Proceeds from such sale or other disposition shall be applied in accordance with the provisions of subsection 8.6.

(g) any Permitted Minority Interest Transfers;

(h) for the sale or other disposition consummated by the Company or any of its Subsidiaries after the Closing Date of assets constituting a Subsidiary or business unit or units of the Company or its Subsidiaries or the interest of the Company or its Subsidiaries therein, provided that (i) such sale or other disposition shall be made for fair value on an arm's-length basis and (ii) the consideration received for such sale or other disposition constitutes or would constitute a Permitted Acquisition or Permitted Joint Venture in accordance with the definition thereof (such sale or other disposition, an "Asset Exchange").

13.7 Limitation on Investments, Loans and Advances. Make any advance, loan, extension of credit or capital contribution to, or purchase any stock, bonds, notes, debentures or other securities of, or any assets constituting a business unit of, or make or maintain any other investment in, any Person, except:

(a) (i) loans or advances in respect of intercompany accounts attributable to the operation of the Company's cash management system and (ii) loans or advances by the Company or any of its Subsidiaries to a Subsidiary Guarantor (or a Subsidiary that would be a Subsidiary Guarantor but for the lapse of time until such Subsidiary is required to be a Subsidiary Guarantor), or to a First-Tier Permitted Minority-Interest Hospital Subsidiary for working capital needs evidenced by a Pledged Note so long as such loans or advances constitute Indebtedness of the primary obligor that is not subordinate to any other Indebtedness of such obligor;

(b) Investments in Permitted Minority-Interest Subsidiaries described in clauses (a) and (b) of the definition of "Permitted Minority-Interest Subsidiary";

(c) Investments in Subsidiaries of the Company (including Permitted Minority-Interest Subsidiaries) that are not Subsidiary Guarantors (or a Subsidiary that would be a Subsidiary Guarantor but for the lapse of time until such Subsidiary is required to be a Subsidiary Guarantor) and that do not directly or indirectly own any interest in, or operate or manage, a Hospital; provided that at all times the aggregate amount of all such Investments shall not exceed five percent (5%) of the total assets of the Company and its Subsidiaries on a consolidated basis; and

(d) Investments, not otherwise described in this subsection 13.7, in Subsidiary Guarantors (or a Subsidiary that would be a Subsidiary Guarantor but for the lapse of time until such Subsidiary is required

to be a Subsidiary Guarantor) that otherwise are not prohibited under the terms of this Agreement.

(e) any Subsidiary of the Company may make investments in the Company (by way of capital contribution or otherwise);

(f) HoldCo and its Subsidiaries may invest in, acquire and hold Cash Equivalents or the Bonds;

(g) the Company or any of its Subsidiaries may make travel and entertainment advances and relocation loans in the ordinary course of business to officers, employees and agents of the Company or any such Subsidiary (or to any physician or other health care professionals associated with or agreeing to become associated with the Company or any Subsidiary or any Hospital owned or leased or operated by the Company or any Subsidiary ("Health Care Associates"));

(h) the Company or any of its Subsidiaries may make payroll advances in the ordinary course of business;

(i) the Company or any of its Subsidiaries may acquire and hold receivables owing to it, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms (provided that nothing in this clause (i) shall prevent the Company or any Subsidiary from offering such concessionary trade terms, or from receiving such investments in connection with the bankruptcy or reorganization of their respective suppliers or customers or the settlement of disputes with such customers or suppliers arising in the ordinary course of business, as management deems reasonable in the circumstances);

(j) the Company and its Subsidiaries may make investments in connection with asset sales permitted by subsection 13.6 or to which the Required Lenders consent;

(k) investments of the Company existing on the Original Closing Date and described in Schedule 13.7;

(l) the Company and its Subsidiaries may make Permitted Acquisitions and may make loans or advances to, or acquisitions or investments in, other Persons in connection with or pursuant to the terms of Permitted Acquisitions, provided that the consideration paid by the Company or any of its Subsidiaries in all such transactions after the Original Closing Date (net, in the case of loans, advances, investments and other transfers of any repayments or return of capital in respect thereof actually received in cash by the Company or its Subsidiaries (net of applicable taxes) after the Original Closing Date and excluding consideration delivered by the Company or its Subsidiaries in any Asset Exchange permitted under Section 13.6(h)) does not exceed in the aggregate, when added to the principal amount of Indebtedness outstanding as permitted pursuant to subsection 13.2(l) does not exceed $750,000,000;

(m) the Company and its Subsidiaries may make loans or advances

to, or acquisitions or investments in, other Persons (exclusive of Persons which are, or become, Foreign Subsidiaries) that constitute or are in connection with Permitted Joint Ventures, provided the consideration paid by the Company or any of its Subsidiaries in all such transactions after the Original Closing Date (net, in the case of loans, advances, investments and other transfers, of any repayments or return of capital in respect thereof actually received in cash by the Company or its Subsidiaries (net of applicable taxes) after the Original Closing Date) does not exceed in the aggregate $50,000,000; and

(n) the Company and its Subsidiaries may make loans or advances to, or investments in, or otherwise transfer funds (including without limitation by way of repayment of loans or advances) to, Foreign Subsidiaries (including new Foreign Subsidiaries); provided that the consideration paid by the Company or any of its Subsidiaries in all transactions after the Original Closing Date (net, in the case of loans, advances, investments and other transfers, of any repayments or return of capital in respect thereof actually received in cash by the Company or its Subsidiaries (net of applicable taxes) after the Original Closing Date) does not exceed in the aggregate $25,000,000.

13.8 Capital Expenditures. Make or commit to make Capital Expenditures in any fiscal year exceeding (i) $60,000,000 during fiscal year 1999 of the Company, (ii) $75,000,000 during fiscal years of the Company from and including 2000 to and including 2001, (iii) $80,000,000 during each of the fiscal years of the Company from and including 2002 to and including 2003, (iv) $85,000,000 during fiscal year 2004 of the Company and (v) $90,000,000 during fiscal year 2005 of the Company, provided that, in addition to the foregoing, the Company and its Subsidiaries may during any fiscal year make additional Capital Expenditures in an aggregate amount not to exceed 4% of the revenues generated during the immediately preceding fiscal year by any business or assets acquired after the Closing Date pursuant to any Permitted Acquisition. Up to $3,000,000 of Capital Expenditures permitted to be made during a fiscal year pursuant to the terms hereof, if not expended in the year for which it is permitted, may be carried over for expenditure in the next following year and any amounts so carried over shall be deemed to be the last amounts expended in such following year.

13.9 Limitation on Dividends. Declare any dividends on any shares of any class of stock, or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, retirement or other acquisition of any shares of any class of stock (including, without limitation, the outstanding capital stock of HoldCo), whether now or hereafter outstanding, or make any other distribution in respect thereof, either directly or indirectly, whether in cash or property or in obligations of the Company or any of its Subsidiaries (all of the foregoing being referred to herein as "Restricted Payments"); except that:

(a) Subsidiaries may pay dividends directly or indirectly to the Company or to Domestic Subsidiaries which are directly or indirectly wholly-owned by the Company, and Foreign Subsidiaries may pay dividends directly or indirectly to Foreign Subsidiaries which are

directly or indirectly wholly-owned by the Company;

(b) the Company may pay dividends to HoldCo in an amount equal to the amount required for HoldCo to pay franchise taxes, fees and expenses necessary to maintain its status as a corporation and other fees required to maintain its corporate existence, provided that HoldCo shall promptly pay such taxes, fees and expenses;

(c) so long as no Default or Event of Default has occurred or would occur after giving effect to such declaration or payment, the Company may, from time to time, declare and pay cash dividends to HoldCo on the common stock of the Company in an aggregate amount not to exceed $10,000,000 (the "HoldCo Dividend Limit") from the Original Closing Date; provided that the proceeds of such dividends shall be used within 30 days of the receipt of such dividends by HoldCo to repurchase HoldCo stock from management employees of HoldCo or any of its Subsidiaries and, provided further, the HoldCo Dividend Limit shall be increased by the proceeds of any additional HoldCo capital stock which is issued to any management employees of HoldCo or any of its Subsidiaries so long as such proceeds are contributed by HoldCo to the capital of the Company; and

(d) any Permitted Minority-Interest Subsidiary may declare and pay dividends and make other Restricted Payments with respect to the Capital Stock of such Subsidiary now or hereafter outstanding; provided, in the case of a dividend, each stockholder of such Subsidiary receives its ratable share thereof.

13.10 Transactions with Affiliates. Enter into after the date hereof any transaction, including, without limitation, any purchase, sale, lease or exchange of property or the rendering of any service, with any Affiliate except (a) for transactions which are otherwise permitted under this Agreement and which are in the ordinary course of the Company's or a Subsidiary's business and which are upon fair and reasonable terms no less favorable to the Company or such Subsidiary than it would obtain in a hypothetical comparable arm's length transaction with a Person not an Affiliate, or (b) as permitted under subsections 13.2(b), (c) and (i), subsection 13.3(o), subsections 13.4(a) and (f), subsections 13.6(c), (d) and (g), subsection 13.7 and subsection 13.9 or (c) as set forth on Schedule 13.10.

13.11 Derivative Contracts. Enter into any foreign currency exchange contracts, interest rate swap arrangements or other derivative contracts or transactions, other than such contracts, arrangements or transactions entered into in the ordinary course of business for the purpose of hedging (a) any asset or obligation of the Company or any of its Subsidiaries with respect to their operations outside of the United States, (b) the interest rate exposure of the Company or any of its Subsidiaries, and (c) the purchase requirements of the Company or any of its Subsidiaries with respect to raw materials and inventory.

13.12 Subordinated Note; Subordinated HoldCo Debentures. (a) (i) Make any payment in violation of any of the subordination provisions of the Subordinated Note; or (ii) waive or otherwise relinquish any of its rights

or causes of action arising under or arising out of the terms of the Subordinated Note or consent to any amendment, modification or supplement to the terms of the Subordinated Note in each case under this clause (ii) in any material respect or in any respect adverse to the Lenders, except (x) with the consent of the Required Lenders and (y) HoldCo may contribute all or any portion of the principal amount of the Subordinated Note to the capital of the Company; provided that promptly following any contribution of all or any portion of the principal amount of the Subordinated Note, all or such portion, as the case may be, of the Subordinated Note is cancelled; or (iii) make any optional payment or prepayment on or redeem or otherwise acquire, purchase or defease the Subordinated Note.

(b) (i) Make any payment in violation of any of the subordination provisions of the Subordinated HoldCo Debentures; or (ii) waive or otherwise relinquish any of its rights or causes of action arising under or arising out of the terms of the Subordinated HoldCo Debentures or consent to any amendment, modification or supplement to the terms of the Subordinated HoldCo Debentures except with the consent of the Required Lenders; or (iii) make any optional payment or prepayment on or redeem or otherwise acquire, purchase or defease the Subordinated HoldCo Debentures.

13.13 Limitation on Sales and Leasebacks. Enter into any arrangement with any Person providing for the leasing by the Company or any Subsidiary of real or personal property which has been or is to be sold or transferred by the Company or such Subsidiary to such Person or to any other Person to whom funds have been or are to be advanced by such Person on the security of such property or rental obligations of the Company or such Subsidiary, provided that the Company or any of its Subsidiaries may enter into such arrangements covering property with an aggregate fair market value not exceeding $75,000,000 from the Original Closing Date; provided, further that the net proceeds from sales in excess of $30,000,000 in the aggregate shall be applied in accordance with subsection 8.6.

13.14 Fiscal Year. Permit the fiscal year of the Company to end on a day other than December 31, unless the Company shall have given at least 45 days prior written notice to the Administrative Agent.

13.15 Practice Guarantees. Enter into any Practice Guarantees with a duration of 18 months or longer in an aggregate amount in excess of $15,000,000 from the Original Closing Date with respect to all such Practice Guarantees.

SECTION 14. EVENTS OF DEFAULT.

Upon the occurrence of any of the following events:

(a) The Company shall fail to (i) pay any principal of any Loan or Note when due in accordance with the terms hereof or thereof or to reimburse the Issuing Lender in accordance with subsection 6.6 or (ii) pay any interest on any Loan or any other amount payable hereunder within five days after any such interest or other amount becomes due in accordance with the terms thereof or hereof; or

(b) Any representation or warranty made or deemed made by any Credit Party in any Credit Document or which is contained in any certificate, guarantee, document or financial or other statement furnished under or in connection with this Agreement shall prove to have been incorrect in any material respect on or as of the date made or deemed made; or

(c) The Company shall default in the observance or performance of any agreement contained in subsection 12.7(a) of this Agreement, HoldCo or the Company shall default in the observance or performance of any agreement contained in Section 13 of this Agreement or any Credit Party shall default in the observance or performance of any agreement contained in Section 2 of the Guarantee to which it is a party; or HoldCo shall default in the performance or observance of Section 10 of the HoldCo Guarantee or Section 5 of the HoldCo Pledge Agreement; or

(d) The Company or any other Credit Party shall default in the observance or performance of any other agreement contained in any Credit Document, and such default shall continue unremedied for a period of 30 days; or

(e) The Company or any of its Subsidiaries shall (A) default in any payment of principal of or interest on any Indebtedness (other than the Loans, the Revolving L/C Obligations and any intercompany debt) or in the payment of any Contingent Obligation, beyond the period of grace, if any, provided in the instrument or agreement under which such Indebtedness or Contingent Obligation was created; or (B) default in the observance or performance of any other agreement or condition relating to any such Indebtedness or Contingent Obligation or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Indebtedness or beneficiary or beneficiaries of such Contingent Obligation (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness to become due prior to its stated maturity, any applicable grace period having expired, or such Contingent Obligation to become payable, any applicable grace period having expired, provided that the aggregate principal amount of all such Indebtedness and Contingent Obligations which would then become due or payable as described in this Section 14(e) would equal or exceed $15,000,000; provided, however, that the failure of HoldCo to pay interest on the Subordinated HoldCo Debentures or the failure of the Company to pay interest on the Subordinated Note beyond the period of grace provided therein shall not constitute an Event of Default under this Section 14(e) unless the holders of the Subordinated HoldCo Debentures or the Subordinated Note have declared that such failure to pay interest constitutes an event of default in accordance with the Section 4(a) of the Subordinated HoldCo Debentures or Section 4(a) of the Subordinated Note, as the case may be; or

(f) (i) HoldCo, the Company or any of their respective Subsidiaries (other than any Subsidiary which is a Non-Significant Subsidiary within the meaning of clause (i) of the definition thereof) shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or HoldCo, the Company or any such Subsidiary shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against HoldCo, the Company or any such Subsidiary any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of 60 days; or (iii) there shall be commenced against HoldCo, the Company or any such Subsidiary any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (iv) HoldCo, the Company or any such Subsidiary shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) HoldCo, the Company or any such Subsidiary shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(g) (i) Any Person shall engage in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (ii) any "accumulated funding deficiency" (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Plan, (iii) a Reportable Event (other than a Reportable Event with respect to which the 30-day notice requirement under Section 4043 of ERISA has been waived) shall occur with respect to, or proceedings to have a trustee appointed shall commence with respect to, or a trustee shall be appointed to administer or to terminate, any Single Employer Plan, which Reportable Event or institution of proceedings or appointment of a trustee is, in the reasonable opinion of the Required Lenders, likely to result in the termination of such Plan for purposes of Title IV of ERISA, and, in the case of a Reportable Event, such Reportable Event shall continue unremedied for ten days after notice of such Reportable Event pursuant to Section 4043(a), (c) or (d) of ERISA is given and, in the case of the institution of proceedings, such proceedings shall continue for ten days after commencement thereof or (iv) any Single Employer Plan shall terminate for purposes of Title IV of ERISA; and in each case in clauses (i) through (iv) above, such event or condition, together with all other such events or conditions relating to such Plans, if any, could subject the Company or any of its Subsidiaries to any tax,

penalty or other liabilities which in the aggregate would have a Material Adverse Effect; or

(h) One or more judgments or decrees shall be entered against the Company or any of its Subsidiaries involving in the aggregate a liability (not paid or fully covered by insurance or not subject to indemnification from the sellers under the Purchase Agreements or any of their respective Affiliates) of $15,000,000 or more to the extent that all such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within the time required by the terms of such judgment; or

(i) Except as provided in subsection 16.1, any Guarantee hereof shall cease, for any reason, to be in full force and effect or any Credit Party shall so assert in writing; or

(j) Except as provided in subsection 16.1, any Pledgor (as defined in the relevant Pledge Agreement) shall breach any covenant or agreement contained in such Pledge Agreement with the effect that such Pledge Agreement shall cease to be in full force and effect or the Lien granted thereby shall cease to be a first priority Lien or any Credit Party shall assert in writing that any Pledge Agreement is no longer in full force and or effect or the Lien granted thereby is no longer a first priority Lien; or

(k) HoldCo shall cease to own, directly or indirectly, 100% of the issued and outstanding capital stock of the Company, free and clear of all Liens (other than the Lien granted pursuant to the HoldCo Pledge Agreement), or HoldCo shall conduct, transact or otherwise engage in any business or operations, incur, create, assume or suffer to exist any Indebtedness, Contingent Obligations or other liabilities or obligations or Liens (other than pursuant to any of the Credit Documents), or own, lease, manage or otherwise operate any properties or assets, other than (1) incident to the ownership of the Pledged Stock and the Pledged Note (as such terms are defined in the HoldCo Pledge Agreement), (2) as permitted by this Agreement, (3) incident to the ownership of capital stock or other equity interests in any person to the extent (i) the acquisition thereof by the Company would constitute a Permitted Acquisition and (ii) such capital stock or equity interests are contributed to the Company promptly following HoldCo's acquisition thereof and (4) the making of the Subordinated Loan or the issuance of the Subordinated HoldCo Debentures; or

(l) FL Affiliates shall cease to own at least 51% of the outstanding capital stock of HoldCo, free and clear of all Liens;

then, and in any such event, (a) if such event is an Event of Default with respect to the Company specified in clause (i) or (ii) of paragraph (f) above, automatically (i) the Commitments and the Issuing Lender's obligation to issue Letters of Credit shall immediately terminate and the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement and the Loans shall immediately become due and payable, and (ii) all obligations of the Company in respect of the Letters of Credit, although contingent and unmatured, shall become immediately due

and payable and the Issuing Lender's obligation to issue Letters of Credit shall immediately terminate and (b) if such event is any other Event of Default, so long as any such Event of Default shall be continuing, either or both of the following actions may be taken: (i) with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Company declare the Commitments and the Issuing Lender's obligation to issue Letters of Credit to be terminated forthwith, whereupon the Commitments and such obligation shall immediately terminate; and (ii) with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice of default to the Company (A) declare all or a portion of the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement and the Loans to be due and payable forthwith, whereupon the same shall immediately become due and payable, and (B) declare all or a portion of the obligations of the Company in respect of the Letters of Credit, although contingent and unmatured, to be due and payable forthwith, whereupon the same shall immediately become due and payable and/or demand that the Company discharge any or all of the obligations supported by the Letters of Credit by paying or prepaying any amount due or to become due in respect of such obligations. All payments under this Section 14 on account of undrawn Letters of Credit shall be made by the Company directly to a cash collateral account established by the Administrative Agent for such purpose for application to the Company's reimbursement obligations under subsection 6.6 as drafts are presented under the Letters of Credit, with the balance, if any, to be applied to the Company's obligations under this Agreement and the Loans as the Administrative Agent shall determine with the approval of the Required Lenders. Except as expressly provided above in this Section 14, presentment, demand, protest and all other notices of any kind are hereby expressly waived.

SECTION 15. THE CO-AGENTS, THE ADMINISTRATIVE AGENT; THE ISSUING LENDER

15.1 Appointment. Each Lender which has a Tranche A Term Loan Commitment or a Revolving Credit Commitment hereby irrevocably designates and appoints Nationsbank, N.A. and The Bank of Nova Scotia as the Co-Agents of such Lender under this Agreement and acknowledges that the Co-Agents, in their respective capacity as such, shall have no duties under the Credit Documents. Each Lender hereby irrevocably designates and appoints Chase as the Administrative Agent under this Agreement and irrevocably authorizes Chase as Administrative Agent for such Lender to take such action on its behalf under the provisions of the Credit Documents and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of the Credit Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, neither any Co-Agent nor the Administrative Agent shall have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into the Credit Documents or otherwise exist against any Co-Agent or the Administrative Agent.

15.2 Delegation of Duties. The Administrative Agent may execute any of its duties under this Agreement and each of the other Credit Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. Without limiting the foregoing, the Administrative Agent may appoint Chemical Bank Agency Services Corporation as its agent to perform the functions of the Administrative Agent hereunder relating to the advancing of funds to the Company and distribution of funds to the Lenders and to perform such other related functions of the Administrative Agent hereunder as are reasonably incidental to such functions. Neither the Co-Agents nor the Administrative Agent shall be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care, except as otherwise provided in subsection 15.3.

15.3 Exculpatory Provisions. Neither any Co-Agent nor the Administrative Agent nor any of its officers, directors, employees, agents, attorneys-in-fact, Affiliates or Subsidiaries shall be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with the Credit Documents (except for its or such Person's own gross negligence or willful misconduct), or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by any Credit Party or any officer thereof contained in the Credit Documents or in any certificate, report, statement or other document referred to or provided for in, or received by the Co-Agents or the Administrative Agent under or in connection with, the Credit Documents or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of the Credit Documents or for any failure of any Credit Party to perform its obligations thereunder. Neither any Co-Agent nor the Administrative Agent shall be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, any Credit Document, or to inspect the properties, books or records of any Credit Party.

15.4 Reliance by Co-Agents or the Administrative Agent. Any Co-Agent and the Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any Note, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Company), independent accountants and other experts selected by any Co-Agent or the Administrative Agent. The Co-Agents and the Administrative Agent may deem and treat the payee of any Note as the owner thereof for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Co-Agents or the Administrative Agent. The Co-Agents or the Administrative Agent shall be fully justified in failing or refusing to take any action under any Credit Document unless it shall first receive such advice or concurrence of the Required Lenders (or, where unanimous consent of the Lenders is expressly required hereunder, such Lenders) as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or

continuing to take any such action. The Co-Agents or the Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under any Credit Document in accordance with a request of the Required Lenders, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Notes.

15.5 Notice of Default. Neither any Co-Agent nor the Administrative Agent shall be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless such Co-Agent or the Administrative Agent has received written notice from a Lender or the Company referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that any Co-Agent or the Administrative Agent receives such a notice, such Co-Agent or Administrative Agent shall promptly give notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be directed by the Required Lenders; provided that (i) the Administrative Agent shall not be required to take any action that exposes the Administrative Agent to liability or that is contrary to this Agreement or applicable law and (ii) unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders.

15.6 Non-Reliance on Co-Agents, Administrative Agent and Other Lenders. Each Lender expressly acknowledges that neither any Co-Agent or the Administrative Agent nor any of their respective officers, directors, employees, agents, attorneys-in-fact, Subsidiaries or Affiliates has made any representations or warranties to it and that no act by any Co-Agent or the Administrative Agent hereafter taken, including any review of the affairs of the Credit Parties, shall be deemed to constitute any representation or warranty by such Co-Agent or the Administrative Agent to any Lender. Each Lender represents to each Co-Agent and the Administrative Agent that it has, independently and without reliance upon any Co-Agent or the Administrative Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Credit Parties and made its own decision to make its Loans hereunder, issue and participate in the Letters of Credit and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon the Administrative Agent or any Co-Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under the Credit Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Credit Parties. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent hereunder, neither any Co-Agent nor the Administrative Agent shall have any duty or responsibility to provide any Lender with any credit or other information concerning the business, financial condition, assets, liabilities, net assets, properties,

results of operations, value, prospects and other condition or creditworthiness of the Credit Parties which may come into the possession of any Co-Agent or the Administrative Agent or any of its officers, directors, employees, agents, attorneys-in-fact, Affiliates or Subsidiaries.

15.7 Indemnification. The Lenders severally agree to indemnify each of the several Co-Agents and the Administrative Agent in its capacity as such (to the extent not reimbursed by the Credit Parties and without limiting the obligation of the Credit Parties to do so), ratably according to the respective amounts of their respective Commitments (or, to the extent such Commitments have been terminated, according to the respective outstanding principal amounts of the Loans and obligations, whether as Issuing Lender or a Participating Lender, with respect to Letters of Credit), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time (including without limitation at any time following the payment of the Loans) be imposed on, incurred by or asserted against any Co-Agent or the Administrative Agent in any way relating to or arising out of the Credit Documents or any documents contemplated by or referred to herein or the transactions contemplated hereby or any action taken or omitted by any Co-Agent or the Administrative Agent under or in connection with any of the foregoing; provided that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting solely from any Co-Agent's or the Administrative Agent's gross negligence or willful misconduct. The agreements contained in this subsection 15.7 shall survive the payment of the Notes and all other amounts payable hereunder.

15.8 Co-Agent or Administrative Agent in its Individual Capacity. The Co-Agents and Administrative Agent and their Affiliates and Subsidiaries may make loans to, accept deposits from and generally engage in any kind of business with the Credit Parties as though each Co-Agent or the Administrative Agent were not each Co-Agent or the Administrative Agent hereunder. With respect to its Loans made or renewed by it, any Note issued to it and any Letter of Credit issued by or participated in by it, each of the several Co-Agents and the Administrative Agent shall have the same rights and powers, duties and liabilities under the Credit Documents as any Lender and may exercise the same as though it were not Co-Agent or the Administrative Agent and the terms "Lender" and "Lenders" shall include each Co-Agent and the Administrative Agent in its individual capacities.

15.9 Successor Co-Agent or Administrative Agent. Any Co-Agent and the Administrative Agent may resign as Co-Agent or Administrative Agent upon 30 days' notice to the Lenders. The resignation of any Co-Agent shall be effective without any further act or deed on the part of the former Co-Agent. If the Administrative Agent shall resign as Administrative Agent under the Credit Documents, then the Required Lenders shall appoint from among the Lenders a successor agent for the Lenders which successor agent shall be approved by the Company (which approval shall not be unreasonably withheld) whereupon such successor agent shall succeed to the rights, powers and duties of the Administrative Agent and the term "Administrative

Agent" shall mean such successor agent effective upon its appointment, and the former Administrative Agent's rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement or any holders of the Notes. After any retiring Co-Agent's or Administrative Agent's resignation hereunder as Co-Agent or Administrative Agent, the provisions of this Section 15 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Co-Agent or Administrative Agent under the Credit Documents.

15.10 Issuing Lender as Issuer of Letters of Credit. Each Lender and each Co-Agent hereby acknowledges that the provisions of this Section 15 shall apply to the Issuing Lender, in its capacity as issuer of any Letter of Credit, in the same manner as such provisions are expressly stated to apply to the Administrative Agent.

SECTION 16. MISCELLANEOUS.

16.1 Amendments and Waivers. No Credit Document nor any terms thereof may be amended, supplemented, waived or modified except in accordance with the provisions of this subsection 16.1. With the written consent of the Required Lenders, the Administrative Agent and the respective Credit Parties may, from time to time, enter into written amendments, supplements or modifications to any Credit Document for the purpose of adding any provisions to such Credit Document to which they are parties or changing in any manner the rights of the Lenders or of any such Credit Party or any other Person thereunder or waiving, on such terms and conditions as the Administrative Agent may specify in such instrument, any of the requirements of any such Credit Document or any Default or Event of Default and its consequences; provided, however, that:

(a) no such waiver and no such amendment, supplement or modification shall directly or indirectly release (i) any Subsidiary Guarantor from its obligations under its Subsidiary Guarantee, without the written consent of the Required Application Lenders or (ii) release the HoldCo Guarantee or all or substantially all of the Subsidiary Guarantees, without the written consent of the Release Lenders, except in either case as otherwise provided herein or in any other Credit Document;

(b) no such waiver and no such amendment, supplement or modification shall directly or indirectly release (i) any Subsidiary Guarantor from its obligations under the Subsidiary Pledge Agreement, without the consent of the Required Application Lenders, or (ii) HoldCo, the Company or all or substantially all the Subsidiaries from their obligations under the HoldCo Pledge Agreement, the Company Pledge Agreement or the Subsidiary Pledge Agreement, respectively, without the written consent of the Release Lenders, except in either case as otherwise provided herein or in any other Credit Document;

(c) no such waiver and no such amendment, supplement or modification shall change the order of application of any optional or

mandatory prepayment of Loans or reduction of Commitments pursuant to subsection 8.5 and 8.6 without the written consent of the Required Application Lenders;

(d) no such waiver and no such amendment, supplement or modification shall (i) extend the scheduled maturity of any Loan, scheduled installment of any Loan or scheduled reduction of any Loan or extend the expiry date of any Letter of Credit beyond the Revolving Credit Termination Date, or reduce the rate or extend the time of payment of interest thereon, or change the method of calculating interest thereon, or reduce the amount or extend the time of payment of any fee payable to the Lenders hereunder, or reduce the principal amount thereof, or increase the amount of any Commitment of any Lender without the consent of each Lender directly affected thereby, or (ii) amend, modify or waive any provision of this subsection 16.1 or the definitions of Required Lenders, Release Lenders or Required Application Lenders, or change the percentage of the Lenders required to waive a condition precedent under Section 11 or consent to the assignment or transfer by any Credit Party of any of its rights and obligations under any Credit Document, in each case, without the written consent of each Lender; and

(e) no such waiver and no such amendment, supplement or modification shall amend, modify or waive any provision of Section 15 without the written consent of the then Co-Agents, Issuing Lender and the Administrative Agent.

Any such waiver and any such amendment, supplement or modification described in this subsection 16.1 shall apply equally to each of the Lenders and shall be binding upon each Credit Party, the Lenders, each Co-Agent, the Administrative Agent and all future holders of the Loans. No waiver, amendment, supplement or modification of any Letter of Credit shall extend the expiry date thereof without the written consent of the Participating Lenders. In the case of any waiver, the Company, the Lenders, each Co-Agent, and the Administrative Agent shall be restored to their former position and rights hereunder and under the outstanding Loans, and any Default or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon.

16.2 Notices. All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by telecopy or telex), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered by hand, or three Business Days after being deposited in the mail, postage prepaid, or, in the case of telecopy notice, when sent, confirmation of receipt received, or, in the case of telex notice, when sent, answerback received, addressed as follows in the case of each Credit Party and the Administrative Agent, and as set forth on its signature page hereto in the case of any Lender, or to such other address as may be hereafter notified by the respective parties hereto and any future holders of the Loans:

HoldCo: Community Health Systems Holdings Corp.

c/o Forstmann Little & Co.
767 Fifth Avenue
44th Floor
New York, New York 10153
Attention: Thomas H. Lister
Telex: 497 23385LCO
Telecopy: (212) 759-9059

The Company: Community Health Systems, Inc.
155 Franklin Road
Suite 400
Brentwood, TN 37027
Attention: Barry E. Stewart
Vice President
Telecopy: (615) 309-5132

In the case of the Company, HoldCo or Acquisition Co, with a copy to: Fried, Frank, Harris, Shriver & Jacobson
One New York Plaza
New York, New York 10004
Attention: Robert Schwenkel
Telex: 128173
Telecopy: (212) 859-4000

The Administrative Agent: The Chase Manhattan Bank
270 Park Avenue
New York, New York 10017
Attention: Dawn Lee Lum
Telecopy: (212) 270-3279

With a copy to: Chase Securities Inc.
270 Park Avenue
New York, New York 10017
Attention: Allison Conway-Carey
Telecopy: (212) 270-1848

provided that any notice, request or demand to or upon the Administrative Agent or the Lenders pursuant to subsections 6.3, 6.7, 8.1, 8.3, 8.4, 8.5, and 8.6 shall not be effective until received and provided, further that the failure to provide the copies of notices to the Company provided for in this subsection 16.2 shall not result in any liability to the Administrative Agent, any Co-Agent or any Lender.

16.3 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Administrative Agent, any Co-Agent or any Lender, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or

further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

16.4 Survival of Representations and Warranties. All representations and warranties made hereunder and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement, the Letters of Credit and the Loans.

16.5 Payment of Expenses and Taxes. The Company agrees:

(a) to pay or reimburse the Administrative Agent for all of its out-of-pocket costs and expenses incurred in connection with the development, preparation and execution of, the Credit Documents and any other documents prepared in connection herewith, and the consummation of the transactions contemplated hereby and thereby, including, without limitation, the reasonable fees and disbursements of counsel to the Administrative Agent;

(b) to pay or reimburse each Lender, each Co-Agent and the Administrative Agent for all their costs and expenses incurred in connection with, and to pay, indemnify, and hold the Administrative Agent, each Co-Agent and each Lender harmless from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever arising out of or in connection with, the enforcement or preservation of any rights under any Credit Document and any such other documents, including, without limitation, reasonable fees and disbursements of counsel to the Administrative Agent, each Co-Agent and each Lender incurred in connection with the foregoing and in connection with advising the Administrative Agent with respect to its rights and responsibilities under this Agreement and the documentation relating thereto;

(c) to pay, indemnify, and to hold the Administrative Agent, each Co-Agent and each Lender harmless from, any and all recording and filing fees and any and all liabilities with respect to, or resulting from any delay in paying, stamp, excise and other similar taxes (other than withholding taxes), if any, which may be payable or determined to be payable in connection with the execution and delivery of, or consummation of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, any Credit Document and any such other documents; and

(d) to pay, indemnify, and hold the Administrative Agent, each Co-Agent and each Lender and their respective officers, directors, employees and agents harmless from and against any and all other liabilities, obligations, losses, damages (including punitive damages), penalties, fines, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (including, without limitation, reasonable experts' and consultants' fees and reasonable

fees and disbursements of counsel and third party claims for personal injury or real or personal property damage) which may be incurred by or asserted against the Administrative Agent, any Co-Agent or the Lenders (x) arising out of or in connection with any investigation, litigation or proceeding related to this Agreement, the other Credit Documents, the proceeds of the Loans, or any of the other transactions contemplated hereby or thereby, whether or not the Administrative Agent, any Co-Agent or any of the Lenders is a party thereto, (y) with respect to any environmental matters, any environmental compliance expenses and remediation expenses, to the extent required under Environmental Laws, in connection with the presence, suspected presence, release or suspected release of any Materials of Environmental Concern in or into the air, soil, groundwater, surface water or improvements at, on, about, under, or within the Properties, or any portion thereof, or elsewhere in connection with the transportation of Materials of Environmental Concern to or from the Properties or (z) without limiting the generality of the foregoing, by reason of or in connection with the execution and delivery or transfer of, or payment or failure to make payments under, Letters of Credit (it being agreed that nothing in this subsection 16.5(d)(z) is intended to limit the Company's obligations pursuant to subsection 6.6);

(all the foregoing, collectively, the "indemnified liabilities"), provided that the Company shall have no obligation hereunder with respect to indemnified liabilities of the Administrative Agent, any Co-Agent or any Lender or any of their respective officers, directors, employees or agents arising from (i) the gross negligence or willful misconduct of such Administrative Agent, Co-Agent or Lender or their respective directors, officers, employees or agents or (ii) legal proceedings commenced against the Administrative Agent, any Co-Agent or any Lender by any security holder or creditor thereof arising out of and based upon rights afforded any such security holder or creditor solely in its capacity as such or (iii) legal proceedings commenced against the Administrative Agent, any Co-Agent or any such Lender by any Transferee (as defined in subsection 16.6). The agreements in this subsection 16.5 shall survive repayment of the Loans and all other amounts payable hereunder.

16.6 Successors and Assigns; Participations; Purchasing Lenders. (a) This Agreement shall be binding upon and inure to the benefit of the Company, the Lenders, the Co-Agents and the Administrative Agent, all future holders of the Loans, and their respective successors and assigns, except that the Company may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of each Lender.

(b) Any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time sell to one or more banks or other financial institutions ("Participants") participating interests in any Loan owing to such Lender, any participating interest of such Lender in the Letters of Credit, any Note held by such Lender, any Commitment of such Lender or any other interest of such Lender hereunder and under the other Credit Documents, provided, however, that no Lender shall sell any such participating interest to any Participant which is a Non-U.S. Lender that

is unable to deliver to such Lender either an Internal Revenue Service Form 4224 or Form 1001 pursuant to clause (A) of subsection 8.18(e) hereof). In the event of any such sale by a Lender of participating interests to a Participant, such Lender's obligations under this Agreement to the other parties to this Agreement shall remain unchanged, such Lender shall remain solely responsible for the performance thereof, such Lender shall remain the holder of any such Loan for all purposes under this Agreement and the other Credit Documents and the Company and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and the other Credit Documents. The Company agrees that if amounts outstanding under this Agreement and the Loans are due and unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall be deemed to have the right of setoff in respect of its participating interest in amounts owing under this Agreement and any Loan to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement or any Loan; provided that such Participant shall only be entitled to such right of setoff if it shall have agreed in the agreement pursuant to which it shall have acquired its participating interest to share with the Lenders the proceeds thereof, as provided in subsection 16.7. The Company also agrees that each Participant shall be entitled to the benefits of subsections 8.12, 8.19, 8.20 and 8.21 with respect to its participation in the Letters of Credit and in the Commitments and the Loans outstanding from time to time; provided that no Participant shall be entitled to receive any greater amount pursuant to such subsections than the transferor Lender would have been entitled to receive in respect of the amount of the participation transferred by such transferor Lender to such Participant had no such transfer occurred and each Participant shall be subject to the provisions of paragraph (c) of subsection 8.20.

(c) Any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time sell to any Lender or any Affiliate thereof (including any Affiliate or Subsidiary of such transferor Lender) (with "Affiliate" of any Lender including, for purposes of this subsection 16.6, any open-end or closed-end mutual fund, or any investment partnership or account or other investment entity, which is advised by the same or an affiliated investment advisor, including up to a total of four) and, with the prior written consent of the Company and the Administrative Agent (which in each case shall not be unreasonably withheld), sell to one or more additional banks or financial institutions (an "Assignee"), all or any part of its rights and obligations under this Agreement, the Notes and the other Credit Documents and, with respect to the Letters of Credit, such Lender's L/C Participating Interest, pursuant to an Assignment and Acceptance executed by such Assignee, such assigning Lender (and, in the case of an Assignee that is not then a Lender or an Affiliate thereof, by the Company and the Administrative Agent), and delivered to the Administrative Agent for its acceptance and recording in the Register (as defined below); provided that (A) each such sale pursuant to this subsection 16.6(c) of less than all of a Lender's rights and Obligations (I) to a Person which is not then a Lender or an Affiliate of a Lender shall be of Commitments and/or Loans of $10,000,000 or more (or such lesser amount as otherwise consented to by the Company in its sole discretion and the Administrative Agent) and (II) to a Person which is then a Lender or an

Affiliate of a Lender may be in any amount, (B) in the event of a sale of less than all of such rights and obligations, such Lender after such sale shall retain Commitments and/or Loans (without duplication) aggregating at least $10,000,000 (or such lesser amount as otherwise consented to by the Company in its sole discretion and the Administrative Agent) and (C) each Assignee which is a Non-U.S. Lender shall comply with the provisions of clause (A) of subsection 8.18(e) hereof, or, with the prior written consent of the Company which may be withheld in its sole discretion, with or without cause, the provisions of clause (B) of subsection 8.18(e) hereof (and, in either case, with all of the other provisions of subsection 8.18(e) hereof); and provided, further that the foregoing shall not prohibit a Lender from selling participating interests in accordance with subsection 16.6(b) in all or any portion of its Commitments and/or Loans (without duplication). Upon such execution, delivery, acceptance and recording, from and after the effective date determined pursuant to such Assignment and Acceptance, (x) the Assignee thereunder shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the rights and obligations of a Lender hereunder with the Commitments and Loans as set forth therein, and (y) the assigning Lender thereunder shall, to the extent of the interest transferred, as reflected in such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such assigning Lender shall cease to be a party hereto). Such Assignment and Acceptance shall be deemed to amend this Agreement to the extent, and only to the extent, necessary to reflect the addition of such Assignee and the resulting adjustment of Commitment Percentages arising from the purchase by such Assignee of all or a portion of the rights and obligations of such assigning Lender under this Agreement and the Notes. As soon as practicable after the effective date determined pursuant to such Assignment and Acceptance, the Company, at its own expense, shall, to the extent requested by the Assignee, execute and deliver to the Administrative Agent, in exchange for any surrendered Notes, new Notes to the order of such Assignee in amounts equal to the respective Commitments and Loans assumed by it pursuant to such Assignment and Acceptance and, if the assigning Lender has retained Commitments hereunder, to the extent requested by the assigning Lender, new Notes to the order of the assigning Lender in an amount equal to the Commitments and Loans retained by it hereunder. Such new Notes shall be dated the Closing Date and shall otherwise be in the form of the Notes replaced thereby. Any Notes surrendered by the assigning Lender shall be returned by the Administrative Agent to the Company marked "cancelled". Notwithstanding anything herein to the contrary (and to the extent permitted by law), after the occurrence of an Event of Default of the type described in Section 14(f) with respect to HoldCo or the Company, any Lender may sell all or any part of its rights and obligations under this Agreement without the consent of the Company.

(d) Any Non-U.S. Lender (other than a Participant or an Assignee, with respect to which the Company has not provided the prior written consent described in clause (C) of the proviso to the first sentence of subsection 16.6(c), in the case of an Assignee) that could become completely exempt from withholding of any U.S. Taxes in respect of payment of any interest due to such Non-U.S. Lender under this Agreement if the Term Note(s) held by such Non-U.S. Lender were in registered form for U.S.

federal income tax purposes may request the Company (through the Administrative Agent), and the Company agrees thereupon, to exchange any Term Note(s) held by such Non-U.S. Lender, or to issue to such Non-U.S. Lender on the date it becomes a party to this Agreement, Term Note(s) registered as provided in paragraph (e) below and substantially in the form of Exhibit I (a "Qualified Non-U.S. Lender Note"). Qualified Non-U.S. Lender Notes may not be exchanged for promissory notes that are not Qualified Non-U.S. Lender Notes.

(e) A Qualified Non-U.S. Lender Note and the Obligation(s) evidenced thereby may be assigned or otherwise transferred in whole or in part only by registration of such assignment or transfer of such Qualified Non-U.S. Lender Note and the Obligation(s) evidenced thereby on the Register (and each Qualified Non-U.S. Lender Note shall expressly so provide). Any assignment or transfer of all or part of such Obligation(s) and the Qualified Non-U.S. Lender Note(s) evidencing the same shall be registered on the Register only upon surrender for registration of assignment or transfer of the Qualified Non-U.S. Lender Note(s) evidencing such Obligation(s), duly endorsed by (or accompanied by a written instrument of assignment or transfer duly executed by) the holder thereof (a "Qualified Non-U.S. Lender Noteholder"), and thereupon one or more new Qualified Non-U.S. Lender Note(s) in the same aggregate principal amount shall be issued to the designated Assignee(s) and the old Qualified Non-U.S. Lender Note shall be returned to the Company marked "cancelled". No assignment of a Qualified Non-U.S. Lender Note and the Obligation(s) evidenced thereby shall be effective unless it shall have been recorded in the Register by the Administrative Agent as provided in this subsection 16.6(e).

(f) The Administrative Agent acting on behalf of and as agent for the Company, shall maintain at the address of the Administrative Agent referred to in subsection 16.2 a copy of each Assignment and Acceptance delivered to it and a register (the "Register") for the recordation of the names and addresses of the Lenders and the registered owners of the Obligations evidenced by the Qualified Non-U.S. Lender Notes (including Qualified Non-U.S. Lender Noteholders) and the Commitment of, the principal amount of any Term Loans, Swing Line Loans, Acquisition Loans and/or Revolving Credit Loans owing to, and if such Lender has any Revolving Credit Commitment, the L/C Participating Interests of, each Lender from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and the Company, the Administrative Agent and the Lenders shall treat each Person whose name is recorded in the Register as the owner of the Loans, Qualified Non-U.S. Lender Notes or L/C Participating Interests recorded therein for all purposes of this Agreement, notwithstanding any notice to the contrary. The Register shall be available for inspection by the Company or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(g) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an Assignee (and, in the case of an Assignee that is not then a Lender or an Affiliate thereof, by the Company and the Administrative Agent), together with payment to the Administrative Agent of a registration and processing fee of $4,000 if the Assignee is not a Lender or an Affiliate thereof prior to the execution of such Assignment and

Acceptance and $1,000 otherwise, the Administrative Agent shall (i) promptly accept such Assignment and Acceptance and (ii) on the effective date determined pursuant thereto, record the information contained therein in the Register and give notice of such acceptance and recordation to the Lenders and the Company.

(h) The Company authorizes each Lender to disclose to any Participant or Assignee (each, a "Transferee") and any prospective Transferee any and all financial information in such Lender's possession concerning Holdings, the Company and their respective Subsidiaries which has been delivered to such Lender by or on behalf of the Company pursuant to this Agreement or which has been delivered to such Lender by or on behalf of the Company in connection with such Lender's credit evaluation of Holdings, the Company and their respective Subsidiaries and Affiliates prior to becoming a party to this Agreement.

(i) If, pursuant to this subsection 16.6, any interest in this Agreement or any Loan or Letter of Credit is transferred to any Transferee which would be a Non-U.S. Lender upon the effectiveness of such transfer, the assigning Lender shall cause such Transferee, concurrently with the effectiveness of such transfer, (i) to represent to the assigning Lender (for the benefit of the assigning Lender, the Administrative Agent and the Company) that under applicable law and treaties no U.S. Taxes will be required to be withheld by the Administrative Agent, the Company or the assigning Lender with respect to any payments to be made to such Transferee in respect of the Loans or L/C Participating Interests, (ii) to furnish to the assigning Lender (and, in the case of any Assignee registered in the Register, the Administrative Agent and the Company) such Internal Revenue Service Forms required to be furnished pursuant to subsection 8.18(e) and (iii) to agree (for the benefit of the assigning Lender, the Administrative Agent and the Company) to be bound by the provisions of subsection 8.18(e).

(j) For avoidance of doubt, the parties to this Agreement acknowledge that the provisions of this subsection concerning assignments of Loans and Notes relate only to absolute assignments and that such provisions do not prohibit assignments creating security interests, including, without limitation, any pledge or assignment by a Lender of any Loan or Note to any Federal Reserve Bank in accordance with applicable law; provided that any transfer of Loans or Notes upon, or in lieu of, enforcement of or the exercise of remedies under any such pledge shall be treated as an assignment thereof which shall not be made without compliance with the requirements of this subsection 16.6.

16.7 Adjustments; Set-off. (a) If any Lender (a "Benefitted Lender") shall at any time receive any payment of all or part of any of its Term Loans, Revolving Credit Loans (other than payment of Swing Line Loans), Acquisition Loans or L/C Participating Interests, as the case may be, or interest thereon, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by set-off, pursuant to events or proceedings of the nature referred to in clause (f) of Section 14, or otherwise) in a greater proportion than any such payment to and collateral received by any other Lender, if any, in respect of such other Lender's Term Loans, Revolving Credit Loans, Acquisition Loans or L/C Participating Interests, as the case may be, or interest thereon, such benefitted Lender

shall purchase for cash from the other Lenders such portion of each such other Lender's Term Loans, Revolving Credit Loans, Acquisition Loans or L/C Participating Interests, as the case may be, or shall provide such other Lenders with the benefits of any such collateral, or the proceeds thereof, as shall be necessary to cause such benefitted Lender to share the excess payment or benefits of such collateral or proceeds ratably with each of the Lenders; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such benefitted Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest. The Company agrees that each Lender so purchasing a portion of another Lender's Loans and/or L/C Participating Interests may exercise all rights of payment (including, without limitation, rights of set-off) with respect to such portion as fully as if such Lender were the direct holder of such portion. The Administrative Agent shall promptly give the Company notice of any set-off, provided that the failure to give such notice shall not affect the validity of such set-off.

(b) Upon the occurrence of an Event of Default specified in Section 14(a) or 14(f), the Administrative Agent, each Co-Agent and each Lender are hereby irrevocably authorized at any time and from time to time without notice to the Company, any such notice being hereby waived by the Company, to set off and appropriate and apply any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by the Administrative Agent, such Co-Agent or such Lender to or for the credit or the account of the Company or any part thereof in such amounts as the Administrative Agent, such Co-Agent or such Lender may elect, on account of the liabilities of the Company hereunder and under the other Credit Documents and claims of every nature and description of the Administrative Agent, such Co-Agent or such Lender against the Company in any currency, whether arising hereunder, or otherwise, under any other Credit Document as the Administrative Agent, such Co-Agent or such Lender may elect, whether or not the Administrative Agent, such Co-Agent or such Lender has made any demand for payment and although such liabilities and claims may be contingent or unmatured. The Administrative Agent, each Co-Agent and each Lender shall notify the Company promptly of any such setoff made by it and the application made by it of the proceeds thereof, provided that the failure to give such notice shall not affect the validity of such setoff and application. The rights of the Administrative Agent, each Co-Agent and each Lender under this paragraph are in addition to other rights and remedies (including, without limitation, other rights of setoff) which the Administrative Agent, such Co-Agent or such Lender may have.

16.8 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of the copies of this Agreement signed by all the parties shall be lodged with the Company and the Administrative Agent. This Agreement shall become effective with respect to the Company, the Co-Agents, the Administrative Agent and the Lenders when the Administrative Agent shall have received copies of this Agreement executed

by the Company, HoldCo, the Co-Agents and the Lenders, or, in the case of any Lender, shall have received telephonic confirmation from such Lender stating that such Lender has executed counterparts of this Agreement or the signature pages hereto and sent the same to the Administrative Agent.

16.9 Integration1 This Agreement and the other Credit Documents represent the entire agreement of the Credit Parties, the Administrative Agent, the Co-Agents and the Lenders with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the Administrative Agent, any Co-Agent or any Lender relative to the subject matter hereof or thereof not expressly set forth or referred to herein or in the other Credit Documents.

16.10 GOVERNING LAW; NO THIRD PARTY RIGHTS. THIS AGREEMENT AND THE LOANS AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT AND THE LOANS SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK. THIS AGREEMENT IS SOLELY FOR THE BENEFIT OF THE PARTIES HERETO AND THEIR RESPECTIVE SUCCESSORS AND ASSIGNS, AND, EXCEPT AS SET FORTH IN SUBSECTION 16.6, NO OTHER PERSONS SHALL HAVE ANY RIGHT, BENEFIT, PRIORITY OR INTEREST UNDER, OR BECAUSE OF THE EXISTENCE OF, THIS AGREEMENT.

16.11 SUBMISSION TO JURISDICTION; WAIVERS. (A) EACH PARTY TO THIS AGREEMENT HEREBY IRREVOCABLY AND UNCONDITIONALLY:

(I) SUBMITS FOR ITSELF AND ITS PROPERTY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS CREDIT AGREEMENT OR ANY OF THE OTHER CREDIT DOCUMENTS, OR FOR RECOGNITION AND ENFORCEMENT OF ANY JUDGMENT IN RESPECT THEREOF, TO THE NON-EXCLUSIVE GENERAL JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK, THE COURTS OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND APPELLATE COURTS FROM ANY THEREOF;

(II) CONSENTS THAT ANY SUCH ACTION OR PROCEEDING MAY BE BROUGHT IN SUCH COURTS, AND WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH ACTION OR PROCEEDING IN ANY SUCH COURT OR THAT SUCH ACTION OR PROCEEDING WAS BROUGHT IN AN INCONVENIENT COURT AND AGREES NOT TO PLEAD OR CLAIM THE SAME;

(III) AGREES THAT SERVICE OF PROCESS IN ANY SUCH ACTION OR PROCEEDING MAY BE EFFECTED BY MAILING A COPY THEREOF BY REGISTERED OR CERTIFIED MAIL (OR ANY SUBSTANTIALLY SIMILAR FORM OF MAIL), POSTAGE PREPAID, TO SUCH PARTY AT ITS ADDRESS SET FORTH IN SUBSECTION 16.2 OR AT SUCH OTHER ADDRESS OF WHICH THE ADMINISTRATIVE AGENT SHALL HAVE BEEN NOTIFIED PURSUANT THERETO; AND

(IV) AGREES THAT NOTHING CONTAINED HEREIN SHALL AFFECT THE RIGHT TO EFFECT SERVICE OF PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR SHALL LIMIT THE RIGHT TO SUE IN ANY OTHER JURISDICTION.

(B) EACH PARTY HERETO UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING REFERRED TO IN PARAGRAPH (A) ABOVE.

16.12 Acknowledgments. HoldCo and the Company each hereby

acknowledges that:

(a) none of the Administrative Agent, any Co-Agent or any Lender has any fiduciary relationship to any Credit Party, and the relationship between the Administrative Agent, the Co-Agents and the Lenders, on the one hand, and the Credit Parties, on the other hand, is solely that of creditor and debtor; and

(b) no joint venture exists among the Lenders or among any Credit Parties and the Lenders.

16.13 Restatement. By their execution hereof, each of the parties hereto agrees that all indebtedness of the Company under the Existing Credit Agreement shall be continued hereunder, that the Existing Credit Agreement shall be amended and restated to reflect such continuation and to preserve the perfection and priority of all security interests securing such indebtedness under the Existing Credit Agreement and that all indebtedness and obligations of the Company hereunder shall be secured by the Guarantees and Pledge Agreements.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered in New York, New York by their proper and duly authorized officers as of the day and year first above written.

COMMUNITY HEALTH SYSTEMS, INC.

By:

Title:

COMMUNITY HEALTH SYSTEMS HOLDINGS CORP.

By:

Title:

THE CHASE MANHATTAN BANK, as
Administrative Agent, Issuing Lender
and as a Lender

By:

Title:

NATIONSBANK, N.A., as Co-Agent
and as a Lender

By:

Name:
Title:

Address for Notices
One Nationsbank Plaza, 7th Floor
Nashville, Tennessee 37239-1697
Attention: Kevin Wagley
Telecopy: (615) 749-4640

BANK OF AMERICA ILLINOIS, as a Lender

By:

Name:
Title:

Address for Notices
One Nationsbank Plaza, 7th Floor
Nashville, Tennessee 37239-1697
Attention: Kevin Wagley
Telecopy: (615) 749-4640

THE BANK OF NOVA SCOTIA, as Co-Agent
and as a Lender

By:

Name:
Title:

Address for Notices
600 Peachtree St. NE, Suite 2700
Atlanta, Georgia 30308
Attention: Carolyn A. Lopez
Telecopy: (404) 888-8998

MERRILL LYNCH SENIOR FLOATING RATE
FUND, INC., as a Lender

By:

Name:
Title:

Address for Notices
800 Scudders Mill Road
Plainsboro, New Jersey 08536
Attention: Doug Henderson
Telecopy: (609) 282-2756

SENIOR HIGH INCOME PORTFOLIO, INC.,
as a Lender

By:

Name:
Title:

Address for Notices
800 Scudders Mill Road
Plainsboro, New Jersey 08536
Attention: Doug Henderson
Telecopy: (609) 282-2756

MERILL LYNCH PRIME RATE PORTFOLIO,
as a Lender

By: Merrill Lynch Asset Management,
L.P., as Investment Advisor

By:

Name:
Title:

Address for Notices
800 Scudders Mill Road
Plainsboro, New Jersey 08536
Attention: Doug Henderson
Telecopy: (609) 282-2756

VAN KAMPEN PRIME RATE INCOME TRUST,
as a Lender

By:

Name:
Title:

Address for Notices
One Parkview Plaza
Oakbrook Terrace, Illinois 60181
Attention: Jeffrey Maillett
Telecopy: (630) 684-6385

STATE STREET BANK & TRUST, as a Lender

By:

Name:
Title:

Address for Notices
Two International Place
Boston, Massachusetts 02110
Attention: Wayne Elpus
Telecopy: (617) 664-5366

SENIOR DEBT PORTFOLIO, as a Lender
by: Boston Management and Research,
as Investment Advisor

By:

Name:
Title:

Address for Notices
c/o Eaton Vance Management Inc.
24 Federal Street, 6th Floor
Boston, Massachusetts 02110
Attention: Payson Swaffield
Telecopy: (617) 695-9594

MARINE MIDLAND BANK, as a Lender

By:

Name:
Title:

Address for Notices
140 Broadway, 4th Floor
New York, New York 10005-1185
Attention: Christopher French
Telecopy: (212) 658-2586

CREDIT LYONNAIS NEW YORK BRANCH,
as a Lender

By:

Name:
Title:

Address for Notices
1301 Avenue of the Americas
New York, New York 10019
Attention: Farbroud Tavangar
Telecopy: (212) 261-3440

PARIBAS, as a Lender

By:

Name:
Title:

Address for Notices
1200 Smith Street, Suite 3100
Houston, Texas 77002
Attention: Glenn Mealey
Telecopy: (713) 659-5234

BANK AUSTRIA CREDITANSTALT CORPORATE
FINANCE, INC., as a Lender

By:

Name:
Title:

By:

Name:
Title:

Address for Notices
Two Greenwich Plaza
Greenwich, Connecticut 06830
Attention: Ridge Cromwell
Telecopy: (203) 861-1475

FIRST UNION NATIONAL BANK, as a Lender

By:

Name:
Title:

Address for Notices
150 Fourth Avenue North, 2nd Floor
Nashville, Tennessee 37219
Attention: Carolyn Hannon
Telecopy: (615) 251-9247

THE LONG-TERM CREDIT BANK OF JAPAN,
LTD., as a Lender

By:

Name:
Title:

Address for Notices
245 Peachtree Center Avenue, N.E.
Suite 2801
Atlanta, Georgia 30303
Attention: Rebecca Silbert
Telecopy: (404) 658-9751

THE MITSUBISHI TRUST AND BANKING
CORPORATION, as a Lender

By:

Name:
Title:

Address for Notices
520 Madison Avenue, 25th Floor
New York, New York 10022
Attention: Eric Mann
Telecopy: (212) 644-6825

SRF TRADING, INC., as a Lender

By:

Name:
Title:

Address for Notices
c/o NationsBank, N.A.
101 N. Tryon Street, NC 1-001-15-01
Charlotte, North Carolina 28273
Attention: Ryan S. Barclay
Telecopy: (704) 386-6391

KEYPORT LIFE INSURANCE COMPANY,
as a Lender

By: Stein Roe & Farnham Incorporated,
as Agent

By:

Name:
Title:

Address for Notices
Stein Roe & Farnham Incorporated
One Wacker Drive, 33rd Floor
Chicago, Illinois 60606
Attention: Brian W. Good
Telecopy: (312) 368-7857

PRIME INCOME TRUST, as a Lender

By:

Name:
Title:

Address for Notices
Two World Trade Center
72nd Floor
New York, New York 10048
Attention: Sheila Finnerty
Telecopy: (212) 392-5345

PILGRIM PRIME RATE TRUST, as a Lender

By: Pilgrim Investments, Inc., as its
Investment Manager

By:

Name:
Title:

Address for Notices
Two Renaissance Square
40 North Central Avenue
Phoenix, Arizona 85004-4424
Attention: Michel Prince
Telecopy: (602) 417-8327

MASSACHUSETTS MUTUAL LIFE INSURANCE
COMPANY, as a Lender

By:

Name:
Title:

Address for Notices
1295 State Street
Springfield, Massachusetts 01111-0111
Attention: Lisa Yoerg
Telecopy: (413) 744-2022

MASSMUTUAL HIGH YIELD PARTNERS II, LLC,
as a Lender

By: HYP Management Inc., as Managing
Member

By:

Name:
Title:

Address for Notices
1295 State Street
Springfield, Massachusetts 01111-0111
Attention: Lisa Yoerg
Telecopy: (413) 744-2022

NEW YORK LIFE INSURANCE COMPANY,
as a Lender

By:

Name:
Title:

Address for Notices
51 Madison Avenue
New York, New York 10010
Attention: Steven Benevento
Telecopy: (212) 447-4122

NEW YORK LIFE INSURANCE AND ANNUITY
CORPORATION, as a Lender

By: New York Life Insurance Company

By:

Name:
Title:

Address for Notices
51 Madison Avenue
New York, New York 10010
Attention: Steven Benevento
Telecopy: (212) 447-4122

AMSOUTH BANK, as a Lender

By:

Name:
Title:

Address for Notices
333 Union Street, Suite 200
Nashville, Tennessee 37201
Attention: Kathy Wind
Telecopy: (615) 291-5257

ING CAPITAL ADVISORS, INC., as a Lender

By:

Name:
Title:

Address for Notices
333 S. Grand Avenue
Suite 4250
Los Angeles, California 90071
Attention: Helen Rhee
Telecopy: (213) 346-3995

LEHMAN COMMERCIAL PAPER INC.,
as a Lender

By:

Name:
Title:

Address for Notices
3 World Financial Center, 11th Floor
New York, New York 10285
Attention: Michele Swanson
Telecopy: (212) 526-0242

AERIES FINANCE LTD., as a Lender

By:

   Name:
   Title:

Address for Notices
c/o Moore Management Services Limited
Elizabeth House, Castle Street
St. Helier, Jersey
Channel Islands, Great Britain
Attention: Director
Telecopy: 011-441-534-616900

with a copy to:
Aeries Finance Ltd.
c/o Stanfield Capital Partners LLC
330 Madison Avenue
New York, New York 10017
Attention: Christopher E. Jansen
Telecopy: (212) 284-4320

CAPTIVA FINANCE LTD., as a Lender

By:

Name:
Title:

Address for Notices
c/o Deutsche Bank (Cayman) Limited
P.O. Box 1984 GT, Elizabeth Square
Grand Cayman, Cayman Islands
Attention: Director
Telecopy: (345) 949-5223

with a copy to:
Captiva Finance Ltd.
330 Madison Avenue, 27th Floor
New York, New York 10017
Attention: Christopher E. Jansen
Telecopy: (212) 284-4320

BANKBOSTON, N.A., as a Lender

By:

Name:
Title:

Address for Notices
100 Federal Street
Boston, Massachusetts 02110
Attention: Greg Clark
Telecopy: (617) 434-4929

THE BANK OF NEW YORK, as a Lender

By:

Name:
Title:

Address for Notices
One Wall Street, 22nd Floor
New York, New York 10286
Attention: Anne Marie Hughes
Telecopy: (212) 635-6434

BHF-BANK AKTIENGESELLSCHAFT, as a
Lender

By:

Name:
Title:

Address for Notices
590 Madison Avenue
New York, New York 10022
Attention: Patrick Marsh
Telecopy: (212) 756-5536

FIRST NATIONAL BANK OF CHICAGO, as a
Lender

By:

Name:
Title:

Address for Notices
One First National Plaza
Mail Suite 0091
Chicago, Illinois 60670
Attention: Tom Harkless
Telecopy: (312) 732-2016

PAMCO CAYMAN LTD., as a Lender

By: Highland Capital Management LP,
as Collateral Manager

By:

Name:
Title:

Address for Notices
1150 Two Galleria Tower
13455 Noel Rd. LB #45
Dallas, Texas 75240
Attention: Mark Okada
Telecopy: (972) 233-4343

FIRST AMERICAN NATIONAL BANK,
as a Lender

By:

Name:
Title:

Address for Notices
327 Union Street, 2nd Floor
Nashville, Tennessee 37237-0203
Attention: Sandy Hamrick
Telecopy: (615) 748-8480

PNC BANK N.A., as a Lender

By:

Name:
Title:

Address for Notices
500 West Jefferson Street, 2nd Floor
Louisville, Kentucky 40202
Attention: Benjamin Willingham
Telecopy: (502) 581-2302

NATIONAL CITY BANK OF KENTUCKY,
as a Lender

By:

Name:
Title:

Address for Notices
101 South Fifth Street
Louisville, Kentucky 40202
Attention: Roderic Brown
Telecopy: (502) 581-4424

THE INDUSTRIAL BANK OF JAPAN, LIMITED,
as a Lender

By:

Name:
Title:

Address for Notices
1251 Avenue of the Americas, 32nd Floor
New York, New York 10020-1104
Attention: Jennifer McNamara
Telecopy: (212) 282-4490

SKANDINVISKA ENSKLIDA BANKEN, as a
Lender

By:

Name:
Title:

Address for Notices
245 Park Avenue
New York, New York 10167
Attention: Sverker Johansson
Telecopy: (212) 697-5188

OCTAGON LOAN TRUST, as a Lender

By: Octagon Credit Investors,
as Manager,

By:

Name:
Title:

Address for Notices
380 Madison Avenue, 12th Floor
New York, New York 10017
Attention: James Ferguson
Telecopy: (212) 622-3070

INSTITUTIONAL DEBT MANAGEMENT,
as a Lender

By:

Name:
Title:

Address for Notices:
410 Park Avenue, 14th Floor
New York, New York 10022
Attention: Tom Ewald
Telecopy: 212-891-5075

FLOATING RATE PORTFOLIO, as a Lender

By: INVESCO Senior Secured Management, Inc., as attorney in fact

By:

Name:
Title:

Address for Notices:
1166 Avenue of the Americas, 27th Floor
New York, New York 10036-2789
Attention: Peter Wollman
Telecopy: 212-278-9847

with a copy to:
AIM Floating Rate Portfolio
11 Greenway Plaza, 16th Floor
Houston, Texas 77046
Attn: Stacy Franks
Telecopy: (713) 214-4481

KZH STERLING LLC, as a Lender

By:

Name:
Title:

Address for Notices:
c/o KZH Sterling LLC.
The Chase Manhattan Bank
450 West 33rd Street, 15th Floor
New York, New York 10001
Attention: Virginia Conway
Telecopy: 212-946-7776

with a copy to:

Shan McSweeney
c/o Gibson, Dunn & Crutcher LLP
200 Park Avenue, 47th Floor
New York, New Yotk 10166
Telecopy: (212) 351-5330

KZH IV LLC, as a Lender

By:

Name:
Title:

Address for Notices:
c/o KZH IV LLC
The Chase Manhattan Bank
450 West 33rd Street, 15th Floor
New York, New York 10001
Attention: Virginia Conway
Telecopy: 212-946-7776

with a copy to:
Shan McSweeney
c/o Gibson, Dunn & Crutcher LLP
200 Park Avenue, 47th Floor
New York, New York 10166
Telecopy: (212) 351-5330

ALLSTATE LIFE INSURANCE COMPANY,
as a Lender

By:

Name:
Title:

By:

Name:
Title:

Address for Notices:
3075 Sanders Road, Suite G3A
Northbrook, Illinois 60062-7127
Attention: Jerry Zinkula
Telecopy: 847-402-3092

ALLSTATE INSURANCE COMPANY, as a Lender

By:

Name:
Title:

By:

Name:
Title:

Address for Notices:
3075 Sanders Road, Suite G3A
Northbrook, Illinois 60062-7127
Attention: Jerry Zinkula
Telecopy: 847-402-3092

EATON VANCE SENIOR INCOME TRUST,
as a Lender

By: Boston Management and Research,
as Investment Advisor

By:

Name:
Title:

Address for Notices
c/o Eaton Vance Management Inc.
24 Federal Street, 6th Floor
Boston, Massachusetts 02110
Attention: Payson Swaffield
Telecopy: (617) 695-9594

JACKSON NATIONAL LIFE INSURANCE
COMPANY, as a Lender

By: PPM America, Inc., as attorney
in fact, on behalf of Jackson
National Life Insurance Company

By:

Name:
Title:

Address for Notices:
225 West Wacker Drive, Suite 1200
Chicago, IL 60606
Attention: Mike DiRie, or Mike King
and Dave Brinkley
Telecopy: 312-634-0054 and 312-634-0906

Exhibit 10.12

Form of 7-1/2% SERIES A DEBENTURES DUE JUNE 30, 2007

THIS DEBENTURE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS REGISTERED UNDER SAID ACT OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE AND EXCEPT IN COMPLIANCE WITH THE PROVISIONS OF SECTION 17 HEREOF.

FLCH HOLDINGS CORP.

7-1/2% SERIES A DEBENTURES DUE JUNE 30, 2007

No.: R- New York, New York

FLCH HOLDINGS CORP., a Delaware corporation (hereinafter called "HoldCo"), for value received, hereby promises to pay to:

or its registered assigns, the principal amount of $ (or so much thereof as shall not have been prepaid), payable on June 30, 2007, and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid principal amount hereof, from the date hereof, at the rate of 7-1/2% per annum semi-annually on the 31st day of January and the 31st day of July in each year, commencing on January 31, 1997, until said principal amount shall have become due and payable and (to the extent permitted by applicable law) to pay interest at the rate of 10-1/2% per annum on any overdue principal and interest, from the date such amount was due and payable until the obligation of HoldCo with respect to the payment thereof shall be fully discharged. Payments of principal and interest on this 7-1/2% Series A Debenture (this "Debenture") shall be made in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. If the date on which any such payment is required to be made pursuant to the provisions of this Debenture occurs on a day other than a Business Day (as hereinafter defined), such payment shall be due and payable on the next succeeding Business Day.

This Debenture together with any debenture or debentures hereafter issued in accordance with the provisions hereof which represent part of the principal amount of this Debenture and any replacement hereof or thereof constitute HoldCo's 7-1/2% Series A Debentures due June 30, 2007 (hereinafter collectively called the "7-1/2% Series A Debentures"). The 7-1/2% Series A Debentures, together with HoldCo's 7-1/2% Series B Debentures due June 30, 2008 and HoldCo's 7-1/2% Series C Debentures due

June 30, 2009, and any debenture or debentures issued in accordance with the provisions hereof or thereof which represent part of the principal amount hereof or thereof and any replacement of any of the foregoing, aggregating $500,000,000 in original principal amount, are hereinafter collectively called "7-1/2% Debentures".

1. DEFINED TERMS

As used herein the following terms shall have the following meanings:

"Administrative Agent" shall mean The Chase Manhattan Bank, N.A., in its capacity as administrative agent under the Senior Credit Agreements.

"Affiliate" shall mean any person or entity that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, another specified person or entity.

"Borrower" shall mean FLCH Acquisition Corp., a Delaware corporation and a direct wholly-owned subsidiary of HoldCo, which corporation is to be merged with CHS pursuant to the Merger, and from and after the Merger said term shall refer to the Surviving Corporation.

"Business Day" shall mean a day other than Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close.

"CHS" shall mean Community Health Systems, Inc., a Delaware corporation.

"Co-Agents" shall mean, collectively, Bank of America N.A., NationsBank, and The Bank of Nova Scotia, in their capacities as co-agents with respect to the Senior Credit Agreements.

"Merger Credit Agreement" shall mean the $900,000,000 Credit Agreement dated as of July 9, 1996, among the Borrower, HoldCo, the Merger Lenders parties thereto, the Co-Agents and the Administrative Agent, and shall include any replacements or refinancings by the Lenders, renewals, and amendments thereto with the consent of the Borrower, the Lenders, the Co-Agents and the Administrative Agent, as required thereunder, and including those amendments that would increase the amounts outstanding thereunder to the extent permitted by the provisions of Section 16.

"Event(s) of Default" shall have the meaning assigned to it in Section 4.

"Holder" shall mean the person or entity in whose name this Debenture is registered on the register maintained by HoldCo pursuant to Section 6; and "Holders" shall be the collective reference to all such holders of 7-1/2% Debentures.

"L/C Application" shall be any L/C Application under the Merger Credit Agreement.

"Lenders" shall mean, prior to the Merger, the Tender Lenders, and from and after the Merger, the Merger Lenders.

"Letters of Credit" shall be the collective reference to Letters of Credit issued under the Merger Credit Agreement.

"MBO-VI" shall mean Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VI, a Delaware limited partnership.

"Merger" shall mean the merger of FLCH Acquisition Corp. with CHS pursuant to the Agreement and Plan of Merger, dated June 9, 1996, as amended, between CHS, HoldCo and the Borrower.

"Merger Lenders" shall mean the Lenders from time to time parties to the Merger Credit Agreement.

"Notice of Designation" shall mean a notice delivered by HoldCo to the Holders designating Senior Obligations, which notice shall be substantially in the form of Annex 1 hereto.

"Partnership Agreement" shall have the meaning assigned to it in Section 4.

"Purchase Notice" shall have the meaning assigned to it in subsection 17.2.

"Senior Credit Agreements" shall have the collective reference to the Tender Credit Agreement and the Merger Credit Agreement.

"Senior Creditors" shall mean the Administrative Agent, the Co-Agents and the Lenders.

"Senior Default" shall have the meaning assigned to the term "Default" in the Senior Credit Agreements or a failure to pay obligations under the Tender Credit Agreement following a demand therefor.

"Senior Event of Default" shall have the meaning assigned to the term "Event of Default" in the Senior Credit Agreements or a failure to pay obligations under the Tender Credit Agreement following a demand therefor.

"Senior Extensions of Credit" shall mean all loans and other extensions of credit obtained by the Borrower under the Senior Credit Agreements.

"Senior Loans" shall mean Loans outstanding under the Senior Credit Agreements.

"Senior Notes" shall mean the promissory notes that may be issued by the Borrower under the Senior Credit Agreements to evidence indebtedness to the Lenders outstanding from time to time under the Senior Credit Agreements.

"Senior Obligations" shall mean, to the extent that HoldCo guarantees the obligations of the Borrower incurred pursuant to the Senior Credit Agreements, (a) the principal amount of, and accrued interest on (including, without limitation, any interest which accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of HoldCo or the Borrower, whether or not allowed), the Senior Extensions of Credit, the Senior Notes, all other indebtedness, liabilities and obligations of the Borrower under the Senior Credit Agreements and any refinancing thereof, and all indebtedness, liabilities and obligations of HoldCo under guarantees made by HoldCo in respect thereof, and (b) all other indebtedness, obligations and liabilities of the Borrower to the Lenders now existing or hereafter incurred or created under or with respect to the Senior Extensions of Credit, the Senior Notes and the Senior Credit Agreements and with respect to the Letters of Credit and the L/C Applications, and with respect to any refinancing thereof, and all indebtedness, liabilities and obligations of HoldCo under guarantees made by HoldCo in respect of the foregoing (including, without limitation, any interest which accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of HoldCo or the Borrower, whether or not allowed), and (c) the principal amount of, and accrued interest (including without limitation, any interest which accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of HoldCo or the Borrower, whether or not allowed) and commissions on, additional indebtedness, obligations and/or liabilities of the Borrower under the Senior Credit Agreements and all refinancings thereof and all indebtedness, liabilities and obligations of HoldCo under guarantees made by HoldCo in respect thereof, not otherwise specified in clause (a) or (b) above in principal amounts in the aggregate, at any one time outstanding, not to exceed $100,000,000, which indebtedness, obligations and/or liabilities are designated as Senior Obligations in a Notice of Designation from HoldCo to each of the Holders which has become effective in accordance with the provisions of Section 16, and (d) all indebtedness, obligations and liabilities of the Borrower arising under any agreements between the Borrower and one or more Senior Creditors relating to interest rate, currency or similar swap and hedging arrangements and under any other agreements made, delivered or given in connection therewith and all indebtedness, liabilities and obligations of HoldCo under guarantees made by HoldCo in respect thereof (including, without limitation, any interest which accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of HoldCo or the Borrower, whether or not allowed).

"Subordinated Obligations" shall mean (a) the principal amount of, and accrued interest on (including, without limitation, any interest which accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of HoldCo, whether or not allowed), the 7-1/2% Debentures, and (b) all other indebtedness, obligations and liabilities of HoldCo to the Holders (including those arising under Section 11 and Section 16), now existing or hereafter incurred or created under the 7-1/2% Debentures.

"Surviving Corporation" shall mean the corporation which survives the Merger.

"Tender Credit Agreement" shall mean the Tender Credit Agreement, dated as of July 9, 1996, among the Borrower, HoldCo, the banks and other financial institutions (the "Tender Lenders") which are from time to time parties thereto, the Co-Agents, and the Administrative Agent, and shall include any replacements or refinancings by the Tender Lenders, renewals and amendments thereto with the consent of the Administrative Agent or the Required Lenders, and including those amendments that would increase the amounts outstanding thereunder to the extent permitted by the provisions of Section 16.

"Transfer", "Transferee," "Transfer Notice" and "Transfer Price" shall have the respective meanings assigned to such terms in Section 17.

2. REPRESENTATIONS AND WARRANTIES

HoldCo hereby represents and warrants to the Holder that the following are true on and as of the date of issue of this Debenture:

2.1 Corporate Existence; Corporate Power; Authorization. HoldCo (a) is duly organized, validly existing and in good standing under the laws of the State of Delaware, (b) has the corporate power and authority and the legal right to make and deliver, and to perform its obligations under, the 7-1/2% Debentures and to make the borrowing evidenced thereby, and (c) has taken all necessary corporate action to authorize such borrowing on the terms and conditions of the 7-1/2% Debentures and to authorize the execution and delivery of, and performance by it of its obligations under, the 7-1/2% Debentures.

2.2 No Legal Bar. No consent or authorization of, filing with, or other act by or in respect of, any other person or entity is required in connection with the borrowing evidenced by the 7-1/2% Debentures or with the execution and delivery by HoldCo of, or performance by HoldCo of its

obligations under, or the validity or enforceability against HoldCo of, the 7-1/2% Debentures. The execution and delivery of, and performance by HoldCo of its obligations under, the 7-1/2% Debentures will not violate or conflict with or constitute a default under its Certificate of Incorporation or By-Laws, or any law, rule or regulation, or determination of an arbitrator, or of a government or court or other governmental agency, instrumentality or authority applicable to or binding upon it or any of its property or to which it or any of its property is subject or any provision of any security issued by HoldCo or of any agreement, instrument or undertaking to which HoldCo is a party or by which it or any of its property is bound, except violations which will not have a Material Adverse Effect (as defined in the Senior Credit Agreements) of HoldCo and its subsidiaries taken as a whole.

2.3 Enforceable Obligations. This Debenture has been, and each other 7-1/2% Debenture will be, duly authorized, executed and delivered on behalf of HoldCo and constitutes or will constitute, as the case may be, a legal, valid and binding obligation of HoldCo enforceable against HoldCo in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, moratorium or other similar laws affecting creditors' rights generally and by applicable principles of equity (whether considered in a suit at law or in equity).

3. COVENANTS

3.1. Dividends. HoldCo hereby agrees with the Holder that, so long as this Debenture remains outstanding and unpaid or any other amount is owing hereunder or with respect hereto, HoldCo shall not pay any dividends on, or make any distributions with respect to, any shares of the common stock or preferred stock of HoldCo, if and so long as any semi-annual interest payment theretofore due on any of the 7-1/2% Debentures remains unpaid.

3.2. Supplemental Interest. HoldCo shall pay to the Holder of this Debenture, as supplemental interest, an amount equal to the product of (a) 1-1/2% of $233,464,288, multiplied by (b) a fraction, the numerator of which is the original principal amount of this Debenture and the denominator of which is $166,666,667, such amount to be payable within 30 days after the date of this Debenture.

4. EVENTS OF DEFAULT

Upon the occurrence of any of the following events (each, individually, an "Event of Default" and collectively, "Events of Default"):

(a) HoldCo shall fail to pay any part of the principal amount of any of the 7-1/2% Debentures when due in accordance with the terms hereof, or fail to pay any installment of interest on any of the 7-1/2% Debentures or any other amount payable hereunder or thereunder, and (i) in

each such event such default shall not have been remedied within 120 days after it has occurred and (ii) so long as any Senior Obligations are outstanding and unpaid, in the case of any failure to pay any installment of interest on any of the 7-1/2% Debentures beyond such 120-day grace period such failure shall constitute an Event of Default hereunder only upon declaration thereof, by written notice or notices to HoldCo, by the Holders of at least a majority of the then outstanding aggregate principal amount of the 7-1/2% Debentures; or

(b) any representation or warranty made by HoldCo herein shall prove to have been incorrect in any material respect on or as of the date made; or

(c) HoldCo shall default in the observance or performance of the covenant contained in Section 3.1; or

(d) (i) HoldCo shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or HoldCo shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against HoldCo any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment, or (B) remains undismissed, undischarged or unbonded for a period of 60 days; or (iii) there shall be commenced against HoldCo any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets, which results in the entry of any order for any such relief which shall not have been vacated, discharged, or stayed on bond pending appeal within 60 days from the entry thereof; or (iv) HoldCo shall take any corporate action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) HoldCo shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(e) the General Partner (as defined in the Agreement and Articles of Limited Partnership of Forstmann Little & Co. Subordinated Debt and

Equity Management Buyout Partnership-VI dated as of June 20, 1995, as amended from time to time, relating to MBO-VI (the "Partnership Agreement")) shall have taken action with respect to the securities of HoldCo which results in the relinquishment of "control" (as such term is defined in the Investment Company Act of 1940, as amended) of HoldCo by the persons or group of persons having such control prior thereto;

then, and in any such event, but subject to Sections 13 and 14, (x) upon the occurrence of any Event of Default described in subclause (i) or (ii) of clause (d) of this Section 4 or in clause (e) of this Section 4, the unpaid principal amount of and accrued interest on and all other amounts owing under this Debenture shall automatically, without any further action of any person or entity, mature and become due and payable, and (y) upon the occurrence and during the continuation of any other Event of Default, the Holders of a majority of the aggregate principal amount of the 7-1/2% Debentures then outstanding may at any time (unless all Events of Default shall theretofore have been remedied) at their option, by written notice or notices to HoldCo, declare the 7-1/2% Debentures to be due and payable, whereupon the unpaid principal amount of and accrued interest on and all other amounts owing under the 7-1/2% Debentures shall forthwith mature and become due and payable, all without presentment, demand, protest or other notice, all of which are hereby expressly waived except as expressly provided above in this Section 4.

At any time after this Debenture is declared due and payable, as provided in clause (y) above, the Holders of a majority of the aggregate principal amount of the 7-1/2% Debentures then outstanding, by written notice to HoldCo, may rescind and annul any such declaration in respect of the 7-1/2% Debentures and its consequences if (x) HoldCo has paid all overdue interest on the 7-1/2% Debentures, (y) all Events of Default, other than non-payment of amounts which have become due solely by reason of such declaration, have been cured or waived by the Holder in accordance with Section 18, and (z) no judgment or decree has been entered for the payment of any monies due pursuant to this Debenture; but no such rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

5. REMEDIES ON DEFAULT; NO WAIVER; ETC.

Subject to the provisions of Sections 13 and 14, in case any one or more Events of Default shall occur and be continuing, the Holder may proceed to protect and enforce its rights by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein, or for an injunction against a violation of any of the terms hereof, or in aid of the exercise of any power granted hereby or by law or otherwise. No course of dealing and no failure to exercise or delay in exercising any right, power or

remedy by or on the part of any Holder shall operate as a waiver thereof or otherwise prejudice any Holder's rights, powers or remedies nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. No right, power or remedy conferred by this Debenture upon any Holder shall be exclusive of any other right, power or remedy referred to herein or now or hereafter available by law, in equity or otherwise.

6. DEBENTURE REGISTER

HoldCo will keep at its principal office a register in which HoldCo will provide for the registration of the 7-1/2% Debentures. HoldCo may treat the person or entity in whose name this Debenture is registered on such register as the owner hereof for the purpose of receiving payment of the principal hereof and interest hereon and for all other purposes (subject to the rights of prior Holders under Section 11), whether or not this Debenture shall be overdue, and HoldCo shall not be affected by any notice to the contrary. All references in this Debenture to a "Holder" shall mean the person or entity in whose name any of the 7-1/2% Debentures are at the time registered on such register (except as otherwise contemplated with respect to prior Holders under this Section 6 and Section 11).

7. TRANSFER AND EXCHANGE

Subject to the provisions of Section 17, upon surrender of this Debenture for registration of transfer or for exchange to HoldCo at its principal office, HoldCo at its expense (except as provided below) will execute and deliver in exchange therefor one or more new 7-1/2% Debentures in denominations of at least $100,000 (except one such 7-1/2% Debenture issued in connection with each such transfer or exchange may be issued in a lesser principal amount if the unpaid principal amount of the surrendered 7-1/2% Debenture is not evenly divisible by, or is less than, $100,000), as requested by the Holder or transferee, which equal in the aggregate the unpaid principal amount of this Debenture, registered as such Holder or transferee may request, dated so that there will be no loss of interest by reason of such surrender, and otherwise of like tenor and form. HoldCo may require payment by the Holder of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer or exchange.

8. REPLACEMENT

Upon receipt of evidence reasonably satisfactory to HoldCo of the ownership of, and the loss, theft, destruction or mutilation of, this Debenture and, in the case of any such loss, theft or destruction, an indemnity bond in such reasonable amount as HoldCo may determine (or, if the Holder is any financial institution or any nominee of the foregoing, of an unsecured indemnity agreement from such Holder reasonably satisfactory to HoldCo), or, in the case of any such mutilation, upon the surrender of this Debenture for cancellation to HoldCo at its principal office, HoldCo at its expense

(except as provided below) will execute and deliver, in lieu hereof, a new 7-1/2% Debenture of like tenor and form, dated so that there will be no loss of interest by reason of the loss, theft, destruction or mutilation of this Debenture. HoldCo may require payment by the Holder of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such replacement. If any such replacement Debenture has been so executed and delivered by HoldCo, this Debenture shall not be deemed to be outstanding for any purpose.

9. PAYMENTS

9.1 Place of Payment. Payments of principal and interest becoming due and payable on the 7-1/2% Debentures shall be made at the principal office of The Chase Manhattan Bank, N.A. in the Borough of Manhattan, the City and State of New York, unless HoldCo, by notice to the Holder, shall designate the principal office of another commercial bank or trust company in such Borough as such place of payment, in which case the principal office of such other bank or trust company shall thereafter be such place of payment.

9.2 Home Office Payment. Notwithstanding anything contained in Section 9.1 to the contrary, if the Holder of this Debenture is an institutional holder, HoldCo will pay all sums becoming due hereon at the address specified for such purpose in a notice from such Holder to HoldCo, or by such other method or at such other address as such Holder shall have specified by notice from time to time to HoldCo for such purpose, without the presentation or surrender of this Debenture or the making of any notation hereon, except that upon repayment in full hereof, this Debenture shall be surrendered to HoldCo at its principal office or at the place of payment maintained by HoldCo pursuant to Section 9.1 for cancellation. Prior to any sale or other disposition of this Debenture by such Holder or its nominee, such Holder will, at its election, either endorse hereon the amount of principal paid hereon and the last date to which interest has been paid hereon or surrender this Debenture to HoldCo in exchange for a new 7-1/2% Debenture or Debentures pursuant to Section 7.

10. PREPAYMENT

Subject to the provisions of Sections 13 and 14, HoldCo may from time to time prepay all or any part of the unpaid principal amount hereunder, together with accrued interest, at any time after the date hereof without premium, penalty or other charge.

11. PAYMENT OF EXPENSES

In case of a default in the payment of any principal or of interest on or other

amount owing under the 7-1/2% Debentures, HoldCo will pay (a) to the Holder promptly upon demand from time to time such further amounts as shall be sufficient to cover the costs and expenses of collection and the enforcement and preservation of the Holder's rights, powers and remedies hereunder, including, without limitation, attorneys' fees and expenses, and (b) the costs and expenses of any trustee appointed pursuant to Section 3.3 of the Partnership Agreement, including, without limitation, fees and expenses of the attorneys for such trustee. Except as otherwise provided in Sections 7 and 8, HoldCo shall pay any and all stamp and other taxes payable or determined to be payable in connection with the execution and delivery of the 7-1/2% Debentures and agrees to save the Holder harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes. The rights of each Holder under this Section 11 shall survive any transfer of this Debenture to another Holder and any exchange under Section 7 or replacement under Section 8 with respect hereto.

12. UNSECURED OBLIGATION

In order to ensure that the borrowing evidenced hereby is not "indirectly secured" within the meaning of Regulation G, T, U or X of the Board of Governors of the Federal Reserve System and the interpretations of such Board and its staff thereunder, notwithstanding the provisions contained herein, HoldCo and its subsidiaries shall retain the full right and ability to sell, pledge or otherwise dispose of "margin stock" and "margin securities" (as such terms are defined in Regulation G, T, U or X of the Board of Governors of the Federal Reserve System and the interpretations of such Board and its staff thereunder); and, to the extent that, pursuant to the terms hereof, such borrowing is considered to be "indirectly secured," such terms (other than those terms relating to the obligations to make payments of principal, premium and interest) shall be deemed modified to the extent necessary to prevent such borrowing from being considered to be "indirectly secured".

13. SUBORDINATION

By acceptance of this Debenture, the Holder hereby agrees as follows:

13.1 Express Subordination. The Subordinated Obligations are expressly subordinated and junior in right of payment (as defined in subsection 13.2) to all Senior Obligations. Nothing contained herein shall be deemed to make the Subordinated Obligations subordinate and junior in right of payment to any obligation of HoldCo other than the Senior Obligations.

13.2 Subordination Defined. "Subordinate and junior in right of payment" shall mean that:

(a) If and to the extent that any Senior Obligations have been

created, then, so long as any such Senior Obligations are outstanding and unpaid, at any time prior to December 31, 2006, without the express written consent of the Senior Creditors, no direct or indirect payment on account of the Subordinated Obligations shall be made, nor shall any property or assets of HoldCo or any of its subsidiaries be directly or indirectly applied to the purchase or other acquisition or retirement of the 7-1/2% Debentures, nor shall the Holder take, demand, receive or institute legal proceedings to recover, and neither HoldCo nor any of its subsidiaries will make, give or permit, directly or indirectly, by set-off, redemption, purchase or in any other manner, any payment or security for the whole or any part of the Subordinated Obligations, nor (except as permitted by subsection 13.3) shall the Holder accelerate the scheduled maturities of any amount owing under the 7-1/2% Debentures (all of the foregoing actions being hereinafter referred to as "Restricted Actions"), if at the time of or immediately after giving effect to such Restricted Action a Senior Default or Senior Event of Default exists or would exist and is or would be continuing; provided that this subsection 13.2(a) shall not prevent any Restricted Action for a period (a "Postponement Period") longer than the period ending on the earliest of (i) the first day after the proposed taking of such Restricted Action on which no Senior Default or Senior Event of Default is then continuing, (ii) 120 days after the date such Restricted Action would otherwise have been taken if there has been delivered to the Administrative Agent by the Holder a notice stating that such Senior Default or Senior Event of Default exists, (iii) 120 days after the date such Restricted Action would otherwise have been taken if there has been delivered to the Administrative Agent by HoldCo a certificate from an officer of HoldCo or a letter from HoldCo's certified public accountants stating that such Senior Default or Senior Event of Default exists, (iv) the date on which the existence of such Postponement Period has been waived by the Senior Creditors, and (v) December 31, 2006; provided, further, that if any Restricted Action shall have been prevented or postponed by reason of any Senior Default and the condition or event giving rise to such Senior Default gives rise to a Senior Event of Default, no subsequent Restricted Action may be prevented or postponed by reason of the occurrence of such Senior Event of Default, and provided, further, that if any Restricted Action shall have been prevented or postponed by reason of any Senior Default or Senior Event of Default, and after the occurrence of such Senior Default or Senior Event of Default and during the Postponement Period in respect thereof another Senior Default or Senior Event of Default shall have occurred, no such Restricted Action shall be prevented or postponed for any additional period by reason of such other Senior Default or Senior Event of Default (provided that, upon the

occurrence of such additional Senior Default or Senior Event of Default, such first Postponement Period shall not be deemed to have ended upon the occurrence of any of the events specified in clause (i) through (iv) above).

(b) (i) So long as any Senior Obligations are outstanding and unpaid, in the event of any distribution, division or application, partial or complete, voluntary or involuntary, by operation of law or otherwise, of all or any substantial part of the property, assets or business of HoldCo or the Borrower, or the proceeds thereof, to any creditor or creditors of HoldCo or the Borrower other than in the ordinary course of business or as permitted in the Senior Credit Agreements then in effect, or (ii) upon any indebtedness of HoldCo or the Borrower becoming due and payable (or a proof of claim in respect thereof being filed in any applicable proceeding) by reason of any liquidation, dissolution or other winding up of HoldCo or the Borrower or its business or upon the occurrence of any sale, receivership, insolvency, reorganization or bankruptcy proceedings, assignment for the benefit of creditors, arrangement or any proceeding by or against HoldCo or the Borrower for any relief under any bankruptcy, reorganization or insolvency law or laws, Federal or state, or any law, Federal or state, relating to the relief of debtors, readjustment of indebtedness, reorganization, composition, or extension, or (iii) if all amounts owing under the Senior Loans, or the Borrower's obligations with respect to the Letters of Credit and the L/C Applications or owing under guarantees made by HoldCo in respect thereof have become, or have been declared to be, due and payable (and have not been paid in accordance with their terms), then and in any such event, any payment or distribution of any kind or character, whether in cash, property or securities (other than any securities of HoldCo which are received by the Holder in any proceeding of the type referred to in clause (i) or (ii) above and which are subordinated to (A) the Senior Obligations and (B) any securities of HoldCo distributed to the holders of Senior Obligations, in a manner not less favorable to the Senior Creditors than the subordination of the Subordinated Obligations provided for in Sections 13 and 14 ("Subordinated Securities")), which, but for the subordination provisions contained herein, would otherwise be payable or deliverable to the Holder upon or in respect of the Subordinated Obligations, shall instead be paid over or delivered to the Senior Creditors which have Senior Obligations which are then due and payable (or in respect of which a proof of claim has been filed in any applicable proceeding) and promptly be applied (subject to applicable law) as a payment or prepayment on account of the Senior Obligations (or, in the case of non-cash property and cash received in respect of obligations under outstanding Letters of Credit which may be drawn upon, held as collateral

to secure payment of the Senior Obligations) which are then due and payable pro rata in accordance with the amounts thereof then due and payable (or in respect of which a proof of claim has been filed in any applicable proceeding), and the Holder shall not receive any such payment or distribution or any benefit therefrom unless and until the Senior Obligations which are then due and payable (or in respect of which a proof of claim has been filed in any applicable proceeding) shall have been fully paid and satisfied in cash.

13.3 Bankruptcy Petition.

Notwithstanding anything to the contrary contained herein, so long as the Senior Obligations are outstanding and unpaid, the Holder may declare the unpaid principal amount of, and accrued interest on, the Subordinated Obligations to be immediately due and payable and may file or join in the filing of a bankruptcy petition against HoldCo or take any action to commence a bankruptcy proceeding against HoldCo only upon the occurrence and during the continuance of any of the following events:

(a) the Senior Loans or the guarantees made by HoldCo in respect thereof shall have been declared to be, or shall have become, due and payable prior to the stated maturity thereof in accordance with the provisions of Section 9 of the Tender Credit Agreement or Section 14 of the Merger Credit Agreement; or

(b) HoldCo shall have failed to make any payment of principal of, or accrued interest on, the 7-1/2% Debentures, which payment is then due and payable, within five days after the later of the end of the applicable Postponement Period and 120 days after the date on which such payment is due and payable; or

(c) after the earlier of the date on which all of the Senior Obligations have been paid in full in accordance with the Senior Credit Agreements and December 31, 2006, an Event of Default shall have occurred and then be continuing under the 7-1/2% Debentures.

If the 7-1/2% Debentures shall have been declared to be due and payable in accordance with the provisions of this subsection 13.3 (under circumstances when the provisions of subsection 13.2(b) are not applicable), any payment or distribution of any kind or character, whether in cash, property or securities, which are received by the Holder in respect of or after such acceleration or any legal proceedings brought in connection therewith shall forthwith be paid over or delivered to the Senior Creditors which have Senior Obligations which are then due and payable (or in respect of which a proof of claim has been filed in any applicable proceeding) and promptly be applied (subject to

applicable law) as a payment or prepayment on account of the Senior Obligations (or, in the case of non-cash property and cash received in respect of obligations under outstanding Letters of Credit which may be drawn upon, held as collateral to secure payment of the Senior Obligations) which are then due and payable (or in respect of which a proof of claim has been filed in any applicable proceeding) pro rata in accordance with the amounts thereof then due and payable, and the Holder shall not retain any such payment or distribution or any benefit therefrom unless and until the Senior Obligations which are then due and payable (or in respect of which a proof of claim has been filed in any applicable proceeding) shall have been fully paid and satisfied.

14. LIMITED POWER OF ATTORNEY; TRUST; SUBROGATION

By acceptance of this Debenture, the Holder hereby agrees as follows:

14.1 Limited Power of Attorney. The Holder irrevocably authorizes and empowers the Senior Creditors under the circumstances set forth in clause (i) or (ii) of subsection 13.2(b), to demand, sue for, collect and receive every such payment or distribution referred to in such subsection and give acquittance thereof, and take such other proceedings, in the name of the Senior Creditors or in the name of the Holders or otherwise, as the Senior Creditors may deem reasonably necessary or advisable for the enforcement of the subordination provisions contained in Section 13. The Holder shall, under the circumstances set forth in clause (i) or (ii) of subsection 13.2(b), duly and promptly take such action as may be reasonably requested at any time and from time to time by the Senior Creditors to file appropriate proofs of claim in respect of the Subordinated Obligations, and to execute and deliver such powers of attorney, assignments or other instruments as may be reasonably requested by the Senior Creditors in order to enable the Senior Creditors to enforce any and all claims upon or in respect of the Subordinated Obligations and to collect and receive any and all payments or distributions which may be payable or deliverable at any time upon or in respect of the Subordinated Obligations. Any such amounts received by the Senior Creditors shall be applied (subject to applicable law) to the payment of the Senior Obligations then payable (or in respect of which proofs of claim have been filed in any applicable proceeding) in accordance with the terms of the Senior Credit Agreements.

14.2 Monies Held in Trust. Should any payment or distribution or security, or the proceeds of any thereof, be collected or received by the Holder in respect of the Subordinated Obligations (other than Subordinated Securities) and such collection or receipt is at the time prohibited by Section 13, the Holder will forthwith turn over the same to the Senior Creditors, in the form received (except for the endorsement or the assignment of the Holder when necessary) and, until so turned over, the same shall be held in trust by the Holder as the property of the Senior Creditors. Any such amounts received by the Senior

Creditors shall be applied (subject to applicable law) to the payment of the Senior Obligations then payable (or in respect of which proofs of claim have been filed in any applicable proceeding) in accordance with the terms of the Senior Credit Agreements.

14.3 Subrogation.

Following payment in full in cash of the Senior Obligations, the Holder shall be subrogated to the rights of the Senior Creditors to receive payments or distributions of cash, property or securities made on the Senior Obligations until the Subordinated Obligations shall be paid in full; and, for the purpose of such subrogation, payments or distributions to the Senior Creditors of any cash, property or securities to which the Holder would be entitled except for the provisions of Section 13 shall, as between HoldCo and its creditors (other than the Senior Creditors and the Holders), be deemed to be a payment by HoldCo to or on account of Subordinated Obligations, it being understood that the provisions hereof are and are intended solely for the purpose of defining the relative rights of the Holders of the 7-1/2% Debentures, on the one hand, and the Senior Creditors, on the other hand. The purpose of this subsection 14.3 is to grant to the Holders the same rights against HoldCo with respect to the aggregate amount of such payments or distributions as the Senior Creditors would have against HoldCo if such aggregate amount were considered overdue Senior Obligations.

15. WAIVER BY SENIOR CREDITORS, ETC.

By acceptance of this Debenture the Holder hereby consents that, without the necessity of any reservation of rights against the Holder, and without notice to or further assent by the Holder, (a) any demand for payment of any Senior Obligation made by any Senior Creditor may be rescinded in whole or in part by such Senior Creditor (whereupon HoldCo shall give prompt notice thereof to the Holders) and any Senior Obligation may be continued, and the Senior Obligations, or the liability of HoldCo, the Borrower or any other party upon or for any part thereof, or any collateral security or guaranty therefor or right or offset with respect thereto, or any obligation or liability of HoldCo, the Borrower or any other party under the Senior Credit Agreements and any collateral security documents or guarantees or documents in connection therewith may, from time to time, in whole or in part, be renewed, extended, modified, accelerated, compromised, waived, surrendered, or released by the Senior Creditors, and (b) the Senior Credit Agreements, the Senior Loans, the Letters of Credit, the L/C Applications and any guarantees made by HoldCo or any other person in respect thereof and any document or instrument evidencing or governing the terms of any other Senior Obligations or any collateral security documents or guarantees or documents in connection therewith may be amended, modified, supplemented or terminated, in whole or in part, as the Senior Creditors with respect to such Senior Obligations may deem advisable from time to time, and any collateral security or guarantee at any time held by any of the Senior Creditors for the payment of any of the Senior Obligations may be sold,

exchanged, waived, surrendered or released, in each case all without notice to or further assent by the Holders who will remain bound by the terms hereof, and all without impairing, abridging, releasing or affecting the subordination provided for herein, notwithstanding any such renewal, extension, modification, acceleration, compromise, amendment, supplement, termination, sale, exchange, waiver, surrender or release; provided that so long as any Senior Obligations are outstanding and unpaid the Administrative Agent, the Co-Agents and the Lenders will not amend the Senior Credit Agreements to increase the interest rates applicable to the Loans (as defined on the Senior Credit Agreements) or to increase commissions or other fees payable with respect to the Letters of Credit or to increase the maximum principal amount of the Senior Loans which may be outstanding at any one time or the maximum amount of reimbursement obligations in respect of Letters of Credit that may be outstanding at any one time, in each case as set forth in the Merger Credit Agreement, without the written consent of the Holders of a majority of the aggregate principal amount of the 7-1/2% Debentures then outstanding, provided that without the consent of any Holder, but in accordance with Section 16, the maximum principal amount of the Senior Loans which may be outstanding at any one time and the maximum amount of reimbursement obligations in respect of Letters of Credit that may be outstanding at any one time may be increased up to $100,000,000 in the aggregate, together with accrued interest thereon and commissions with respect thereto. By acceptance of this Debenture the Holder waives any and all notice of the creation, renewal, extension or accrual of any of the Senior Obligations and notice of or proof of reliance by any Senior Creditor upon the terms and provisions hereof, and the Senior Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred in reliance upon the terms and provisions hereof, and all dealings between HoldCo and the Senior Creditors shall be deemed to have been consummated in reliance upon the terms and provisions hereof. By acceptance of this Debenture the Holder acknowledges and agrees that the Lenders have relied upon the subordination provided for herein in entering into the Senior Credit Agreements and in making funds available to the Borrower thereunder, and that other Senior Creditors will rely upon the subordination provided for herein in extending credit to, or accepting the obligations or liabilities of, the Borrower and its subsidiaries. By acceptance of this Debenture the Holder waives notice of or proof of reliance on this Debenture and protest, demand for payment and notice of default by the Senior Creditors.

16. INCREASE IN AMOUNT OF SENIOR OBLIGATIONS

At any time and from time to time HoldCo may designate any of the Borrower's indebtedness, obligations and/or liabilities and guarantees made by HoldCo in respect thereof as Senior Obligations, in accordance with clause (c) of the definition of Senior Obligations, by delivering to each Holder of the 7-1/2% Debentures a Notice of Designation which shall have attached to it a list of all outstanding Senior Obligations which HoldCo has heretofore, and which remain, designated as Senior Obligations

pursuant to this Section 16 (which attached list may not be relied upon by the Holder for purposes of preventing any Senior Obligations from being considered as such if no notice pursuant to the next sentence has been sent by such Holder prior to the end of the eleven day period referred to in such sentence, but shall be deemed to have been relied upon by such Holder for purposes of determining damages payable by HoldCo suffered or incurred by such Holder as a result of such list not being true and correct). Each such Notice of Designation shall be effective with respect to the indebtedness, obligations and/or liabilities described therein on the 11th day following actual receipt thereof by the Holder unless prior to such 11th day, the Holder has given notice to the proposed Senior Creditor (at its address specified in such Notice of Designation) and HoldCo that the principal amount of the indebtedness, obligations and/or liabilities described in such Notice of Designation together with the aggregate principal amount of indebtedness, obligations and liabilities previously designated as Senior Obligations under this Section 16, after taking into account all notices theretofore received by the Holder terminating or reducing the amount of indebtedness, obligations and liabilities theretofore included in the Senior Obligations, exceeds $100,000,000 in the aggregate. By acceptance of this Debenture the Holder hereby agrees that it shall not give, and shall be responsible for all direct and consequential damages resulting from, any such notice which such Holder knows is not true and correct. Upon the effectiveness of a Notice of Designation, the indebtedness, obligations and/or liabilities specified therein shall automatically become Senior Obligations and the holder or holders thereof or obligee or obligees with respect thereto shall automatically become Senior Creditors, in each case for all purposes of this Debenture, whether or not the Holder shall have acknowledged receipt of the Notice of Designation. Senior Obligations shall cease to be such, or the principal amount thereof designated as such shall be reduced, only (i) upon actual receipt by the Holders of a notice from the holder or holders of such Senior Obligations or obligee or obligees with respect thereto terminating the designation of such indebtedness, obligations and/or liabilities as Senior Obligations or reducing the amount of such indebtedness, obligations and/or liabilities so designated, or (ii) when the Senior Obligations have in fact been paid in full or reduced and the Holders shall have received notice from HoldCo of such fact together with evidence satisfactory to it that the Senior Obligations have been so paid or reduced. At the request of HoldCo, the Holder will confirm in writing to any Senior Creditor that the indebtedness, obligations and/or liabilities held by such Senior Creditor and designated to be Senior Obligations are Senior Obligations. However, the failure or refusal of any Holder to issue any such confirmation shall not affect the status as Senior Obligations of any indebtedness, obligations and/or liabilities properly designated by HoldCo to be Senior Obligations in accordance with the provisions of this Debenture.

17. RESTRICTIONS ON TRANSFER; RIGHT OF FIRST REFUSAL

By acceptance of this Debenture, the Holder hereby agrees as follows:

17.1 Restrictions on Transfer. The Holder shall not, directly or indirectly, sell, assign, exchange, dispose of or otherwise transfer the 7-1/2% Debentures (any one or more of such acts being a "Transfer") unless:

(a) such Transfer is of the whole, and not merely a part, of the Holder's direct or beneficial interest in the 7-1/2% Debentures and is for cash consideration only; and

(b) such Transfer is made pursuant to an effective registration statement under the Securities Act of 1933, as amended, or the Holder delivers to HoldCo an opinion of counsel of recognized standing in securities law (including in-house or special counsel), which opinion and counsel shall be reasonably satisfactory to HoldCo, retained at the Holder's expense, to the effect that the proposed Transfer is exempt from registration under applicable Federal and state securities laws; and

(c) such Transfer does not otherwise violate any law, statute, rule, regulation, order or decree of the United States of America or any state thereof or any governmental authority of any of the foregoing; and

(d) such Transfer is to a third-party transferee (the "Transferee") which Transferee does not, directly or indirectly, beneficially own, either alone or together with its Affiliates, immediately prior to such Transfer in excess of 5% of the aggregate principal amount of the 7-1/2% Debentures then outstanding; and

(e) such Transfer is made in a cash transaction but only after the Holder complies with the provisions of subsection 17.2.

17.2 Right of First Refusal.

(a) If, at any time, the Holder proposes to Transfer for cash its entire interest in the 7-1/2% Debentures, the Holder shall give a written notice (a "Transfer Notice") to HoldCo (i) specifying (w) that the proposed Transfer will be in compliance with all of the provisions of Section 17.1, (x) the identity of the proposed third-party transferee (the "Transferee") who has made a bona fide offer to purchase the Holder's entire interest in the 7-1/2% Debentures, (y) the proposed cash consideration to be received by the Holder for such interest (the "Transfer Price"), and (z) any other terms and conditions of the proposed Transfer, and (ii) offering to sell the Holder's entire interest in the 7-1/2% Debentures at the Transfer Price to HoldCo. The Transfer Notice shall constitute an irrevocable offer by the Holder to

sell the Holder's entire interest in the 7-1/2% Debentures to HoldCo upon the terms contained in the Transfer Notice.

(b) HoldCo shall have the right, exercisable for 15 Business Days following the date of such receipt of the Transfer Notice, to purchase for cash the Holder's entire interest in the 7-1/2% Debentures at the Transfer Price by delivering a written notice (the "Purchase Notice") to the Holder of its election within such 15 Business Day period. If HoldCo elects to so purchase the Holder's interest, the Holder shall execute such documents and instruments reasonably required by HoldCo to consummate the contemplated transaction. The closing of such purchase shall take place as soon as practicable after the date of the Purchase Notice, but in any case within 15 Business Days following HoldCo's initial receipt of the Transfer Notice. At such closing, the Holder shall, and hereby covenants to, Transfer its entire interest in the 7-1/2% Debentures to HoldCo free and clear of any and all liens, mortgages, pledges, security interests or other encumbrances against receipt of payment thereof.

(c) If HoldCo does not deliver a Purchase Notice within 15 Business Days following its receipt of a Transfer Notice, then the Holder (i) shall be under no obligation to sell any portion of its interest in the 7-1/2% Debentures to HoldCo, and (ii) may, within the period commencing on the 16th Business Day and ending on the 30th Business Day following HoldCo's receipt of the Transfer Notice, Transfer its entire (but not less than its entire) interest in the 7-1/2% Debentures to the Transferee specified in the Transfer Notice at the Transfer Price and on the terms and conditions set forth in the Transfer Notice. If, upon the expiration of the 30th Business Day following receipt by HoldCo of the Transfer Notice, such Transfer shall not have occurred, then the provisions of this Section 17.2 shall apply again and the Holder shall comply with the terms hereof in connection with any subsequent proposed Transfer.

17.3 Transfer Otherwise Void. Any purported Transfer of the Holder's interest in the 7-1/2% Debentures made other than in accordance with this Section 17 shall be void and HoldCo shall not be required to recognize any equitable or other claims to such interest on the part of any purported transferee. Notwithstanding anything to the contrary herein, the provisions of this Section 17 shall not apply to Transfers by MBO-VI acting in a manner contemplated by Section 3.2 (a) (i) of the Partnership Agreement.

18. NOTICES, ETC.

All notices, waivers and other communications provided for hereunder shall be in writing (including telex, telecopier and other readable communication) and mailed, telexed, telecopied or otherwise transmitted or delivered, if to HoldCo, c/o Forstmann Little & Co., 767 Fifth Avenue, New York, New York 10153, Attention: Mr. Thomas H. Lister, with a copy to Fried, Frank, Harris, Shriver & Jacobson, One New York Plaza, New York, New York 10004, Attention: F. William Reindel, Esq., and if to the Holder at its address specified on the register referred to in Section 6, or, in each case, to such other addresses as shall be specified by like notice. All such notices, waivers and communications shall, if mailed, telexed, telecopied or otherwise transmitted, be effective when deposited in the mails or telexed, telecopied or otherwise transmitted.

19. GOVERNING LAW

THIS DEBENTURE SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (WITHOUT REGARD TO THE PRINCIPLES OF CONFLICT OF LAWS).

20. MISCELLANEOUS

The provisions of this Debenture shall inure to the benefit of and shall be binding upon HoldCo and the Holder of this Debenture and all future Holders, and their respective heirs, legal representatives, successors and assigns.

Dated: July 10, 1996

FLCH HOLDINGS CORP.

By:
Thomas H. Lister
Vice President

ANNEX 1

FORM OF
"NOTICE OF DESIGNATION"

[Date]

TO: THE HOLDER OF FLCH HOLDINGS CORP.
7-1/2% SERIES A DEBENTURES DUE JUNE 30, 2007

Ladies and Gentlemen:

Reference is made to the 7-1/2% Series A Debentures due June 30, 2007 (the "Debentures") of FLCH HoldCo Corp., a Delaware corporation. Unless otherwise defined herein, terms defined in the Debentures are used herein with their defined meanings.

Pursuant to the provisions of the Debentures, HoldCo hereby designates the following as Senior Obligations:

1. Name of holder, lender or other obligee to be designated a Senior Creditor:

2. Description of indebtedness, obligations or liabilities to be designated as Senior Obligations (including maximum principal amount and, if the Senior Obligation is revolving in nature, a statement to such effect):

3. Address for notices (include telex and telecopy number if available):

Please acknowledge receipt of this notice by signing the enclosed counterpart hereof in the space provided below and returning it to the undersigned.

FLCH HOLDINGS CORP.

By:
Name:
Title:

We hereby acknowledge receipt of
this notice on _____,
---------- ----

[NAME OF HOLDER]

By:
Authorized Signatory

Exhibit 10.13

Form of 7-1/2% SERIES B DEBENTURES DUE JUNE 30, 2007

THIS DEBENTURE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS REGISTERED UNDER SAID ACT OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE AND EXCEPT IN COMPLIANCE WITH THE PROVISIONS OF SECTION 17 HEREOF.

FLCH HOLDINGS CORP.

7-1/2% SERIES B DEBENTURES DUE JUNE 30, 2008

No.: R- New York, New York

FLCH HOLDINGS CORP., a Delaware corporation (hereinafter called "HoldCo"), for value received, hereby promises to pay to:

or its registered assigns, the principal amount of (or so much thereof as shall not have been prepaid), payable on June 30, 2008, and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid principal amount hereof, from the date hereof, at the rate of 7-1/2% per annum semi-annually on the 31st day of January and the 31st day of July in each year, commencing on January 31, 1997, until said principal amount shall have become due and payable and (to the extent permitted by applicable law) to pay interest at the rate of 10-1/2% per annum on any overdue principal and interest, from the date such amount was due and payable until the obligation of HoldCo with respect to the payment thereof shall be fully discharged. Payments of principal and interest on this 7-1/2% Series B Debenture (this "Debenture") shall be made in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. If the date on which any such payment is required to be made pursuant to the provisions of this Debenture occurs on a day other than a Business Day (as hereinafter defined), such payment shall be due and payable on the next succeeding Business Day.

This Debenture together with any debenture or debentures hereafter issued in accordance with the provisions hereof which represent part of the principal amount of this Debenture and any replacement hereof or thereof constitute HoldCo's 7-1/2% Series B Debentures due June 30, 2008 (hereinafter collectively called the "7-1/2% Series B Debentures"). The 7-1/2% Series B Debentures, together with HoldCo's 7-1/2% Series A Debentures due June 30, 2007 and HoldCo's 7-1/2% Series C Debentures due

June 30, 2009, and any debenture or debentures issued in accordance with the provisions hereof or thereof which represent part of the principal amount hereof or thereof and any replacement of any of the foregoing, aggregating $500,000,000 in original principal amount, are hereinafter collectively called "7-1/2% Debentures".

1. DEFINED TERMS

As used herein the following terms shall have the following meanings:

"Administrative Agent" shall mean The Chase Manhattan Bank, N.A., in its capacity as administrative agent under the Senior Credit Agreements.

"Affiliate" shall mean any person or entity that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, another specified person or entity.

"Borrower" shall mean FLCH Acquisition Corp., a Delaware corporation and a direct wholly-owned subsidiary of HoldCo, which corporation is to be merged with CHS pursuant to the Merger, and from and after the Merger said term shall refer to the Surviving Corporation.

"Business Day" shall mean a day other than Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close.

"CHS" shall mean Community Health Systems, Inc., a Delaware corporation.

"Co-Agents" shall mean, collectively, Bank of America N.A., NationsBank, and The Bank of Nova Scotia, in their capacities as co-agents with respect to the Senior Credit Agreements.

"Merger Credit Agreement" shall mean the $900,000,000 Credit Agreement dated as of July 9, 1996, among the Borrower, HoldCo, the Merger Lenders parties thereto, the Co-Agents and the Administrative Agent, and shall include any replacements or refinancings by the Lenders, renewals, and amendments thereto with the consent of the Borrower, the Lenders, the Co-Agents and the Administrative Agent, as required thereunder, and including those amendments that would increase the amounts outstanding thereunder to the extent permitted by the provisions of Section 16.

"Event(s) of Default" shall have the meaning assigned to it in Section 4.

"Holder" shall mean the person or entity in whose name this Debenture is registered on the register maintained by HoldCo pursuant to Section 6; and "Holders" shall be the collective reference to all such holders of 7-1/2% Debentures.

"L/C Application" shall be any L/C Application under the Merger Credit Agreement.

"Lenders" shall mean, prior to the Merger, the Tender Lenders, and from and after the Merger, the Merger Lenders.

"Letters of Credit" shall be the collective reference to Letters of Credit issued under the Merger Credit Agreement.

"MBO-VI" shall mean Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VI, a Delaware limited partnership.

"Merger" shall mean the merger of FLCH Acquisition Corp. with CHS pursuant to the Agreement and Plan of Merger, dated June 9, 1996, as amended, between CHS, HoldCo and the Borrower.

"Merger Lenders" shall mean the Lenders from time to time parties to the Merger Credit Agreement.

"Notice of Designation" shall mean a notice delivered by HoldCo to the Holders designating Senior Obligations, which notice shall be substantially in the form of Annex 1 hereto.

"Partnership Agreement" shall have the meaning assigned to it in Section 4.

"Purchase Notice" shall have the meaning assigned to it in subsection 17.2.

"Senior Credit Agreements" shall have the collective reference to the Tender Credit Agreement and the Merger Credit Agreement.

"Senior Creditors" shall mean the Administrative Agent, the Co-Agents and the Lenders.

"Senior Default" shall have the meaning assigned to the term "Default" in the Senior Credit Agreements or a failure to pay obligations under the Tender Credit Agreement following a demand therefor.

"Senior Event of Default" shall have the meaning assigned to the term "Event of Default" in the Senior Credit Agreements or a failure to pay obligations under the Tender Credit Agreement following a demand therefor.

"Senior Extensions of Credit" shall mean all loans and other extensions of credit obtained by the Borrower under the Senior Credit Agreements.

"Senior Loans" shall mean Loans outstanding under the Senior Credit Agreements.

"Senior Notes" shall mean the promissory notes that may be issued by the Borrower under the Senior Credit Agreements to evidence indebtedness to the Lenders outstanding from time to time under the Senior Credit Agreements.

"Senior Obligations" shall mean, to the extent that HoldCo guarantees the obligations of the Borrower incurred pursuant to the Senior Credit Agreements, (a) the principal amount of, and accrued interest on (including, without limitation, any interest which accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of HoldCo or the Borrower, whether or not allowed), the Senior Extensions of Credit, the Senior Notes, all other indebtedness, liabilities and obligations of the Borrower under the Senior Credit Agreements and any refinancing thereof, and all indebtedness, liabilities and obligations of HoldCo under guarantees made by HoldCo in respect thereof, and (b) all other indebtedness, obligations and liabilities of the Borrower to the Lenders now existing or hereafter incurred or created under or with respect to the Senior Extensions of Credit, the Senior Notes and the Senior Credit Agreements and with respect to the Letters of Credit and the L/C Applications, and with respect to any refinancing thereof, and all indebtedness, liabilities and obligations of HoldCo under guarantees made by HoldCo in respect of the foregoing (including, without limitation, any interest which accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of HoldCo or the Borrower, whether or not allowed), and (c) the principal amount of, and accrued interest (including without limitation, any interest which accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of HoldCo or the Borrower, whether or not allowed) and commissions on, additional indebtedness, obligations and/or liabilities of the Borrower under the Senior Credit Agreements and all refinancings thereof and all indebtedness, liabilities and obligations of HoldCo under guarantees made by HoldCo in respect thereof, not otherwise specified in clause (a) or (b) above in principal amounts in the aggregate, at any one time outstanding, not to exceed $100,000,000, which indebtedness, obligations and/or liabilities are designated as Senior Obligations in a Notice of Designation from HoldCo to each of the Holders which has become effective in accordance with the provisions of Section 16, and (d) all indebtedness, obligations and liabilities of the Borrower arising under any agreements between the Borrower and one or more Senior Creditors relating to interest rate, currency or similar swap and hedging arrangements and under any other agreements made, delivered or given in connection therewith and all indebtedness, liabilities and obligations of HoldCo under guarantees made by HoldCo in respect thereof (including, without limitation, any interest which accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of HoldCo or the Borrower, whether or not allowed).

"Subordinated Obligations" shall mean (a) the principal amount of, and accrued interest on (including, without limitation, any interest which accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of HoldCo, whether or not allowed), the 7-1/2% Debentures, and (b) all other indebtedness, obligations and liabilities of HoldCo to the Holders (including those arising under Section 11 and Section 16), now existing or hereafter incurred or created under the 7-1/2% Debentures.

"Surviving Corporation" shall mean the corporation which survives the Merger.

"Tender Credit Agreement" shall mean the Tender Credit Agreement, dated as of July 9, 1996, among the Borrower, HoldCo, the banks and other financial institutions (the "Tender Lenders") which are from time to time parties thereto, the Co-Agents, and the Administrative Agent, and shall include any replacements or refinancings by the Tender Lenders, renewals and amendments thereto with the consent of the Administrative Agent or the Required Lenders, and including those amendments that would increase the amounts outstanding thereunder to the extent permitted by the provisions of Section 16.

"Transfer", "Transferee," "Transfer Notice" and "Transfer Price" shall have the respective meanings assigned to such terms in Section 17.

2. REPRESENTATIONS AND WARRANTIES

HoldCo hereby represents and warrants to the Holder that the following are true on and as of the date of issue of this Debenture:

2.1 Corporate Existence; Corporate Power; Authorization.

HoldCo (a) is duly organized, validly existing and in good standing under the laws of the State of Delaware, (b) has the corporate power and authority and the legal right to make and deliver, and to perform its obligations under, the 7-1/2% Debentures and to make the borrowing evidenced thereby, and (c) has taken all necessary corporate action to authorize such borrowing on the terms and conditions of the 7-1/2% Debentures and to authorize the execution and delivery of, and performance by it of its obligations under, the 7-1/2% Debentures.

2.2 No Legal Bar.

No consent or authorization of, filing with, or other act by or in respect of, any other person or entity is required in connection with the borrowing evidenced by the 7-1/2% Debentures or with the execution and delivery by HoldCo of, or performance by HoldCo of its

obligations under, or the validity or enforceability against HoldCo of, the 7-1/2% Debentures. The execution and delivery of, and performance by HoldCo of its obligations under, the 7-1/2% Debentures will not violate or conflict with or constitute a default under its Certificate of Incorporation or By-Laws, or any law, rule or regulation, or determination of an arbitrator, or of a government or court or other governmental agency, instrumentality or authority applicable to or binding upon it or any of its property or to which it or any of its property is subject or any provision of any security issued by HoldCo or of any agreement, instrument or undertaking to which HoldCo is a party or by which it or any of its property is bound, except violations which will not have a Material Adverse Effect (as defined in the Senior Credit Agreements) of HoldCo and its subsidiaries taken as a whole.

2.3 Enforceable Obligations.

This Debenture has been, and each other 7-1/2% Debenture will be, duly authorized, executed and delivered on behalf of HoldCo and constitutes or will constitute, as the case may be, a legal, valid and binding obligation of HoldCo enforceable against HoldCo in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, moratorium or other similar laws affecting creditors' rights generally and by applicable principles of equity (whether considered in a suit at law or in equity).

3. COVENANTS

3.1. Dividends. HoldCo hereby agrees with the Holder that, so long as this Debenture remains outstanding and unpaid or any other amount is owing hereunder or with respect hereto, HoldCo shall not pay any dividends on, or make any distributions with respect to, any shares of the common stock or preferred stock of HoldCo, if and so long as any semi-annual interest payment theretofore due on any of the 7-1/2% Debentures remains unpaid.

3.2. Supplemental Interest. HoldCo shall pay to the Holder of this Debenture, as supplemental interest, an amount equal to the product of (a) 1-1/2% of $233,464,288, multiplied by (b) a fraction, the numerator of which is the original principal amount of this Debenture and the denominator of which is $166,666,667, such amount to be payable within 30 days after the date of this Debenture.

4. EVENTS OF DEFAULT

Upon the occurrence of any of the following events (each, individually, an "Event of Default" and collectively, "Events of Default"):

(a) HoldCo shall fail to pay any part of the principal amount of any of the 7-1/2% Debentures when due in accordance with the terms hereof, or fail to pay any installment of interest on any of the 7-1/2% Debentures or any other amount payable hereunder or thereunder, and (i) in each such event such default shall not have been remedied within 120 days

after it has occurred and (ii) so long as any Senior Obligations are outstanding and unpaid, in the case of any failure to pay any installment of interest on any of the 7-1/2% Debentures beyond such 120-day grace period such failure shall constitute an Event of Default hereunder only upon declaration thereof, by written notice or notices to HoldCo, by the Holders of at least a majority of the then outstanding aggregate principal amount of the 7-1/2% Debentures; or

(b) any representation or warranty made by HoldCo herein shall prove to have been incorrect in any material respect on or as of the date made; or

(c) HoldCo shall default in the observance or performance of the covenant contained in Section 3.1; or

(d) (i) HoldCo shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or HoldCo shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against HoldCo any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment, or (B) remains undismissed, undischarged or unbonded for a period of 60 days; or (iii) there shall be commenced against HoldCo any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets, which results in the entry of any order for any such relief which shall not have been vacated, discharged, or stayed on bond pending appeal within 60 days from the entry thereof; or (iv) HoldCo shall take any corporate action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) HoldCo shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(e) the General Partner (as defined in the Agreement and Articles of Limited Partnership of Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VI dated as of June 20, 1995, as

amended from time to time, relating to MBO-VI (the "Partnership Agreement")) shall have taken action with respect to the securities of HoldCo which results in the relinquishment of "control" (as such term is defined in the Investment Company Act of 1940, as amended) of HoldCo by the persons or group of persons having such control prior thereto;

then, and in any such event, but subject to Sections 13 and 14, (x) upon the occurrence of any Event of Default described in subclause (i) or (ii) of clause (d) of this Section 4 or in clause (e) of this Section 4, the unpaid principal amount of and accrued interest on and all other amounts owing under this Debenture shall automatically, without any further action of any person or entity, mature and become due and payable, and (y) upon the occurrence and during the continuation of any other Event of Default, the Holders of a majority of the aggregate principal amount of the 7-1/2% Debentures then outstanding may at any time (unless all Events of Default shall theretofore have been remedied) at their option, by written notice or notices to HoldCo, declare the 7-1/2% Debentures to be due and payable, whereupon the unpaid principal amount of and accrued interest on and all other amounts owing under the 7-1/2% Debentures shall forthwith mature and become due and payable, all without presentment, demand, protest or other notice, all of which are hereby expressly waived except as expressly provided above in this Section 4.

At any time after this Debenture is declared due and payable, as provided in clause (y) above, the Holders of a majority of the aggregate principal amount of the 7-1/2% Debentures then outstanding, by written notice to HoldCo, may rescind and annul any such declaration in respect of the 7-1/2% Debentures and its consequences if (x) HoldCo has paid all overdue interest on the 7-1/2% Debentures, (y) all Events of Default, other than non-payment of amounts which have become due solely by reason of such declaration, have been cured or waived by the Holder in accordance with Section 18, and (z) no judgment or decree has been entered for the payment of any monies due pursuant to this Debenture; but no such rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

5. REMEDIES ON DEFAULT; NO WAIVER; ETC.

Subject to the provisions of Sections 13 and 14, in case any one or more Events of Default shall occur and be continuing, the Holder may proceed to protect and enforce its rights by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein, or for an injunction against a violation of any of the terms hereof, or in aid of the exercise of any power granted hereby or by law or otherwise. No course of dealing and no failure to exercise or delay in exercising any right, power or remedy by or on the part of any Holder shall operate as a waiver thereof or otherwise prejudice any Holder's rights, powers or remedies nor shall any single or partial exercise of any such right, power or remedy

preclude any other or further exercise thereof or the exercise of any other right, power or remedy. No right, power or remedy conferred by this Debenture upon any Holder shall be exclusive of any other right, power or remedy referred to herein or now or hereafter available by law, in equity or otherwise.

6. DEBENTURE REGISTER

HoldCo will keep at its principal office a register in which HoldCo will provide for the registration of the 7-1/2% Debentures. HoldCo may treat the person or entity in whose name this Debenture is registered on such register as the owner hereof for the purpose of receiving payment of the principal hereof and interest hereon and for all other purposes (subject to the rights of prior Holders under Section 11), whether or not this Debenture shall be overdue, and HoldCo shall not be affected by any notice to the contrary. All references in this Debenture to a "Holder" shall mean the person or entity in whose name any of the 7-1/2% Debentures are at the time registered on such register (except as otherwise contemplated with respect to prior Holders under this Section 6 and Section 11).

7. TRANSFER AND EXCHANGE

Subject to the provisions of Section 17, upon surrender of this Debenture for registration of transfer or for exchange to HoldCo at its principal office, HoldCo at its expense (except as provided below) will execute and deliver in exchange therefor one or more new 7-1/2% Debentures in denominations of at least $100,000 (except one such 7-1/2% Debenture issued in connection with each such transfer or exchange may be issued in a lesser principal amount if the unpaid principal amount of the surrendered 7-1/2% Debenture is not evenly divisible by, or is less than, $100,000), as requested by the Holder or transferee, which equal in the aggregate the unpaid principal amount of this Debenture, registered as such Holder or transferee may request, dated so that there will be no loss of interest by reason of such surrender, and otherwise of like tenor and form. HoldCo may require payment by the Holder of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer or exchange.

8. REPLACEMENT

Upon receipt of evidence reasonably satisfactory to HoldCo of the ownership of, and the loss, theft, destruction or mutilation of, this Debenture and, in the case of any such loss, theft or destruction, an indemnity bond in such reasonable amount as HoldCo may determine (or, if the Holder is any financial institution or any nominee of the foregoing, of an unsecured indemnity agreement from such Holder reasonably satisfactory to HoldCo), or, in the case of any such mutilation, upon the surrender of this Debenture for cancellation to HoldCo at its principal office, HoldCo at its expense (except as provided below) will execute and deliver, in lieu hereof, a new 7-1/2%

Debenture of like tenor and form, dated so that there will be no loss of interest by reason of the loss, theft, destruction or mutilation of this Debenture. HoldCo may require payment by the Holder of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such replacement. If any such replacement Debenture has been so executed and delivered by HoldCo, this Debenture shall not be deemed to be outstanding for any purpose.

9. PAYMENTS

9.1 Place of Payment.

Payments of principal and interest becoming due and payable on the 7-1/2% Debentures shall be made at the principal office of The Chase Manhattan Bank, N.A. in the Borough of Manhattan, the City and State of New York, unless HoldCo, by notice to the Holder, shall designate the principal office of another commercial bank or trust company in such Borough as such place of payment, in which case the principal office of such other bank or trust company shall thereafter be such place of payment.

9.2 Home Office Payment.

Notwithstanding anything contained in Section 9.1 to the contrary, if the Holder of this Debenture is an institutional holder, HoldCo will pay all sums becoming due hereon at the address specified for such purpose in a notice from such Holder to HoldCo, or by such other method or at such other address as such Holder shall have specified by notice from time to time to HoldCo for such purpose, without the presentation or surrender of this Debenture or the making of any notation hereon, except that upon repayment in full hereof, this Debenture shall be surrendered to HoldCo at its principal office or at the place of payment maintained by HoldCo pursuant to Section 9.1 for cancellation. Prior to any sale or other disposition of this Debenture by such Holder or its nominee, such Holder will, at its election, either endorse hereon the amount of principal paid hereon and the last date to which interest has been paid hereon or surrender this Debenture to HoldCo in exchange for a new 7-1/2% Debenture or Debentures pursuant to Section 7.

10. PREPAYMENT

Subject to the provisions of Sections 13 and 14, HoldCo may from time to time prepay all or any part of the unpaid principal amount hereunder, together with accrued interest, at any time after the date hereof without premium, penalty or other charge.

11. PAYMENT OF EXPENSES

In case of a default in the payment of any principal or of interest on or other amount owing under the 7-1/2% Debentures, HoldCo will pay (a) to the Holder promptly

upon demand from time to time such further amounts as shall be sufficient to cover the costs and expenses of collection and the enforcement and preservation of the Holder's rights, powers and remedies hereunder, including, without limitation, attorneys' fees and expenses, and (b) the costs and expenses of any trustee appointed pursuant to Section 3.3 of the Partnership Agreement, including, without limitation, fees and expenses of the attorneys for such trustee. Except as otherwise provided in Sections 7 and 8, HoldCo shall pay any and all stamp and other taxes payable or determined to be payable in connection with the execution and delivery of the 7-1/2% Debentures and agrees to save the Holder harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes. The rights of each Holder under this Section 11 shall survive any transfer of this Debenture to another Holder and any exchange under Section 7 or replacement under Section 8 with respect hereto.

12. UNSECURED OBLIGATION

In order to ensure that the borrowing evidenced hereby is not "indirectly secured" within the meaning of Regulation G, T, U or X of the Board of Governors of the Federal Reserve System and the interpretations of such Board and its staff thereunder, notwithstanding the provisions contained herein, HoldCo and its subsidiaries shall retain the full right and ability to sell, pledge or otherwise dispose of "margin stock" and "margin securities" (as such terms are defined in Regulation G, T, U or X of the Board of Governors of the Federal Reserve System and the interpretations of such Board and its staff thereunder); and, to the extent that, pursuant to the terms hereof, such borrowing is considered to be "indirectly secured," such terms (other than those terms relating to the obligations to make payments of principal, premium and interest) shall be deemed modified to the extent necessary to prevent such borrowing from being considered to be "indirectly secured".

13. SUBORDINATION

By acceptance of this Debenture, the Holder hereby agrees as follows:

13.1 Express Subordination. The Subordinated Obligations are expressly subordinated and junior in right of payment (as defined in subsection 13.2) to all Senior Obligations. Nothing contained herein shall be deemed to make the Subordinated Obligations subordinate and junior in right of payment to any obligation of HoldCo other than the Senior Obligations.

13.2 Subordination Defined. "Subordinate and junior in right of payment" shall mean that:

(a) If and to the extent that any Senior Obligations have been created, then, so long as any such Senior Obligations are outstanding and

unpaid, at any time prior to December 31, 2006, without the express written consent of the Senior Creditors, no direct or indirect payment on account of the Subordinated Obligations shall be made, nor shall any property or assets of HoldCo or any of its subsidiaries be directly or indirectly applied to the purchase or other acquisition or retirement of the 7-1/2% Debentures, nor shall the Holder take, demand, receive or institute legal proceedings to recover, and neither HoldCo nor any of its subsidiaries will make, give or permit, directly or indirectly, by set-off, redemption, purchase or in any other manner, any payment or security for the whole or any part of the Subordinated Obligations, nor (except as permitted by subsection 13.3) shall the Holder accelerate the scheduled maturities of any amount owing under the 7-1/2% Debentures (all of the foregoing actions being hereinafter referred to as "Restricted Actions"), if at the time of or immediately after giving effect to such Restricted Action a Senior Default or Senior Event of Default exists or would exist and is or would be continuing; provided that this subsection 13.2(a) shall not prevent any Restricted Action for a period (a "Postponement Period") longer than the period ending on the earliest of (i) the first day after the proposed taking of such Restricted Action on which no Senior Default or Senior Event of Default is then continuing, (ii) 120 days after the date such Restricted Action would otherwise have been taken if there has been delivered to the Administrative Agent by the Holder a notice stating that such Senior Default or Senior Event of Default exists, (iii) 120 days after the date such Restricted Action would otherwise have been taken if there has been delivered to the Administrative Agent by HoldCo a certificate from an officer of HoldCo or a letter from HoldCo's certified public accountants stating that such Senior Default or Senior Event of Default exists, (iv) the date on which the existence of such Postponement Period has been waived by the Senior Creditors, and (v) December 31, 2006; provided, further, that if any Restricted Action shall have been prevented or postponed by reason of any Senior Default and the condition or event giving rise to such Senior Default gives rise to a Senior Event of Default, no subsequent Restricted Action may be prevented or postponed by reason of the occurrence of such Senior Event of Default, and provided, further, that if any Restricted Action shall have been prevented or postponed by reason of any Senior Default or Senior Event of Default, and after the occurrence of such Senior Default or Senior Event of Default and during the Postponement Period in respect thereof another Senior Default or Senior Event of Default shall have occurred, no such Restricted Action shall be prevented or postponed for any additional period by reason of such other Senior Default or Senior Event of Default (provided that, upon the occurrence of such additional Senior Default or Senior Event of Default,

such first Postponement Period shall not be deemed to have ended upon the occurrence of any of the events specified in clause (i) through (iv) above).

(b) (i) So long as any Senior Obligations are outstanding and unpaid, in the event of any distribution, division or application, partial or complete, voluntary or involuntary, by operation of law or otherwise, of all or any substantial part of the property, assets or business of HoldCo or the Borrower, or the proceeds thereof, to any creditor or creditors of HoldCo or the Borrower other than in the ordinary course of business or as permitted in the Senior Credit Agreements then in effect, or (ii) upon any indebtedness of HoldCo or the Borrower becoming due and payable (or a proof of claim in respect thereof being filed in any applicable proceeding) by reason of any liquidation, dissolution or other winding up of HoldCo or the Borrower or its business or upon the occurrence of any sale, receivership, insolvency, reorganization or bankruptcy proceedings, assignment for the benefit of creditors, arrangement or any proceeding by or against HoldCo or the Borrower for any relief under any bankruptcy, reorganization or insolvency law or laws, Federal or state, or any law, Federal or state, relating to the relief of debtors, readjustment of indebtedness, reorganization, composition, or extension, or (iii) if all amounts owing under the Senior Loans, or the Borrower's obligations with respect to the Letters of Credit and the L/C Applications or owing under guarantees made by HoldCo in respect thereof have become, or have been declared to be, due and payable (and have not been paid in accordance with their terms), then and in any such event, any payment or distribution of any kind or character, whether in cash, property or securities (other than any securities of HoldCo which are received by the Holder in any proceeding of the type referred to in clause (i) or (ii) above and which are subordinated to (A) the Senior Obligations and (B) any securities of HoldCo distributed to the holders of Senior Obligations, in a manner not less favorable to the Senior Creditors than the subordination of the Subordinated Obligations provided for in Sections 13 and 14 ("Subordinated Securities")), which, but for the subordination provisions contained herein, would otherwise be payable or deliverable to the Holder upon or in respect of the Subordinated Obligations, shall instead be paid over or delivered to the Senior Creditors which have Senior Obligations which are then due and payable (or in respect of which a proof of claim has been filed in any applicable proceeding) and promptly be applied (subject to applicable law) as a payment or prepayment on account of the Senior Obligations (or, in the case of non-cash property and cash received in respect of obligations under outstanding Letters of Credit which may be drawn upon, held as collateral to secure payment of the Senior Obligations) which are then due and

payable pro rata in accordance with the amounts thereof then due and payable (or in respect of which a proof of claim has been filed in any applicable proceeding), and the Holder shall not receive any such payment or distribution or any benefit therefrom unless and until the Senior Obligations which are then due and payable (or in respect of which a proof of claim has been filed in any applicable proceeding) shall have been fully paid and satisfied in cash.

13.3 Bankruptcy Petition.

Notwithstanding anything to the contrary contained herein, so long as the Senior Obligations are outstanding and unpaid, the Holder may declare the unpaid principal amount of, and accrued interest on, the Subordinated Obligations to be immediately due and payable and may file or join in the filing of a bankruptcy petition against HoldCo or take any action to commence a bankruptcy proceeding against HoldCo only upon the occurrence and during the continuance of any of the following events:

(a) the Senior Loans or the guarantees made by HoldCo in respect thereof shall have been declared to be, or shall have become, due and payable prior to the stated maturity thereof in accordance with the provisions of Section 9 of the Tender Credit Agreement or Section 14 of the Merger Credit Agreement; or

(b) HoldCo shall have failed to make any payment of principal of, or accrued interest on, the 7-1/2% Debentures, which payment is then due and payable, within five days after the later of the end of the applicable Postponement Period and 120 days after the date on which such payment is due and payable; or

(c) after the earlier of the date on which all of the Senior Obligations have been paid in full in accordance with the Senior Credit Agreements and December 31, 2006, an Event of Default shall have occurred and then be continuing under the 7-1/2% Debentures.

If the 7-1/2% Debentures shall have been declared to be due and payable in accordance with the provisions of this subsection 13.3 (under circumstances when the provisions of subsection 13.2(b) are not applicable), any payment or distribution of any kind or character, whether in cash, property or securities, which are received by the Holder in respect of or after such acceleration or any legal proceedings brought in connection therewith shall forthwith be paid over or delivered to the Senior Creditors which have Senior Obligations which are then due and payable (or in respect of which a proof of claim has been filed in any applicable proceeding) and promptly be applied (subject to applicable law) as a payment or prepayment on account of the Senior Obligations (or,

in the case of non-cash property and cash received in respect of obligations under outstanding Letters of Credit which may be drawn upon, held as collateral to secure payment of the Senior Obligations) which are then due and payable (or in respect of which a proof of claim has been filed in any applicable proceeding) pro rata in accordance with the amounts thereof then due and payable, and the Holder shall not retain any such payment or distribution or any benefit therefrom unless and until the Senior Obligations which are then due and payable (or in respect of which a proof of claim has been filed in any applicable proceeding) shall have been fully paid and satisfied.

14. LIMITED POWER OF ATTORNEY; TRUST; SUBROGATION

By acceptance of this Debenture, the Holder hereby agrees as follows:

14.1 Limited Power of Attorney.

The Holder irrevocably authorizes and empowers the Senior Creditors under the circumstances set forth in clause (i) or (ii) of subsection 13.2(b), to demand, sue for, collect and receive every such payment or distribution referred to in such subsection and give acquittance thereof, and take such other proceedings, in the name of the Senior Creditors or in the name of the Holders or otherwise, as the Senior Creditors may deem reasonably necessary or advisable for the enforcement of the subordination provisions contained in Section 13. The Holder shall, under the circumstances set forth in clause (i) or (ii) of subsection 13.2(b), duly and promptly take such action as may be reasonably requested at any time and from time to time by the Senior Creditors to file appropriate proofs of claim in respect of the Subordinated Obligations, and to execute and deliver such powers of attorney, assignments or other instruments as may be reasonably requested by the Senior Creditors in order to enable the Senior Creditors to enforce any and all claims upon or in respect of the Subordinated Obligations and to collect and receive any and all payments or distributions which may be payable or deliverable at any time upon or in respect of the Subordinated Obligations. Any such amounts received by the Senior Creditors shall be applied (subject to applicable law) to the payment of the Senior Obligations then payable (or in respect of which proofs of claim have been filed in any applicable proceeding) in accordance with the terms of the Senior Credit Agreements.

14.2 Monies Held in Trust.

Should any payment or distribution or security, or the proceeds of any thereof, be collected or received by the Holder in respect of the Subordinated Obligations (other than Subordinated Securities) and such collection or receipt is at the time prohibited by Section 13, the Holder will forthwith turn over the same to the Senior Creditors, in the form received (except for the endorsement or the assignment of the Holder when necessary) and, until so turned over, the same shall be held in trust by the Holder as the property of the Senior Creditors. Any such amounts received by the Senior Creditors shall be applied (subject to applicable law) to the payment of the Senior

Obligations then payable (or in respect of which proofs of claim have been filed in any applicable proceeding) in accordance with the terms of the Senior Credit Agreements.

14.3 Subrogation.

Following payment in full in cash of the Senior Obligations, the Holder shall be subrogated to the rights of the Senior Creditors to receive payments or distributions of cash, property or securities made on the Senior Obligations until the Subordinated Obligations shall be paid in full; and, for the purpose of such subrogation, payments or distributions to the Senior Creditors of any cash, property or securities to which the Holder would be entitled except for the provisions of Section 13 shall, as between HoldCo and its creditors (other than the Senior Creditors and the Holders), be deemed to be a payment by HoldCo to or on account of Subordinated Obligations, it being understood that the provisions hereof are and are intended solely for the purpose of defining the relative rights of the Holders of the 7-1/2% Debentures, on the one hand, and the Senior Creditors, on the other hand. The purpose of this subsection 14.3 is to grant to the Holders the same rights against HoldCo with respect to the aggregate amount of such payments or distributions as the Senior Creditors would have against HoldCo if such aggregate amount were considered overdue Senior Obligations.

15. WAIVER BY SENIOR CREDITORS, ETC.

By acceptance of this Debenture the Holder hereby consents that, without the necessity of any reservation of rights against the Holder, and without notice to or further assent by the Holder, (a) any demand for payment of any Senior Obligation made by any Senior Creditor may be rescinded in whole or in part by such Senior Creditor (whereupon HoldCo shall give prompt notice thereof to the Holders) and any Senior Obligation may be continued, and the Senior Obligations, or the liability of HoldCo, the Borrower or any other party upon or for any part thereof, or any collateral security or guaranty therefor or right or offset with respect thereto, or any obligation or liability of HoldCo, the Borrower or any other party under the Senior Credit Agreements and any collateral security documents or guarantees or documents in connection therewith may, from time to time, in whole or in part, be renewed, extended, modified, accelerated, compromised, waived, surrendered, or released by the Senior Creditors, and (b) the Senior Credit Agreements, the Senior Loans, the Letters of Credit, the L/C Applications and any guarantees made by HoldCo or any other person in respect thereof and any document or instrument evidencing or governing the terms of any other Senior Obligations or any collateral security documents or guarantees or documents in connection therewith may be amended, modified, supplemented or terminated, in whole or in part, as the Senior Creditors with respect to such Senior Obligations may deem advisable from time to time, and any collateral security or guarantee at any time held by any of the Senior Creditors for the payment of any of the Senior Obligations may be sold, exchanged, waived, surrendered or released, in each case all without notice to or further

assent by the Holders who will remain bound by the terms hereof, and all without impairing, abridging, releasing or affecting the subordination provided for herein, notwithstanding any such renewal, extension, modification, acceleration, compromise, amendment, supplement, termination, sale, exchange, waiver, surrender or release; provided that so long as any Senior Obligations are outstanding and unpaid the Administrative Agent, the Co-Agents and the Lenders will not amend the Senior Credit Agreements to increase the interest rates applicable to the Loans (as defined on the Senior Credit Agreements) or to increase commissions or other fees payable with respect to the Letters of Credit or to increase the maximum principal amount of the Senior Loans which may be outstanding at any one time or the maximum amount of reimbursement obligations in respect of Letters of Credit that may be outstanding at any one time, in each case as set forth in the Merger Credit Agreement, without the written consent of the Holders of a majority of the aggregate principal amount of the 7-1/2% Debentures then outstanding, provided that without the consent of any Holder, but in accordance with Section 16, the maximum principal amount of the Senior Loans which may be outstanding at any one time and the maximum amount of reimbursement obligations in respect of Letters of Credit that may be outstanding at any one time may be increased up to $100,000,000 in the aggregate, together with accrued interest thereon and commissions with respect thereto. By acceptance of this Debenture the Holder waives any and all notice of the creation, renewal, extension or accrual of any of the Senior Obligations and notice of or proof of reliance by any Senior Creditor upon the terms and provisions hereof, and the Senior Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred in reliance upon the terms and provisions hereof, and all dealings between HoldCo and the Senior Creditors shall be deemed to have been consummated in reliance upon the terms and provisions hereof. By acceptance of this Debenture the Holder acknowledges and agrees that the Lenders have relied upon the subordination provided for herein in entering into the Senior Credit Agreements and in making funds available to the Borrower thereunder, and that other Senior Creditors will rely upon the subordination provided for herein in extending credit to, or accepting the obligations or liabilities of, the Borrower and its subsidiaries. By acceptance of this Debenture the Holder waives notice of or proof of reliance on this Debenture and protest, demand for payment and notice of default by the Senior Creditors.

16. INCREASE IN AMOUNT OF SENIOR OBLIGATIONS

At any time and from time to time HoldCo may designate any of the Borrower's indebtedness, obligations and/or liabilities and guarantees made by HoldCo in respect thereof as Senior Obligations, in accordance with clause (c) of the definition of Senior Obligations, by delivering to each Holder of the 7-1/2% Debentures a Notice of Designation which shall have attached to it a list of all outstanding Senior Obligations which HoldCo has heretofore, and which remain, designated as Senior Obligations pursuant to this Section 16 (which attached list may not be relied upon by the Holder for

purposes of preventing any Senior Obligations from being considered as such if no notice pursuant to the next sentence has been sent by such Holder prior to the end of the eleven day period referred to in such sentence, but shall be deemed to have been relied upon by such Holder for purposes of determining damages payable by HoldCo suffered or incurred by such Holder as a result of such list not being true and correct). Each such Notice of Designation shall be effective with respect to the indebtedness, obligations and/or liabilities described therein on the 11th day following actual receipt thereof by the Holder unless prior to such 11th day, the Holder has given notice to the proposed Senior Creditor (at its address specified in such Notice of Designation) and HoldCo that the principal amount of the indebtedness, obligations and/or liabilities described in such Notice of Designation together with the aggregate principal amount of indebtedness, obligations and liabilities previously designated as Senior Obligations under this Section 16, after taking into account all notices theretofore received by the Holder terminating or reducing the amount of indebtedness, obligations and liabilities theretofore included in the Senior Obligations, exceeds $100,000,000 in the aggregate. By acceptance of this Debenture the Holder hereby agrees that it shall not give, and shall be responsible for all direct and consequential damages resulting from, any such notice which such Holder knows is not true and correct. Upon the effectiveness of a Notice of Designation, the indebtedness, obligations and/or liabilities specified therein shall automatically become Senior Obligations and the holder or holders thereof or obligee or obligees with respect thereto shall automatically become Senior Creditors, in each case for all purposes of this Debenture, whether or not the Holder shall have acknowledged receipt of the Notice of Designation. Senior Obligations shall cease to be such, or the principal amount thereof designated as such shall be reduced, only (i) upon actual receipt by the Holders of a notice from the holder or holders of such Senior Obligations or obligee or obligees with respect thereto terminating the designation of such indebtedness, obligations and/or liabilities as Senior Obligations or reducing the amount of such indebtedness, obligations and/or liabilities so designated, or (ii) when the Senior Obligations have in fact been paid in full or reduced and the Holders shall have received notice from HoldCo of such fact together with evidence satisfactory to it that the Senior Obligations have been so paid or reduced. At the request of HoldCo, the Holder will confirm in writing to any Senior Creditor that the indebtedness, obligations and/or liabilities held by such Senior Creditor and designated to be Senior Obligations are Senior Obligations. However, the failure or refusal of any Holder to issue any such confirmation shall not affect the status as Senior Obligations of any indebtedness, obligations and/or liabilities properly designated by HoldCo to be Senior Obligations in accordance with the provisions of this Debenture.

17. RESTRICTIONS ON TRANSFER; RIGHT OF FIRST REFUSAL

By acceptance of this Debenture, the Holder hereby agrees as follows:

17.1 Restrictions on Transfer.

The Holder shall not, directly or indirectly, sell, assign, exchange, dispose of or otherwise transfer the 7-1/2% Debentures (any one or more of such acts being a "Transfer") unless:

(a) such Transfer is of the whole, and not merely a part, of the Holder's direct or beneficial interest in the 7-1/2% Debentures and is for cash consideration only; and

(b) such Transfer is made pursuant to an effective registration statement under the Securities Act of 1933, as amended, or the Holder delivers to HoldCo an opinion of counsel of recognized standing in securities law (including in-house or special counsel), which opinion and counsel shall be reasonably satisfactory to HoldCo, retained at the Holder's expense, to the effect that the proposed Transfer is exempt from registration under applicable Federal and state securities laws; and

(c) such Transfer does not otherwise violate any law, statute, rule, regulation, order or decree of the United States of America or any state thereof or any governmental authority of any of the foregoing; and

(d) such Transfer is to a third-party transferee (the "Transferee") which Transferee does not, directly or indirectly, beneficially own, either alone or together with its Affiliates, immediately prior to such Transfer in excess of 5% of the aggregate principal amount of the 7-1/2% Debentures then outstanding; and

(e) such Transfer is made in a cash transaction but only after the Holder complies with the provisions of subsection 17.2.

17.2 Right of First Refusal.

(a) If, at any time, the Holder proposes to Transfer for cash its entire interest in the 7-1/2% Debentures, the Holder shall give a written notice (a "Transfer Notice") to HoldCo (i) specifying (w) that the proposed Transfer will be in compliance with all of the provisions of Section 17.1, (x) the identity of the proposed third-party transferee (the "Transferee") who has made a bona fide offer to purchase the Holder's entire interest in the 7-1/2% Debentures, (y) the proposed cash consideration to be received by the Holder for such interest (the "Transfer Price"), and (z) any other terms and conditions of the proposed Transfer, and (ii) offering to sell the Holder's entire interest in the 7-1/2% Debentures at the Transfer Price to HoldCo. The Transfer Notice shall constitute an irrevocable offer by the Holder to sell the Holder's entire interest in the 7-1/2% Debentures to HoldCo upon

the terms contained in the Transfer Notice.

(b) HoldCo shall have the right, exercisable for 15 Business Days following the date of such receipt of the Transfer Notice, to purchase for cash the Holder's entire interest in the 7-1/2% Debentures at the Transfer Price by delivering a written notice (the "Purchase Notice") to the Holder of its election within such 15 Business Day period. If HoldCo elects to so purchase the Holder's interest, the Holder shall execute such documents and instruments reasonably required by HoldCo to consummate the contemplated transaction. The closing of such purchase shall take place as soon as practicable after the date of the Purchase Notice, but in any case within 15 Business Days following HoldCo's initial receipt of the Transfer Notice. At such closing, the Holder shall, and hereby covenants to, Transfer its entire interest in the 7-1/2% Debentures to HoldCo free and clear of any and all liens, mortgages, pledges, security interests or other encumbrances against receipt of payment thereof.

(c) If HoldCo does not deliver a Purchase Notice within 15 Business Days following its receipt of a Transfer Notice, then the Holder (i) shall be under no obligation to sell any portion of its interest in the 7-1/2% Debentures to HoldCo, and (ii) may, within the period commencing on the 16th Business Day and ending on the 30th Business Day following HoldCo's receipt of the Transfer Notice, Transfer its entire (but not less than its entire) interest in the 7-1/2% Debentures to the Transferee specified in the Transfer Notice at the Transfer Price and on the terms and conditions set forth in the Transfer Notice. If, upon the expiration of the 30th Business Day following receipt by HoldCo of the Transfer Notice, such Transfer shall not have occurred, then the provisions of this Section 17.2 shall apply again and the Holder shall comply with the terms hereof in connection with any subsequent proposed Transfer.

17.3 Transfer Otherwise Void.

Any purported Transfer of the Holder's interest in the 7-1/2% Debentures made other than in accordance with this Section 17 shall be void and HoldCo shall not be required to recognize any equitable or other claims to such interest on the part of any purported transferee. Notwithstanding anything to the contrary herein, the provisions of this Section 17 shall not apply to Transfers by MBO-VI acting in a manner contemplated by Section 3.2 (a) (i) of the Partnership Agreement.

18. NOTICES, ETC.

All notices, waivers and other communications provided for hereunder shall

be in writing (including telex, telecopier and other readable communication) and mailed, telexed, telecopied or otherwise transmitted or delivered, if to HoldCo, c/o Forstmann Little & Co., 767 Fifth Avenue, New York, New York 10153, Attention: Mr. Thomas H. Lister, with a copy to Fried, Frank, Harris, Shriver & Jacobson, One New York Plaza, New York, New York 10004, Attention: F. William Reindel, Esq., and if to the Holder at its address specified on the register referred to in Section 6, or, in each case, to such other addresses as shall be specified by like notice. All such notices, waivers and communications shall, if mailed, telexed, telecopied or otherwise transmitted, be effective when deposited in the mails or telexed, telecopied or otherwise transmitted.

19. GOVERNING LAW

THIS DEBENTURE SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (WITHOUT REGARD TO THE PRINCIPLES OF CONFLICT OF LAWS).

20. MISCELLANEOUS

The provisions of this Debenture shall inure to the benefit of and shall be binding upon HoldCo and the Holder of this Debenture and all future Holders, and their respective heirs, legal representatives, successors and assigns.

Dated: July 10, 1996

FLCH HOLDINGS CORP.

By:
Thomas H. Lister
Vice President

ANNEX 1

FORM OF
"NOTICE OF DESIGNATION"

[Date]

TO: THE HOLDER OF FLCH HOLDINGS CORP.
7-1/2% SERIES B DEBENTURES DUE JUNE 30, 2008

Ladies and Gentlemen:

Reference is made to the 7-1/2% Series B Debentures due June 30, 2008 (the "Debentures") of FLCH HoldCo Corp., a Delaware corporation. Unless otherwise defined herein, terms defined in the Debentures are used herein with their defined meanings.

Pursuant to the provisions of the Debentures, HoldCo hereby designates the following as Senior Obligations:

1. Name of holder, lender or other obligee to be designated a Senior Creditor:

2. Description of indebtedness, obligations or liabilities to be designated as Senior Obligations (including maximum principal amount and, if the Senior Obligation is revolving in nature, a statement to such effect):

3. Address for notices (include telex and telecopy number if available):

Please acknowledge receipt of this notice by signing the enclosed counterpart hereof in the space provided below and returning it to the undersigned.

FLCH HOLDINGS CORP.

By:
Name:
Title:

We hereby acknowledge receipt of this notice on _____,

[NAME OF HOLDER]

By:
Authorized Signatory

Exhibit 10.14

Form of 7-1/2% SERIES C DEBENTURES DUE JUNE 30, 2007

THIS DEBENTURE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS REGISTERED UNDER SAID ACT OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE AND EXCEPT IN COMPLIANCE WITH THE PROVISIONS OF SECTION 17 HEREOF.

FLCH HOLDINGS CORP.

7-1/2% SERIES C DEBENTURES DUE JUNE 30, 2009

No.: R- New York, New York

FLCH HOLDINGS CORP., a Delaware corporation (hereinafter called "HoldCo"), for value received, hereby promises to pay to:

or its registered assigns, the principal amount of $29,335,226 (or so much thereof as shall not have been prepaid), payable on June 30, 2009, and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid principal amount hereof, from the date hereof, at the rate of 7-1/2% per annum semi-annually on the 31st day of January and the 31st day of July in each year, commencing on January 31, 1997, until said principal amount shall have become due and payable and (to the extent permitted by applicable law) to pay interest at the rate of 10-1/2% per annum on any overdue principal and interest, from the date such amount was due and payable until the obligation of HoldCo with respect to the payment thereof shall be fully discharged. Payments of principal and interest on this 7-1/2% Series C Debenture (this "Debenture") shall be made in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. If the date on which any such payment is required to be made pursuant to the provisions of this Debenture occurs on a day other than a Business Day (as hereinafter defined), such payment shall be due and payable on the next succeeding Business Day.

This Debenture together with any debenture or debentures hereafter issued in accordance with the provisions hereof which represent part of the principal amount of this Debenture and any replacement hereof or thereof constitute HoldCo's 7-1/2% Series C Debentures due June 30, 2009 (hereinafter collectively called the "7-1/2% Series C Debentures"). The 7-1/2% Series C Debentures, together with HoldCo's 7-1/2% Series A Debentures due June 30, 2007 and HoldCo's 7-1/2% Series B Debentures due

June 30, 2008, and any debenture or debentures issued in accordance with the provisions hereof or thereof which represent part of the principal amount hereof or thereof and any replacement of any of the foregoing, aggregating $500,000,000 in original principal amount, are hereinafter collectively called "7-1/2% Debentures".

1. DEFINED TERMS

As used herein the following terms shall have the following meanings:

"Administrative Agent" shall mean The Chase Manhattan Bank, N.A., in its capacity as administrative agent under the Senior Credit Agreements.

"Affiliate" shall mean any person or entity that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, another specified person or entity.

"Borrower" shall mean FLCH Acquisition Corp., a Delaware corporation and a direct wholly-owned subsidiary of HoldCo, which corporation is to be merged with CHS pursuant to the Merger, and from and after the Merger said term shall refer to the Surviving Corporation.

"Business Day" shall mean a day other than Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close.

"CHS" shall mean Community Health Systems, Inc., a Delaware corporation.

"Co-Agents" shall mean, collectively, Bank of America N.A., NationsBank, and The Bank of Nova Scotia, in their capacities as co-agents with respect to the Senior Credit Agreements.

"Merger Credit Agreement" shall mean the $900,000,000 Credit Agreement dated as of July 9, 1996, among the Borrower, HoldCo, the Merger Lenders parties thereto, the Co-Agents and the Administrative Agent, and shall include any replacements or refinancings by the Lenders, renewals, and amendments thereto with the consent of the Borrower, the Lenders, the Co-Agents and the Administrative Agent, as required thereunder, and including those amendments that would increase the amounts outstanding thereunder to the extent permitted by the provisions of Section 16.

"Event(s) of Default" shall have the meaning assigned to it in Section 4.

"Holder" shall mean the person or entity in whose name this Debenture is registered on the register maintained by HoldCo pursuant to Section 6; and "Holders" shall be the collective reference to all such holders of 7-1/2% Debentures.

"L/C Application" shall be any L/C Application under the Merger Credit Agreement.

"Lenders" shall mean, prior to the Merger, the Tender Lenders, and from and after the Merger, the Merger Lenders.

"Letters of Credit" shall be the collective reference to Letters of Credit issued under the Merger Credit Agreement.

"MBO-VI" shall mean Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VI, a Delaware limited partnership.

"Merger" shall mean the merger of FLCH Acquisition Corp. with CHS pursuant to the Agreement and Plan of Merger, dated June 9, 1996, as amended, between CHS, HoldCo and the Borrower.

"Merger Lenders" shall mean the Lenders from time to time parties to the Merger Credit Agreement.

"Notice of Designation" shall mean a notice delivered by HoldCo to the Holders designating Senior Obligations, which notice shall be substantially in the form of Annex 1 hereto.

"Partnership Agreement" shall have the meaning assigned to it in Section 4.

"Purchase Notice" shall have the meaning assigned to it in subsection 17.2.

"Senior Credit Agreements" shall have the collective reference to the Tender Credit Agreement and the Merger Credit Agreement.

"Senior Creditors" shall mean the Administrative Agent, the Co-Agents and the Lenders.

"Senior Default" shall have the meaning assigned to the term "Default" in the Senior Credit Agreements or a failure to pay obligations under the Tender Credit Agreement following a demand therefor.

"Senior Event of Default" shall have the meaning assigned to the term "Event of Default" in the Senior Credit Agreements or a failure to pay obligations under the Tender Credit Agreement following a demand therefor.

"Senior Extensions of Credit" shall mean all loans and other extensions of credit obtained by the Borrower under the Senior Credit Agreements.

"Senior Loans" shall mean Loans outstanding under the Senior Credit Agreements.

"Senior Notes" shall mean the promissory notes that may be issued by the Borrower under the Senior Credit Agreements to evidence indebtedness to the Lenders outstanding from time to time under the Senior Credit Agreements.

"Senior Obligations" shall mean, to the extent that HoldCo guarantees the obligations of the Borrower incurred pursuant to the Senior Credit Agreements, (a) the principal amount of, and accrued interest on (including, without limitation, any interest which accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of HoldCo or the Borrower, whether or not allowed), the Senior Extensions of Credit, the Senior Notes, all other indebtedness, liabilities and obligations of the Borrower under the Senior Credit Agreements and any refinancing thereof, and all indebtedness, liabilities and obligations of HoldCo under guarantees made by HoldCo in respect thereof, and (b) all other indebtedness, obligations and liabilities of the Borrower to the Lenders now existing or hereafter incurred or created under or with respect to the Senior Extensions of Credit, the Senior Notes and the Senior Credit Agreements and with respect to the Letters of Credit and the L/C Applications, and with respect to any refinancing thereof, and all indebtedness, liabilities and obligations of HoldCo under guarantees made by HoldCo in respect of the foregoing (including, without limitation, any interest which accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of HoldCo or the Borrower, whether or not allowed), and (c) the principal amount of, and accrued interest (including without limitation, any interest which accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of HoldCo or the Borrower, whether or not allowed) and commissions on, additional indebtedness, obligations and/or liabilities of the Borrower under the Senior Credit Agreements and all refinancings thereof and all indebtedness, liabilities and obligations of HoldCo under guarantees made by HoldCo in respect thereof, not otherwise specified in clause (a) or (b) above in principal amounts in the aggregate, at any one time outstanding, not to exceed $100,000,000, which indebtedness, obligations and/or liabilities are designated as Senior Obligations in a Notice of Designation from HoldCo to each of the Holders which has become effective in accordance with the provisions of Section 16, and (d) all indebtedness, obligations and liabilities of the Borrower arising under any agreements between the Borrower and one or more Senior Creditors relating to interest rate, currency or similar swap and hedging arrangements and under any other agreements made, delivered or given in connection therewith and all indebtedness, liabilities and obligations of HoldCo under guarantees made by HoldCo in respect thereof (including, without limitation, any interest which accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of HoldCo or the Borrower, whether or not allowed).

"Subordinated Obligations" shall mean (a) the principal amount of, and accrued interest on (including, without limitation, any interest which accrues after the commencement of any case, proceeding or other action relating to the bankruptcy, insolvency or reorganization of HoldCo, whether or not allowed), the 7-1/2% Debentures, and (b) all other indebtedness, obligations and liabilities of HoldCo to the Holders (including those arising under Section 11 and Section 16), now existing or hereafter incurred or created under the 7-1/2% Debentures.

"Surviving Corporation" shall mean the corporation which survives the Merger.

"Tender Credit Agreement" shall mean the Tender Credit Agreement, dated as of July 9, 1996, among the Borrower, HoldCo, the banks and other financial institutions (the "Tender Lenders") which are from time to time parties thereto, the Co-Agents, and the Administrative Agent, and shall include any replacements or refinancings by the Tender Lenders, renewals and amendments thereto with the consent of the Administrative Agent or the Required Lenders, and including those amendments that would increase the amounts outstanding thereunder to the extent permitted by the provisions of Section 16.

"Transfer", "Transferee," "Transfer Notice" and "Transfer Price" shall have the respective meanings assigned to such terms in Section 17.

2. REPRESENTATIONS AND WARRANTIES

HoldCo hereby represents and warrants to the Holder that the following are true on and as of the date of issue of this Debenture:

2.1 Corporate Existence; Corporate Power; Authorization.

HoldCo (a) is duly organized, validly existing and in good standing under the laws of the State of Delaware, (b) has the corporate power and authority and the legal right to make and deliver, and to perform its obligations under, the 7-1/2% Debentures and to make the borrowing evidenced thereby, and (c) has taken all necessary corporate action to authorize such borrowing on the terms and conditions of the 7-1/2% Debentures and to authorize the execution and delivery of, and performance by it of its obligations under, the 7-1/2% Debentures.

2.2 No Legal Bar.

No consent or authorization of, filing with, or other act by or in respect of, any other person or entity is required in connection with the borrowing evidenced by the 7-1/2% Debentures or with the execution and delivery by HoldCo of, or performance by HoldCo of its obligations under, or the validity or enforceability against HoldCo of, the 7-1/2% Debentures. The execution and delivery of, and performance by HoldCo of its

obligations under, the 7-1/2% Debentures will not violate or conflict with or constitute a default under its Certificate of Incorporation or By-Laws, or any law, rule or regulation, or determination of an arbitrator, or of a government or court or other governmental agency, instrumentality or authority applicable to or binding upon it or any of its property or to which it or any of its property is subject or any provision of any security issued by HoldCo or of any agreement, instrument or undertaking to which HoldCo is a party or by which it or any of its property is bound, except violations which will not have a Material Adverse Effect (as defined in the Senior Credit Agreements) of HoldCo and its subsidiaries taken as a whole.

2.3 Enforceable Obligations.

This Debenture has been, and each other 7-1/2% Debenture will be, duly authorized, executed and delivered on behalf of HoldCo and constitutes or will constitute, as the case may be, a legal, valid and binding obligation of HoldCo enforceable against HoldCo in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, moratorium or other similar laws affecting creditors' rights generally and by applicable principles of equity (whether considered in a suit at law or in equity).

3. COVENANTS

3.1. Dividends. HoldCo hereby agrees with the Holder that, so long as this Debenture remains outstanding and unpaid or any other amount is owing hereunder or with respect hereto, HoldCo shall not pay any dividends on, or make any distributions with respect to, any shares of the common stock or preferred stock of HoldCo, if and so long as any semi-annual interest payment theretofore due on any of the 7-1/2% Debentures remains unpaid.

3.2. Supplemental Interest. HoldCo shall pay to the Holder of this Debenture, as supplemental interest, an amount equal to the product of (a) 1-1/2% of $233,464,288, multiplied by (b) a fraction, the numerator of which is the original principal amount of this Debenture and the denominator of which is $166,666,667, such amount to be payable within 30 days after the date of this Debenture.

4. EVENTS OF DEFAULT

Upon the occurrence of any of the following events (each, individually, an "Event of Default" and collectively, "Events of Default"):

(a) HoldCo shall fail to pay any part of the principal amount of any of the 7-1/2% Debentures when due in accordance with the terms hereof, or fail to pay any installment of interest on any of the 7-1/2%

Debentures or any other amount payable hereunder or thereunder, and (i) in each such event such default shall not have been remedied within 120 days after it has occurred and (ii) so long as any Senior Obligations are outstanding and unpaid, in the case of any failure to pay any installment of interest on any of the 7-1/2% Debentures beyond such 120-day grace period such failure shall constitute an Event of Default hereunder only upon declaration thereof, by written notice or notices to HoldCo, by the Holders of at least a majority of the then outstanding aggregate principal amount of the 7-1/2% Debentures; or

(b) any representation or warranty made by HoldCo herein shall prove to have been incorrect in any material respect on or as of the date made; or

(c) HoldCo shall default in the observance or performance of the covenant contained in Section 3.1; or

(d) (i) HoldCo shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or HoldCo shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against HoldCo any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment, or (B) remains undismissed, undischarged or unbonded for a period of 60 days; or (iii) there shall be commenced against HoldCo any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets, which results in the entry of any order for any such relief which shall not have been vacated, discharged, or stayed on bond pending appeal within 60 days from the entry thereof; or (iv) HoldCo shall take any corporate action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) HoldCo shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(e) the General Partner (as defined in the Agreement and Articles

of Limited Partnership of Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VI dated as of June 20, 1995, as amended from time to time, relating to MBO-VI (the "Partnership Agreement")) shall have taken action with respect to the securities of HoldCo which results in the relinquishment of "control" (as such term is defined in the Investment Company Act of 1940, as amended) of HoldCo by the persons or group of persons having such control prior thereto;

then, and in any such event, but subject to Sections 13 and 14, (x) upon the occurrence of any Event of Default described in subclause (i) or (ii) of clause (d) of this Section 4 or in clause (e) of this Section 4, the unpaid principal amount of and accrued interest on and all other amounts owing under this Debenture shall automatically, without any further action of any person or entity, mature and become due and payable, and (y) upon the occurrence and during the continuation of any other Event of Default, the Holders of a majority of the aggregate principal amount of the 7-1/2% Debentures then outstanding may at any time (unless all Events of Default shall theretofore have been remedied) at their option, by written notice or notices to HoldCo, declare the 7-1/2% Debentures to be due and payable, whereupon the unpaid principal amount of and accrued interest on and all other amounts owing under the 7-1/2% Debentures shall forthwith mature and become due and payable, all without presentment, demand, protest or other notice, all of which are hereby expressly waived except as expressly provided above in this Section 4.

At any time after this Debenture is declared due and payable, as provided in clause (y) above, the Holders of a majority of the aggregate principal amount of the 7-1/2% Debentures then outstanding, by written notice to HoldCo, may rescind and annul any such declaration in respect of the 7-1/2% Debentures and its consequences if (x) HoldCo has paid all overdue interest on the 7-1/2% Debentures, (y) all Events of Default, other than non-payment of amounts which have become due solely by reason of such declaration, have been cured or waived by the Holder in accordance with Section 18, and (z) no judgment or decree has been entered for the payment of any monies due pursuant to this Debenture; but no such rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

5. REMEDIES ON DEFAULT; NO WAIVER; ETC.

Subject to the provisions of Sections 13 and 14, in case any one or more Events of Default shall occur and be continuing, the Holder may proceed to protect and enforce its rights by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein, or for an injunction against a violation of any of the terms hereof, or in aid of the exercise of any power granted hereby or by law or otherwise. No course of dealing and no failure to exercise or delay in exercising any right, power or remedy by or on the part of any Holder

shall operate as a waiver thereof or otherwise prejudice any Holder's rights, powers or remedies nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. No right, power or remedy conferred by this Debenture upon any Holder shall be exclusive of any other right, power or remedy referred to herein or now or hereafter available by law, in equity or otherwise.

6. DEBENTURE REGISTER

HoldCo will keep at its principal office a register in which HoldCo will provide for the registration of the 7-1/2% Debentures. HoldCo may treat the person or entity in whose name this Debenture is registered on such register as the owner hereof for the purpose of receiving payment of the principal hereof and interest hereon and for all other purposes (subject to the rights of prior Holders under Section 11), whether or not this Debenture shall be overdue, and HoldCo shall not be affected by any notice to the contrary. All references in this Debenture to a "Holder" shall mean the person or entity in whose name any of the 7-1/2% Debentures are at the time registered on such register (except as otherwise contemplated with respect to prior Holders under this Section 6 and Section 11).

7. TRANSFER AND EXCHANGE

Subject to the provisions of Section 17, upon surrender of this Debenture for registration of transfer or for exchange to HoldCo at its principal office, HoldCo at its expense (except as provided below) will execute and deliver in exchange therefor one or more new 7-1/2% Debentures in denominations of at least $100,000 (except one such 7-1/2% Debenture issued in connection with each such transfer or exchange may be issued in a lesser principal amount if the unpaid principal amount of the surrendered 7-1/2% Debenture is not evenly divisible by, or is less than, $100,000), as requested by the Holder or transferee, which equal in the aggregate the unpaid principal amount of this Debenture, registered as such Holder or transferee may request, dated so that there will be no loss of interest by reason of such surrender, and otherwise of like tenor and form. HoldCo may require payment by the Holder of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer or exchange.

8. REPLACEMENT

Upon receipt of evidence reasonably satisfactory to HoldCo of the ownership of, and the loss, theft, destruction or mutilation of, this Debenture and, in the case of any such loss, theft or destruction, an indemnity bond in such reasonable amount as HoldCo may determine (or, if the Holder is any financial institution or any nominee of the foregoing, of an unsecured indemnity agreement from such Holder reasonably satisfactory to HoldCo), or, in the case of any such mutilation, upon the surrender of this

Debenture for cancellation to HoldCo at its principal office, HoldCo at its expense (except as provided below) will execute and deliver, in lieu hereof, a new 7-1/2% Debenture of like tenor and form, dated so that there will be no loss of interest by reason of the loss, theft, destruction or mutilation of this Debenture. HoldCo may require payment by the Holder of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such replacement. If any such replacement Debenture has been so executed and delivered by HoldCo, this Debenture shall not be deemed to be outstanding for any purpose.

9. PAYMENTS

9.1 Place of Payment. Payments of principal and interest becoming due and payable on the 7-1/2% Debentures shall be made at the principal office of The Chase Manhattan Bank, N.A. in the Borough of Manhattan, the City and State of New York, unless HoldCo, by notice to the Holder, shall designate the principal office of another commercial bank or trust company in such Borough as such place of payment, in which case the principal office of such other bank or trust company shall thereafter be such place of payment.

9.2 Home Office Payment. Notwithstanding anything contained in Section 9.1 to the contrary, if the Holder of this Debenture is an institutional holder, HoldCo will pay all sums becoming due hereon at the address specified for such purpose in a notice from such Holder to HoldCo, or by such other method or at such other address as such Holder shall have specified by notice from time to time to HoldCo for such purpose, without the presentation or surrender of this Debenture or the making of any notation hereon, except that upon repayment in full hereof, this Debenture shall be surrendered to HoldCo at its principal office or at the place of payment maintained by HoldCo pursuant to Section 9.1 for cancellation. Prior to any sale or other disposition of this Debenture by such Holder or its nominee, such Holder will, at its election, either endorse hereon the amount of principal paid hereon and the last date to which interest has been paid hereon or surrender this Debenture to HoldCo in exchange for a new 7-1/2% Debenture or Debentures pursuant to Section 7.

10. PREPAYMENT

Subject to the provisions of Sections 13 and 14, HoldCo may from time to time prepay all or any part of the unpaid principal amount hereunder, together with accrued interest, at any time after the date hereof without premium, penalty or other charge.

11. PAYMENT OF EXPENSES

In case of a default in the payment of any principal or of interest on or other amount owing under the 7-1/2% Debentures, HoldCo will pay (a) to the Holder promptly upon demand from time to time such further amounts as shall be sufficient to cover the costs and expenses of collection and the enforcement and preservation of the Holder's rights, powers and remedies hereunder, including, without limitation, attorneys' fees and expenses, and (b) the costs and expenses of any trustee appointed pursuant to Section 3.3 of the Partnership Agreement, including, without limitation, fees and expenses of the attorneys for such trustee. Except as otherwise provided in Sections 7 and 8, HoldCo shall pay any and all stamp and other taxes payable or determined to be payable in connection with the execution and delivery of the 7-1/2% Debentures and agrees to save the Holder harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes. The rights of each Holder under this Section 11 shall survive any transfer of this Debenture to another Holder and any exchange under Section 7 or replacement under Section 8 with respect hereto.

12. UNSECURED OBLIGATION

In order to ensure that the borrowing evidenced hereby is not "indirectly secured" within the meaning of Regulation G, T, U or X of the Board of Governors of the Federal Reserve System and the interpretations of such Board and its staff thereunder, notwithstanding the provisions contained herein, HoldCo and its subsidiaries shall retain the full right and ability to sell, pledge or otherwise dispose of "margin stock" and "margin securities" (as such terms are defined in Regulation G, T, U or X of the Board of Governors of the Federal Reserve System and the interpretations of such Board and its staff thereunder); and, to the extent that, pursuant to the terms hereof, such borrowing is considered to be "indirectly secured," such terms (other than those terms relating to the obligations to make payments of principal, premium and interest) shall be deemed modified to the extent necessary to prevent such borrowing from being considered to be "indirectly secured".

13. SUBORDINATION

By acceptance of this Debenture, the Holder hereby agrees as follows:

13.1 Express Subordination.

The Subordinated Obligations are expressly subordinated and junior in right of payment (as defined in subsection 13.2) to all Senior Obligations. Nothing contained herein shall be deemed to make the Subordinated Obligations subordinate and junior in right of payment to any obligation of HoldCo other than the Senior Obligations.

13.2 Subordination Defined.

"Subordinate and junior in right of payment"shall mean that:

(a) If and to the extent that any Senior Obligations have been created, then, so long as any such Senior Obligations are outstanding and unpaid, at any time prior to December 31, 2006, without the express written consent of the Senior Creditors, no direct or indirect payment on account of the Subordinated Obligations shall be made, nor shall any property or assets of HoldCo or any of its subsidiaries be directly or indirectly applied to the purchase or other acquisition or retirement of the 7-1/2% Debentures, nor shall the Holder take, demand, receive or institute legal proceedings to recover, and neither HoldCo nor any of its subsidiaries will make, give or permit, directly or indirectly, by set-off, redemption, purchase or in any other manner, any payment or security for the whole or any part of the Subordinated Obligations, nor (except as permitted by subsection 13.3) shall the Holder accelerate the scheduled maturities of any amount owing under the 7-1/2% Debentures (all of the foregoing actions being hereinafter referred to as "Restricted Actions"), if at the time of or immediately after giving effect to such Restricted Action a Senior Default or Senior Event of Default exists or would exist and is or would be continuing; provided that this subsection 13.2(a) shall not prevent any Restricted Action for a period (a "Postponement Period") longer than the period ending on the earliest of (i) the first day after the proposed taking of such Restricted Action on which no Senior Default or Senior Event of Default is then continuing, (ii) 120 days after the date such Restricted Action would otherwise have been taken if there has been delivered to the Administrative Agent by the Holder a notice stating that such Senior Default or Senior Event of Default exists, (iii) 120 days after the date such Restricted Action would otherwise have been taken if there has been delivered to the Administrative Agent by HoldCo a certificate from an officer of HoldCo or a letter from HoldCo's certified public accountants stating that such Senior Default or Senior Event of Default exists, (iv) the date on which the existence of such Postponement Period has been waived by the Senior Creditors, and (v) December 31, 2006; provided, further, that if any Restricted Action shall have been prevented or postponed by reason of any Senior Default and the condition or event giving rise to such Senior Default gives rise to a Senior Event of Default, no subsequent Restricted Action may be prevented or postponed by reason of the occurrence of such Senior Event of Default, and provided, further, that if any Restricted Action shall have been prevented or postponed by reason of any Senior Default or Senior Event of Default, and after the occurrence of such Senior Default or Senior Event of Default and during the Postponement Period in respect thereof another Senior Default or Senior Event of Default shall have occurred, no such Restricted Action shall be prevented or postponed for any additional period by reason of such other

Senior Default or Senior Event of Default (provided that, upon the occurrence of such additional Senior Default or Senior Event of Default, such first Postponement Period shall not be deemed to have ended upon the occurrence of any of the events specified in clause (i) through (iv) above).

(b) (i) So long as any Senior Obligations are outstanding and unpaid, in the event of any distribution, division or application, partial or complete, voluntary or involuntary, by operation of law or otherwise, of all or any substantial part of the property, assets or business of HoldCo or the Borrower, or the proceeds thereof, to any creditor or creditors of HoldCo or the Borrower other than in the ordinary course of business or as permitted in the Senior Credit Agreements then in effect, or (ii) upon any indebtedness of HoldCo or the Borrower becoming due and payable (or a proof of claim in respect thereof being filed in any applicable proceeding) by reason of any liquidation, dissolution or other winding up of HoldCo or the Borrower or its business or upon the occurrence of any sale, receivership, insolvency, reorganization or bankruptcy proceedings, assignment for the benefit of creditors, arrangement or any proceeding by or against HoldCo or the Borrower for any relief under any bankruptcy, reorganization or insolvency law or laws, Federal or state, or any law, Federal or state, relating to the relief of debtors, readjustment of indebtedness, reorganization, composition, or extension, or (iii) if all amounts owing under the Senior Loans, or the Borrower's obligations with respect to the Letters of Credit and the L/C Applications or owing under guarantees made by HoldCo in respect thereof have become, or have been declared to be, due and payable (and have not been paid in accordance with their terms), then and in any such event, any payment or distribution of any kind or character, whether in cash, property or securities (other than any securities of HoldCo which are received by the Holder in any proceeding of the type referred to in clause (i) or (ii) above and which are subordinated to (A) the Senior Obligations and (B) any securities of HoldCo distributed to the holders of Senior Obligations, in a manner not less favorable to the Senior Creditors than the subordination of the Subordinated Obligations provided for in Sections 13 and 14 ("Subordinated Securities")), which, but for the subordination provisions contained herein, would otherwise be payable or deliverable to the Holder upon or in respect of the Subordinated Obligations, shall instead be paid over or delivered to the Senior Creditors which have Senior Obligations which are then due and payable (or in respect of which a proof of claim has been filed in any applicable proceeding) and promptly be applied (subject to applicable law) as a payment or prepayment on account of the Senior Obligations (or, in the case of non-cash property and cash received in respect of obligations under

outstanding Letters of Credit which may be drawn upon, held as collateral to secure payment of the Senior Obligations) which are then due and payable pro rata in accordance with the amounts thereof then due and payable (or in respect of which a proof of claim has been filed in any applicable proceeding), and the Holder shall not receive any such payment or distribution or any benefit therefrom unless and until the Senior Obligations which are then due and payable (or in respect of which a proof of claim has been filed in any applicable proceeding) shall have been fully paid and satisfied in cash.

13.3 Bankruptcy Petition.

Notwithstanding anything to the contrary contained herein, so long as the Senior Obligations are outstanding and unpaid, the Holder may declare the unpaid principal amount of, and accrued interest on, the Subordinated Obligations to be immediately due and payable and may file or join in the filing of a bankruptcy petition against HoldCo or take any action to commence a bankruptcy proceeding against HoldCo only upon the occurrence and during the continuance of any of the following events:

(a) the Senior Loans or the guarantees made by HoldCo in respect thereof shall have been declared to be, or shall have become, due and payable prior to the stated maturity thereof in accordance with the provisions of Section 9 of the Tender Credit Agreement or Section 14 of the Merger Credit Agreement; or

(b) HoldCo shall have failed to make any payment of principal of, or accrued interest on, the 7-1/2% Debentures, which payment is then due and payable, within five days after the later of the end of the applicable Postponement Period and 120 days after the date on which such payment is due and payable; or

(c) after the earlier of the date on which all of the Senior Obligations have been paid in full in accordance with the Senior Credit Agreements and December 31, 2006, an Event of Default shall have occurred and then be continuing under the 7-1/2% Debentures.

If the 7-1/2% Debentures shall have been declared to be due and payable in accordance with the provisions of this subsection 13.3 (under circumstances when the provisions of subsection 13.2(b) are not applicable), any payment or distribution of any kind or character, whether in cash, property or securities, which are received by the Holder in respect of or after such acceleration or any legal proceedings brought in connection therewith shall forthwith be paid over or delivered to the Senior Creditors which have Senior Obligations which are then due and payable (or in respect of which a proof of

claim has been filed in any applicable proceeding) and promptly be applied (subject to applicable law) as a payment or prepayment on account of the Senior Obligations (or, in the case of non-cash property and cash received in respect of obligations under outstanding Letters of Credit which may be drawn upon, held as collateral to secure payment of the Senior Obligations) which are then due and payable (or in respect of which a proof of claim has been filed in any applicable proceeding) pro rata in accordance with the amounts thereof then due and payable, and the Holder shall not retain any such payment or distribution or any benefit therefrom unless and until the Senior Obligations which are then due and payable (or in respect of which a proof of claim has been filed in any applicable proceeding) shall have been fully paid and satisfied.

14. LIMITED POWER OF ATTORNEY; TRUST; SUBROGATION

By acceptance of this Debenture, the Holder hereby agrees as follows:

14.1 Limited Power of Attorney.

The Holder irrevocably authorizes and empowers the Senior Creditors under the circumstances set forth in clause (i) or (ii) of subsection 13.2(b), to demand, sue for, collect and receive every such payment or distribution referred to in such subsection and give acquittance thereof, and take such other proceedings, in the name of the Senior Creditors or in the name of the Holders or otherwise, as the Senior Creditors may deem reasonably necessary or advisable for the enforcement of the subordination provisions contained in Section 13. The Holder shall, under the circumstances set forth in clause (i) or (ii) of subsection 13.2(b), duly and promptly take such action as may be reasonably requested at any time and from time to time by the Senior Creditors to file appropriate proofs of claim in respect of the Subordinated Obligations, and to execute and deliver such powers of attorney, assignments or other instruments as may be reasonably requested by the Senior Creditors in order to enable the Senior Creditors to enforce any and all claims upon or in respect of the Subordinated Obligations and to collect and receive any and all payments or distributions which may be payable or deliverable at any time upon or in respect of the Subordinated Obligations. Any such amounts received by the Senior Creditors shall be applied (subject to applicable law) to the payment of the Senior Obligations then payable (or in respect of which proofs of claim have been filed in any applicable proceeding) in accordance with the terms of the Senior Credit Agreements.

14.2 Monies Held in Trust.

Should any payment or distribution or security, or the proceeds of any thereof, be collected or received by the Holder in respect of the Subordinated Obligations (other than Subordinated Securities) and such collection or receipt is at the time prohibited by Section 13, the Holder will forthwith turn over the same to the Senior Creditors, in the form received (except for the endorsement or the assignment of the Holder when necessary) and, until so turned over, the same shall be held in trust by the

Holder as the property of the Senior Creditors. Any such amounts received by the Senior Creditors shall be applied (subject to applicable law) to the payment of the Senior Obligations then payable (or in respect of which proofs of claim have been filed in any applicable proceeding) in accordance with the terms of the Senior Credit Agreements.

14.3 Subrogation.

Following payment in full in cash of the Senior Obligations, the Holder shall be subrogated to the rights of the Senior Creditors to receive payments or distributions of cash, property or securities made on the Senior Obligations until the Subordinated Obligations shall be paid in full; and, for the purpose of such subrogation, payments or distributions to the Senior Creditors of any cash, property or securities to which the Holder would be entitled except for the provisions of Section 13 shall, as between HoldCo and its creditors (other than the Senior Creditors and the Holders), be deemed to be a payment by HoldCo to or on account of Subordinated Obligations, it being understood that the provisions hereof are and are intended solely for the purpose of defining the relative rights of the Holders of the 7-1/2% Debentures, on the one hand, and the Senior Creditors, on the other hand. The purpose of this subsection 14.3 is to grant to the Holders the same rights against HoldCo with respect to the aggregate amount of such payments or distributions as the Senior Creditors would have against HoldCo if such aggregate amount were considered overdue Senior Obligations.

15. WAIVER BY SENIOR CREDITORS, ETC.

By acceptance of this Debenture the Holder hereby consents that, without the necessity of any reservation of rights against the Holder, and without notice to or further assent by the Holder, (a) any demand for payment of any Senior Obligation made by any Senior Creditor may be rescinded in whole or in part by such Senior Creditor (whereupon HoldCo shall give prompt notice thereof to the Holders) and any Senior Obligation may be continued, and the Senior Obligations, or the liability of HoldCo, the Borrower or any other party upon or for any part thereof, or any collateral security or guaranty therefor or right or offset with respect thereto, or any obligation or liability of HoldCo, the Borrower or any other party under the Senior Credit Agreements and any collateral security documents or guarantees or documents in connection therewith may, from time to time, in whole or in part, be renewed, extended, modified, accelerated, compromised, waived, surrendered, or released by the Senior Creditors, and (b) the Senior Credit Agreements, the Senior Loans, the Letters of Credit, the L/C Applications and any guarantees made by HoldCo or any other person in respect thereof and any document or instrument evidencing or governing the terms of any other Senior Obligations or any collateral security documents or guarantees or documents in connection therewith may be amended, modified, supplemented or terminated, in whole or in part, as the Senior Creditors with respect to such Senior Obligations may deem advisable from time to time, and any collateral security or guarantee at any time held by

any of the Senior Creditors for the payment of any of the Senior Obligations may be sold, exchanged, waived, surrendered or released, in each case all without notice to or further assent by the Holders who will remain bound by the terms hereof, and all without impairing, abridging, releasing or affecting the subordination provided for herein, notwithstanding any such renewal, extension, modification, acceleration, compromise, amendment, supplement, termination, sale, exchange, waiver, surrender or release; provided that so long as any Senior Obligations are outstanding and unpaid the Administrative Agent, the Co-Agents and the Lenders will not amend the Senior Credit Agreements to increase the interest rates applicable to the Loans (as defined on the Senior Credit Agreements) or to increase commissions or other fees payable with respect to the Letters of Credit or to increase the maximum principal amount of the Senior Loans which may be outstanding at any one time or the maximum amount of reimbursement obligations in respect of Letters of Credit that may be outstanding at any one time, in each case as set forth in the Merger Credit Agreement, without the written consent of the Holders of a majority of the aggregate principal amount of the 7-1/2% Debentures then outstanding, provided that without the consent of any Holder, but in accordance with Section 16, the maximum principal amount of the Senior Loans which may be outstanding at any one time and the maximum amount of reimbursement obligations in respect of Letters of Credit that may be outstanding at any one time may be increased up to $100,000,000 in the aggregate, together with accrued interest thereon and commissions with respect thereto. By acceptance of this Debenture the Holder waives any and all notice of the creation, renewal, extension or accrual of any of the Senior Obligations and notice of or proof of reliance by any Senior Creditor upon the terms and provisions hereof, and the Senior Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred in reliance upon the terms and provisions hereof, and all dealings between HoldCo and the Senior Creditors shall be deemed to have been consummated in reliance upon the terms and provisions hereof. By acceptance of this Debenture the Holder acknowledges and agrees that the Lenders have relied upon the subordination provided for herein in entering into the Senior Credit Agreements and in making funds available to the Borrower thereunder, and that other Senior Creditors will rely upon the subordination provided for herein in extending credit to, or accepting the obligations or liabilities of, the Borrower and its subsidiaries. By acceptance of this Debenture the Holder waives notice of or proof of reliance on this Debenture and protest, demand for payment and notice of default by the Senior Creditors.

16. INCREASE IN AMOUNT OF SENIOR OBLIGATIONS

At any time and from time to time HoldCo may designate any of the Borrower's indebtedness, obligations and/or liabilities and guarantees made by HoldCo in respect thereof as Senior Obligations, in accordance with clause (c) of the definition of Senior Obligations, by delivering to each Holder of the 7-1/2% Debentures a Notice of Designation which shall have attached to it a list of all outstanding Senior Obligations

which HoldCo has heretofore, and which remain, designated as Senior Obligations pursuant to this Section 16 (which attached list may not be relied upon by the Holder for purposes of preventing any Senior Obligations from being considered as such if no notice pursuant to the next sentence has been sent by such Holder prior to the end of the eleven day period referred to in such sentence, but shall be deemed to have been relied upon by such Holder for purposes of determining damages payable by HoldCo suffered or incurred by such Holder as a result of such list not being true and correct). Each such Notice of Designation shall be effective with respect to the indebtedness, obligations and/or liabilities described therein on the 11th day following actual receipt thereof by the Holder unless prior to such 11th day, the Holder has given notice to the proposed Senior Creditor (at its address specified in such Notice of Designation) and HoldCo that the principal amount of the indebtedness, obligations and/or liabilities described in such Notice of Designation together with the aggregate principal amount of indebtedness, obligations and liabilities previously designated as Senior Obligations under this Section 16, after taking into account all notices theretofore received by the Holder terminating or reducing the amount of indebtedness, obligations and liabilities theretofore included in the Senior Obligations, exceeds $100,000,000 in the aggregate. By acceptance of this Debenture the Holder hereby agrees that it shall not give, and shall be responsible for all direct and consequential damages resulting from, any such notice which such Holder knows is not true and correct. Upon the effectiveness of a Notice of Designation, the indebtedness, obligations and/or liabilities specified therein shall automatically become Senior Obligations and the holder or holders thereof or obligee or obligees with respect thereto shall automatically become Senior Creditors, in each case for all purposes of this Debenture, whether or not the Holder shall have acknowledged receipt of the Notice of Designation. Senior Obligations shall cease to be such, or the principal amount thereof designated as such shall be reduced, only (i) upon actual receipt by the Holders of a notice from the holder or holders of such Senior Obligations or obligee or obligees with respect thereto terminating the designation of such indebtedness, obligations and/or liabilities as Senior Obligations or reducing the amount of such indebtedness, obligations and/or liabilities so designated, or (ii) when the Senior Obligations have in fact been paid in full or reduced and the Holders shall have received notice from HoldCo of such fact together with evidence satisfactory to it that the Senior Obligations have been so paid or reduced. At the request of HoldCo, the Holder will confirm in writing to any Senior Creditor that the indebtedness, obligations and/or liabilities held by such Senior Creditor and designated to be Senior Obligations are Senior Obligations. However, the failure or refusal of any Holder to issue any such confirmation shall not affect the status as Senior Obligations of any indebtedness, obligations and/or liabilities properly designated by HoldCo to be Senior Obligations in accordance with the provisions of this Debenture.

17. RESTRICTIONS ON TRANSFER; RIGHT OF FIRST REFUSAL

By acceptance of this Debenture, the Holder hereby agrees as follows:

17.1 Restrictions on Transfer.

The Holder shall not, directly or indirectly, sell, assign, exchange, dispose of or otherwise transfer the 7-1/2% Debentures (any one or more of such acts being a "Transfer") unless:

(a) such Transfer is of the whole, and not merely a part, of the Holder's direct or beneficial interest in the 7-1/2% Debentures and is for cash consideration only; and

(b) such Transfer is made pursuant to an effective registration statement under the Securities Act of 1933, as amended, or the Holder delivers to HoldCo an opinion of counsel of recognized standing in securities law (including in-house or special counsel), which opinion and counsel shall be reasonably satisfactory to HoldCo, retained at the Holder's expense, to the effect that the proposed Transfer is exempt from registration under applicable Federal and state securities laws; and

(c) such Transfer does not otherwise violate any law, statute, rule, regulation, order or decree of the United States of America or any state thereof or any governmental authority of any of the foregoing; and

(d) such Transfer is to a third-party transferee (the "Transferee") which Transferee does not, directly or indirectly, beneficially own, either alone or together with its Affiliates, immediately prior to such Transfer in excess of 5% of the aggregate principal amount of the 7-1/2% Debentures then outstanding; and

(e) such Transfer is made in a cash transaction but only after the Holder complies with the provisions of subsection 17.2.

17.2 Right of First Refusal.

(a) If, at any time, the Holder proposes to Transfer for cash its entire interest in the 7-1/2% Debentures, the Holder shall give a written notice (a "Transfer Notice") to HoldCo (i) specifying (w) that the proposed Transfer will be in compliance with all of the provisions of Section 17.1, (x) the identity of the proposed third-party transferee (the "Transferee") who has made a bona fide offer to purchase the Holder's entire interest in the 7-1/2% Debentures, (y) the proposed cash consideration to be received by the Holder for such interest (the "Transfer Price"), and (z) any other terms and conditions of the proposed Transfer, and (ii) offering to sell the Holder's entire interest in the 7-1/2% Debentures at the Transfer Price to HoldCo. The Transfer Notice shall constitute an irrevocable offer by the Holder to

sell the Holder's entire interest in the 7-1/2% Debentures to HoldCo upon the terms contained in the Transfer Notice.

(b) HoldCo shall have the right, exercisable for 15 Business Days following the date of such receipt of the Transfer Notice, to purchase for cash the Holder's entire interest in the 7-1/2% Debentures at the Transfer Price by delivering a written notice (the "Purchase Notice") to the Holder of its election within such 15 Business Day period. If HoldCo elects to so purchase the Holder's interest, the Holder shall execute such documents and instruments reasonably required by HoldCo to consummate the contemplated transaction. The closing of such purchase shall take place as soon as practicable after the date of the Purchase Notice, but in any case within 15 Business Days following HoldCo's initial receipt of the Transfer Notice. At such closing, the Holder shall, and hereby covenants to, Transfer its entire interest in the 7-1/2% Debentures to HoldCo free and clear of any and all liens, mortgages, pledges, security interests or other encumbrances against receipt of payment thereof.

(c) If HoldCo does not deliver a Purchase Notice within 15 Business Days following its receipt of a Transfer Notice, then the Holder (i) shall be under no obligation to sell any portion of its interest in the 7-1/2% Debentures to HoldCo, and (ii) may, within the period commencing on the 16th Business Day and ending on the 30th Business Day following HoldCo's receipt of the Transfer Notice, Transfer its entire (but not less than its entire) interest in the 7-1/2% Debentures to the Transferee specified in the Transfer Notice at the Transfer Price and on the terms and conditions set forth in the Transfer Notice. If, upon the expiration of the 30th Business Day following receipt by HoldCo of the Transfer Notice, such Transfer shall not have occurred, then the provisions of this Section 17.2 shall apply again and the Holder shall comply with the terms hereof in connection with any subsequent proposed Transfer.

17.3 Transfer Otherwise Void.

Any purported Transfer of the Holder's interest in the 7-1/2% Debentures made other than in accordance with this Section 17 shall be void and HoldCo shall not be required to recognize any equitable or other claims to such interest on the part of any purported transferee. Notwithstanding anything to the contrary herein, the provisions of this Section 17 shall not apply to Transfers by MBO-VI acting in a manner contemplated by Section 3.2 (a) (i) of the Partnership Agreement.

18. NOTICES, ETC.

All notices, waivers and other communications provided for hereunder shall be in writing (including telex, telecopier and other readable communication) and mailed, telexed, telecopied or otherwise transmitted or delivered, if to HoldCo, c/o Forstmann Little & Co., 767 Fifth Avenue, New York, New York 10153, Attention: Mr. Thomas H. Lister, with a copy to Fried, Frank, Harris, Shriver & Jacobson, One New York Plaza, New York, New York 10004, Attention: F. William Reindel, Esq., and if to the Holder at its address specified on the register referred to in Section 6, or, in each case, to such other addresses as shall be specified by like notice. All such notices, waivers and communications shall, if mailed, telexed, telecopied or otherwise transmitted, be effective when deposited in the mails or telexed, telecopied or otherwise transmitted.

19. GOVERNING LAW

THIS DEBENTURE SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (WITHOUT REGARD TO THE PRINCIPLES OF CONFLICT OF LAWS).

20. MISCELLANEOUS

The provisions of this Debenture shall inure to the benefit of and shall be binding upon HoldCo and the Holder of this Debenture and all future Holders, and their respective heirs, legal representatives, successors and assigns.

Dated: July 10, 1996

FLCH HOLDINGS CORP.

By:
Thomas H. Lister
Vice President

ANNEX 1

FORM OF
"NOTICE OF DESIGNATION"

[Date]

TO: THE HOLDER OF FLCH HOLDINGS CORP.
7-1/2% SERIES C DEBENTURES DUE JUNE 30, 2009

Ladies and Gentlemen:

Reference is made to the 7-1/2% Series C Debentures due June 30, 2009 (the "Debentures") of FLCH HoldCo Corp., a Delaware corporation. Unless otherwise defined herein, terms defined in the Debentures are used herein with their defined meanings.

Pursuant to the provisions of the Debentures, HoldCo hereby designates the following as Senior Obligations:

1. Name of holder, lender or other obligee to be designated a Senior Creditor:

2. Description of indebtedness, obligations or liabilities to be designated as Senior Obligations (including maximum principal amount and, if the Senior Obligation is revolving in nature, a statement to such effect):

3. Address for notices (include telex and telecopy number if available):

Please acknowledge receipt of this notice by signing the enclosed counterpart hereof in the space provided below and returning it to the undersigned.

FLCH HOLDINGS CORP.

By:
Name:
Title:

We hereby acknowledge receipt of
this notice on _____,
---- ----

[NAME OF HOLDER]
By:
Authorized Signatory

EXHIBIT 23.2

INDEPENDENT AUDITORS' CONSENT

We consent to the use in this Registration Statement of Community Health Systems, Inc. on Form S-1 of our report dated February 25, 2000, appearing in the Prospectus, which is a part of this Registration Statement, and of our report dated February 25, 2000 relating to the consolidated financial statement schedule appearing elsewhere in this Registration Statement.

We also consent to the reference to us under the heading "Experts" in such Prospectus.

/s/ Deloitte & Touche LLP

Nashville, Tennessee
March 6, 2000

5
1,000

12-MOS
DEC-31-1999
JAN-01-1999
DEC-31-1999
4,282
0
251,782
34,499
32,134
291,429
731,842
108,499
1,886,017
226,210
1,407,604
0
0
5
229,703
1,886,017
1,079,953
1,079,953
0
862,270
17,279
95,149
116,491
(11,236)
5,553
(16,789)
0
0
0
(16,789)
(36.08)
(36.08)