

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2001

Commission file number 001-15925

COMMUNITY HEALTH SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

13-3893191
(I.R.S. Employer
Identification Number)

155 Franklin Road, Suite 400
Brentwood, Tennessee
(Address of principal executive offices)

37027
(Zip Code)

615-373-9600
(Registrant's telephone number)

Indicate by check mark whether the Registrant (1) has filed
all reports required to be filed by Section 13 or 15(d) of
the Securities Exchange Act of 1934 during the preceding 12
months, and (2) has been subject to such filing requirements
for the past 90 days.

Yes /X/ No / /

As of August 13, 2001, there were outstanding 86,354,287
shares of the Registrant's Common Stock, \$.01 par value.

COMMUNITY HEALTH SYSTEMS, INC.
Form 10-Q
For the Quarter Ended June 30, 2001

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PART I FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

JUNE 30,
DECEMBER 31,
2001 2000 --

(UNAUDITED)
ASSETS
CURRENT

ASSETS Cash
and cash
equivalents
\$ 35,740 \$
13,740
Patients
accounts
receivable,
net 316,499
309,826
Supplies
41,860
39,679
Prepaid
expenses and
income taxes
14,169
19,989
Current
deferred
income taxes
2,233 2,233
Other
current
assets
15,330
23,110 -----

----- Total
current
assets
425,831
408,577 -----

PROPERTY AND
EQUIPMENT
936,336
850,201
Less:
accumulated
depreciation
and
amortization
(169,627)
(142,120) --

Property and
equipment,
net 766,709
708,081 -----

GOODWILL,
NET 991,557
985,568 -----

OTHER
ASSETS, NET
95,989
111,611 -----

TOTAL ASSETS
\$ 2,280,086
\$ 2,213,837
=====

=====

LIABILITIES
AND
STOCKHOLDERS'
EQUITY
CURRENT
LIABILITIES
Current
maturities
of long-term
debt \$
21,499 \$

17,433
Accounts payable
86,460
83,191
Current income taxes payable
16,998 --
Accrued interest
20,278
27,389
Accrued liabilities
111,488
112,860 ----

Total current liabilities
256,723
240,873 ----

LONG-TERM DEBT
1,229,507
1,201,590 --

OTHER LONG-TERM LIABILITIES
14,015
15,200 -----

STOCKHOLDERS' EQUITY

Preferred stock, \$.01 par value per share, 100,000,000 shares authorized, none issued
-- -- Common stock, \$.01 par value per share, 300,000,000 shares authorized; 87,296,185 shares issued and 86,320,636 shares outstanding at June 30, 2001; and 87,105,562 shares issued and 86,137,582 shares outstanding at December 31, 2000

873
Additional paid-in capital
1,001,204
998,092
Accumulated deficit
(215,284)

(235,783)
 Treasury
 stock, at
 cost,
 975,549
 shares at
 June 30,
 2001 and
 967,980
 shares at
 December 31,
 2000 (6,678)

(6,587)
 Notes
 receivable
 for common
 stock (211)
 (334)
 Unearned
 stock
 compensation
 (63) (85) --

Total
 stockholders'
 equity
 779,841
 756,174 ----

TOTAL
 LIABILITIES
 AND
 STOCKHOLDERS'
 EQUITY \$
 2,280,086 \$
 2,213,837
 =====
 =====

See accompanying notes.

COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)
 (Unaudited)

THREE
 MONTHS
 ENDED SIX
 MONTHS
 ENDED JUNE
 30, JUNE
 30, -----

NET
 OPERATING
 REVENUES \$
 400,909 \$
 317,136 \$
 799,554 \$
 625,787 ---

 OPERATING
 COSTS AND
 EXPENSES:
 Salaries
 and
 benefits
 156,047
 123,815
 309,781
 244,222
 Provision
 for bad
 debts
 36,986
 28,639
 73,959
 56,594
 Supplies
 46,129
 36,431
 92,888
 72,410
 Other
 operating
 expenses
 78,071
 61,038
 152,161
 118,168
 Rent 9,846
 7,438
 19,687
 14,537
 Depreciation
 and
 amortization
 21,633
 17,530
 43,094
 33,910
 Amortization
 of goodwill
 7,028 6,210
 14,074
 12,378 ----

 Total
 operating
 costs and
 expenses
 355,740
 281,101
 705,644
 552,219 ---

 INCOME FROM
 OPERATIONS
 45,169
 36,035
 93,910
 73,568
 INTEREST
 EXPENSE,
 NET 25,621
 32,622
 53,174
 65,305 ----

 INCOME
 BEFORE
 INCOME

TAXES
19,548
3,413
40,736
8,263
PROVISION
FOR INCOME
TAXES 9,897
3,235
20,237
7,164 -----

NET INCOME
\$ 9,651 \$
178 \$
20,499 \$
1,099

NET INCOME
PER COMMON
SHARE:
Basic \$
0.11 \$ 0.00
\$ 0.24 \$
0.02

Diluted \$
0.11 \$ 0.00
\$ 0.23 \$
0.02

WEIGHTED-
AVERAGE
NUMBER OF
SHARES
OUTSTANDING:
Basic
85,713,343
58,175,050
85,696,119
56,423,677

Diluted
87,517,797
59,310,601
87,554,317
57,554,519

See accompanying notes.

COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(Unaudited)

SIX MONTHS
ENDED JUNE

30, -----

 ---- 2001
 2000 -----

 CASH FLOWS
 FROM
 OPERATING
 ACTIVITIES
 Net income \$
 20,499 \$
 1,099
 Adjustments
 to reconcile
 net income
 to net cash
 provided by
 (used in)
 operating
 activities:
 Depreciation
 and
 amortization
 57,168
 46,288 Stock
 compensation
 expense 22
 43 Other
 non-cash
 expenses
 (income),
 net 474
 (498)
 Changes in
 operating
 assets and
 liabilities,
 net of
 effects of
 acquisitions
 and
 divestitures:
 Patient
 accounts
 receivable
 6,277
 (9,321)
 Supplies,
 prepaid
 expenses and
 other
 current
 assets 6,275
 (3,989)
 Accounts
 payable,
 accrued
 liabilities
 and income
 taxes 2,677
 (30,486)
 Compliance
 settlement
 payment --
 (30,900)
 Other 2,136
 (6,635) ----

 --- Net cash
 provided by
 (used in)
 operating
 activities
 95,528
 (34,399) ---

 ---- CASH
 FLOWS FROM
 INVESTING
 ACTIVITIES
 Acquisitions

of	
facilities,	
pursuant to	
purchase	
agreements	
(50,063)	
(40,639)	
Purchases of	
property and	
equipment	
(39,056)	
(24,006)	
Proceeds	
from sale of	
equipment	53
62 Increase	
in other	
assets	
(15,398)	
(9,678) ----	

--- Net cash	
used in	
investing	
activities	
(104,464)	
(74,261) ---	

---- CASH	
FLOWS FROM	
FINANCING	
ACTIVITIES	
Proceeds	
from	
issuance of	
common	
stock, net	
of expenses	
-- 225,225	
Proceeds	
from	
exercise of	
stock	
options	
2,289 --	
Common stock	
purchased	
for treasury	
(91) --	
Borrowings	
under credit	
agreement	
69,000	
137,731	
Repayments	
of long-term	
indebtedness	
(40,262)	
(252,588) --	

----- Net	
cash	
provided by	
financing	
activities	
30,936	
110,368 ----	

--- NET	
CHANGE IN	
CASH AND	
CASH	
EQUIVALENTS	
22,000 1,708	
CASH AND	
CASH	
EQUIVALENTS	
AT BEGINNING	
OF PERIOD	
13,740 4,282	

----- CASH
AND CASH
EQUIVALENTS
AT END OF
PERIOD \$
35,740 \$
5,990
=====
=====

See accompanying notes.

COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The unaudited condensed consolidated financial statements of Community Health Systems, Inc. and its subsidiaries (the "Company") as of and for the three and six month periods ended June 30, 2001 and June 30, 2000, have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In the opinion of management, such information contains all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for such periods. All intercompany transactions and balances have been eliminated. The results of operations for the six months ended June 30, 2001 are not necessarily indicative of the results to be expected for the full fiscal year ending December 31, 2001.

Certain information and disclosures normally included in the notes to consolidated financial statements have been condensed or omitted as permitted by the rules and regulations of the Securities and Exchange Commission, although the Company believes the disclosure is adequate to make the information presented not misleading. The accompanying unaudited financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2000 contained in the Company's Annual Report on Form 10-K.

2. USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management of the Company to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Actual results could differ from the estimates.

3. ACQUISITIONS

Effective June 1, 2001, the Company acquired, through a purchase transaction, the assets and working capital of a hospital for consideration of approximately \$60.7 million, including liabilities assumed. Licensed beds at the facility totaled 168. The Company borrowed \$49.0 million against its acquisition loan revolving facility to fund this transaction.

4. RECENT ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

On July 20, 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets" (the "Statements"). These Statements make significant changes to the accounting for business combinations, goodwill and intangible assets.

SFAS No. 141 eliminates the pooling-of-interests method of accounting for business combinations. In addition, it further clarifies the criteria for recognition of intangible assets separately from goodwill. This statement's provisions apply to business combinations accounted for using the purchase method for which the date of acquisition is July 1, 2001, or later.

SFAS No. 142 discontinues the practice of amortizing goodwill and indefinite life intangible assets. Its nonamortization provisions are effective January 1, 2002 for goodwill existing at June 30, 2001, and are effective immediately for business combinations with acquisition dates after June 30, 2001. Intangible assets with a determinable useful life will continue to be amortized over that period. SFAS No. 142 requires the Company to complete a transitional goodwill impairment test during the initial interim period of calendar 2002. Any impairment loss will be recorded as soon as possible, but in no case later than December 31, 2002. In addition, SFAS No. 142 requires that intangible assets and goodwill be tested at least annually for impairment of carrying value;

intangible assets would be tested for impairment more frequently if certain indicators are encountered.

We expect to adopt SFAS No. 142 effective January 1, 2002. Early adoption and retroactive application of SFAS No. 141 and SFAS No. 142 are not permitted. The Company expects that the adoption of these statements will not have a significant effect on its financial position, but will have a favorable effect on its results of operations.

5. ACCOUNTING PRONOUNCEMENT ADOPTED

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", is effective for all fiscal years beginning after June 15, 2000. SFAS No. 133, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. Under SFAS No. 133, certain contracts that were not formerly considered derivatives may now meet the definition of a derivative. The Company adopted SFAS No. 133 on January 1, 2001. The adoption of SFAS No. 133 did not impact the financial position, results of operations, or cash flows of the Company.

6. EARNINGS PER SHARE

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

THREE
MONTHS
ENDED SIX
MONTHS
ENDED JUNE
30, JUNE
30, -----

---- 2001
2000 2001
2000 -----

NUMERATOR:
Net income
\$ 9,651 \$
178 \$
20,499 \$
1,099

DENOMINATOR:
Weighted-
average
number of
shares
outstanding-
-basic
85,713,343
58,175,050
85,696,119
56,423,677
Effect of
dilutive
options
1,804,454
1,135,551
1,858,198
1,130,842 -

Weighted-

average
number of
shares
outstanding-
-diluted
87,517,797
59,310,601
87,554,317
57,554,519
=====

Basic
earnings
per share \$
0.11 \$ 0.00
\$ 0.24 \$
0.02
=====

Diluted
earnings
per share \$
0.11 \$ 0.00
\$ 0.23 \$
0.02
=====

7. SUBSEQUENT EVENTS

Effective July 19, 2001, the Company amended its 1999 Amended and Restated Credit Agreement. The Credit Agreement is syndicated with a group of lenders led by The Chase Manhattan Bank and co-agents, Bank of America, N.A. and The Bank of Nova Scotia. This amendment, among other things, extends the maturity of approximately 80% of the \$200 million revolving credit facility and the \$263.2 million in acquisition loan commitments from December 31, 2002 to January 2, 2004.

On July 13, 2001, the Company signed a definitive agreement to acquire Southern Chester County Medical Center, a 59-bed hospital located in West Grove, Pennsylvania. Southern Chester County Medical Center is the sole provider of general acute hospital services in its community. On August 2, 2001 the Company signed a definitive agreement to acquire 369-bed Easton Hospital, the only hospital in the city of Easton and Northampton County, Pennsylvania. These transactions are subject to state regulatory approvals and licensing and are expected to be completed and closed during the fourth quarter of 2001.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion should be read in conjunction with the unaudited Condensed Consolidated Financial Statements included herein.

SOURCES OF OPERATING REVENUE

Net operating revenues include amounts estimated by management to be reimbursable by Medicare and Medicaid under prospective payment systems and provisions of cost-reimbursement and other payment methods. Approximately 45% of net operating revenues for the three month period ended June 30, 2001 and 46% of net operating revenues for the three month period ended June 30, 2000 are related to services rendered to patients covered by the Medicare and Medicaid programs. In addition, we are reimbursed under other programs by non-governmental payors using a variety of payment methodologies. Amounts we receive for treatment of patients covered by these programs are generally less than the standard billing rates. We account for the differences between the estimated program reimbursement rates and the standard billing rates as contractual adjustments, which we deduct from gross revenues to arrive at net operating revenues. Final settlements under some of these programs are subject to adjustment based on administrative review and audit by third parties. We

record adjustments to the estimated billings in the periods that such adjustments become known. We account for adjustments to previous program reimbursement estimates as contractual adjustments and report them in future periods as final settlements are determined. Adjustments related to final settlements or appeals that affected revenue were insignificant in each of the three and six month periods ended June 30, 2001 and 2000. Net amounts due to third-party payors as of June 30, 2001 were \$14.6 million and as of December 31, 2000 were \$2.3 million. We included these amounts in accrued liabilities in the accompanying balance sheets. Substantially all Medicare and Medicaid cost reports are final settled through 1997.

We expect the percentage of our net revenues received from the Medicare program to increase due to the general aging of the population and the restoration of some payments under the Balanced Budget Refinement Act of 1999 and Benefit and Improvement Protection Act of 2000. 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 annually for inflation, the increases have historically been less than actual inflation. Reductions in the rate of increase in Medicare reimbursement may have an adverse impact on our net operating revenue growth.

The implementation of Medicare's new prospective payment system for outpatient hospital care, effective August 1, 2000, had a favorable, but not material impact to our overall operating results.

In December 2000, the Benefit Improvement and Protection Act of 2000 became law. It is estimated that the changes to be implemented to many facets of the Medicare reimbursement system will increase reimbursement. We do not believe these increases will be material to our overall operating results.

In addition, Medicaid programs, insurance companies, and employers are actively negotiating the amounts paid to hospitals. The trend toward increased enrollment in managed care may adversely affect our net operating revenue growth.

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.

	THREE MONTHS ENDED SIX MONTHS ENDED JUNE 30, JUNE 30, 2001 2000 2001	
	2000	-----
		- - - - -

(EXPRESSED AS A PERCENTAGE OF NET OPERATING REVENUES)		
Net		
operating revenues		
100.0	100.0	
100.0	100.0	
Operating expenses		
(a)	81.6	
	81.2	81.1
	80.8	-----
		- - - - -

```

-----
--- EBITDA
(b) 18.4
18.8 18.9
19.2
Depreciation
and
amortization
5.4 5.5 5.4
5.4
Amortization
of goodwill
1.8 2.0 1.8
2.0 -----
-----
- Income
from
operations
11.3 11.4
11.7 11.8
Interest,
net 6.4
10.3 6.7
10.4 -----
-----
--- Income
before
income
taxes 4.9
1.1 5.1 1.3
Provision
for income
taxes 2.5
1.0 2.5 1.1
-----
-
-----
Net income
2.4 0.1 2.6
0.2 =====
=====
=====
=====

```

THREE
MONTHS SIX
MONTHS
ENDED ENDED
JUNE 30,
2001 JUNE
30, 2001 --

--

(EXPRESSED
IN
PERCENTAGES)
PERCENTAGE
CHANGE FROM
SAME PERIOD
PRIOR YEAR:
Net
operating
revenues
26.4 27.8
Admissions
18.1 20.9
Adjusted
admissions
(c) 15.3
18.7
Average
length of
stay --
(2.6)
EBITDA 23.5
26.0 SAME-
HOSPITALS

PERCENTAGE	
CHANGE FROM	
SAME PERIOD	
PRIOR YEAR	
(d): Net	
operating	
revenues	
11.6	11.1
Admissions	
5.2	6.0
Adjusted	
admissions	
3.1	4.3
EBITDA	14.4
14.4	

- - - - -

(a) Operating expenses include salaries and benefits, provision for bad debts, supplies, rent, and other operating expenses.

(b) EBITDA consists of income before interest, income taxes, depreciation and amortization, and amortization of goodwill. EBITDA should not be considered a measure of financial performance under generally accepted accounting principles. Items excluded from EBITDA are significant components in understanding and assessing financial performance. EBITDA is a key measure used by management to evaluate our operations and provide useful information to investors. EBITDA should not be considered in isolation or as an alternative 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 is not a measurement determined in accordance with generally accepted accounting principles and is thus susceptible to varying calculations, EBITDA as presented may not be comparable to other similarly titled measures of other companies.

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

(d) Includes acquired hospitals to the extent we operated them during comparable periods in both years. The six months ended June 30, 2000 includes one more business day in the period due to leap year.

THREE MONTHS ENDED JUNE 30, 2001 COMPARED TO THREE MONTHS ENDED JUNE 30, 2000

Net operating revenues increased by 26.4% to \$400.9 million for the three months ended June 30, 2001 from \$317.1 million for the three months ended June 30, 2000. Of the \$83.8 million increase in net operating revenues, the five hospitals we acquired after April 1, 2000 contributed approximately \$47.3 million, and hospitals we owned throughout both periods contributed \$36.5 million, an increase of 11.6%.

The increase from hospitals owned throughout both periods was attributable primarily to volume increases, rate increases from managed care and other payors and an increase in government reimbursement.

Inpatient admissions increased by 18.1%. Adjusted admissions increased by 15.3%. Adjusted admissions is a general measure of combined inpatient and outpatient volume. We computed adjusted admissions by multiplying admissions by gross patient revenues and then dividing that number by gross inpatient revenues. Average length of stay remained unchanged. On a same-hospital basis, inpatient admissions increased by 5.2% and adjusted admissions increased by 3.1%. The increase in same-hospital 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. On a same-hospital basis, net outpatient revenues increased 12.4%.

Operating expenses, as a percentage of net operating revenues, increased from 81.2% for the three months ended June 30, 2000 to 81.6% for the three months ended June 30, 2001, primarily due to an increase in provision for bad debts, increases in utility expense and an increase in rent expense, offset by improvements in salaries and benefits. 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, decreased to 38.9% from 39.0% for the comparable periods, due to the continued realization of savings from improvements made at the hospitals acquired, offset by hospitals

acquired more recently having higher salaries and benefits as a percentage of net operating revenues for which savings have not yet been realized. Provision for bad debts, as a percentage of net operating revenues, increased to 9.2% for the three months ended June 30, 2001 from 9.0% for the comparable period in 2000 due primarily to an increase in self-pay business. Supplies as a percentage of net operating revenues remained unchanged at 11.5% for the comparable periods in 2000 and 2001. Rent and other operating expenses, as a percentage of net operating revenues, increased from 21.7% for the three months ended June 30, 2000 to 22.0% for the three months ended June 30, 2001. EBITDA margin decreased from 18.8% for the three months ended June 30, 2000 to 18.4% for the three months ended June 30, 2001 due primarily to the acquisition of a previously managed facility and the lower initial EBITDA margins associated with hospitals acquired in 2000 and 2001.

On a same-hospital basis, operating expenses as a percentage of net operating revenues decreased from 81.5% for the three months ended June 30, 2000 to 81.0% for the three months ended June 30, 2001. We achieved this reduction through efficiency and productivity gains in payroll and supplies expense reductions, offset by a smaller increase in bad debt expense and other operating expenses.

Depreciation and amortization increased by \$4.1 million from \$17.5 million for the three months ended June 30, 2000 to \$21.6 million for the three months ended June 30, 2001. The seven hospitals acquired in 2000 and one hospital acquired in 2001 accounted for \$1.6 million of the increase; facility renovations and purchases of equipment, information systems upgrades, the inclusion of a hospital previously held for divestiture and other deferred items accounted for the remaining \$2.5 million.

Amortization of goodwill increased from \$6.2 million for the three months ended June 30, 2000 to \$7.0 million for the comparable period in 2001 related to acquired hospitals.

Interest, net decreased by \$7.0 million from \$32.6 million for the three months ended June 30, 2000 to \$25.6 million for the three months ended June 30, 2001. The decrease in average long-term debt during the three months ended June 30, 2001 as compared to the three months ended June 30, 2000 accounted for \$4.5 million of the decrease while a decrease in interest rates accounted for \$2.5 million of the decrease. The decrease in average debt balance is the result of debt repayments from proceeds raised from the issuance of common stock in 2000 being greater than additional sums borrowed to finance hospital acquisitions.

Income before income taxes increased from \$3.4 million for the three months ended June 30, 2000 to \$19.5 million for the three months ended June 30, 2001 primarily as a result of the increases in revenue and decreases in expenses as discussed above.

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Provision for income taxes increased from \$3.2 million for the three months ended June 30, 2000 to \$9.9 million for the three months ended June 30, 2001 as a result of the increase in pre-tax income.

Net income was \$9.7 million for the three months ended June 30, 2001 compared to net income of \$0.2 million for the three months ended June 30, 2000.

SIX MONTHS ENDED JUNE 30, 2001 COMPARED TO SIX MONTHS ENDED JUNE 30, 2000

Net operating revenues increased 27.8% to \$799.6 million for the six months ended June 30, 2001 from \$625.8 million for the six months ended June 30, 2000. Of the \$173.8 million increase in net operating revenues, the seven hospitals acquired in 2000 and one hospital acquired in 2001 contributed approximately \$104.9 million, and hospitals we owned throughout both periods contributed \$68.9 million, an increase of 11.1%. The increase from hospitals owned throughout both periods was attributable primarily to volume increases, rate increases from managed care and other payors and an increase in government reimbursement; these increases were offset by the 2001 period having one fewer day as compared to the 2000 period, resulting from 2000 being a leap year.

Inpatient admissions increased by 20.9%. Adjusted admissions increased by 18.7%. Adjusted admissions is a general measure of combined inpatient and outpatient volume. We computed adjusted admissions by multiplying admissions by gross patient revenues and then dividing that number by gross inpatient revenues. Average length of stay decreased by 2.6%. On a same hospital basis, inpatient admissions increased by 6.0% and adjusted admissions increased by 4.3%. The increase in same hospital 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. On a same hospital basis, net outpatient revenues increased 12.5%.

Operating expenses, as a percentage of net operating revenues, increased from 80.8% for the six months ended June 30, 2000, to 81.1% for the six months ended June 30, 2001, primarily due to an increase in provision for bad debts, increases in utility expense and an increase in rent expense, offset by improvements in salaries and benefits. Salaries and benefits, as a percentage of net operating revenues, decreased to 38.7% from 39.0% for the comparable periods, due to the continued realization of savings from improvements made at the hospitals acquired offset by hospitals acquired more recently having higher salaries and benefits as a percentage of net operating revenues for which savings have not yet been realized. Provision for bad debts, as a percentage of net operating revenues, increased to 9.3% for the six months ended June 30, 2001 from 9.0% for the comparable period in 2000 due primarily to an increase in self-pay business. Supplies as a percentage of net operating revenues remained unchanged at 11.6% for the comparable periods in 2000 and 2001. Rent and other operating expenses, as a percentage of net operating revenues, increased from 21.2% for the six months ended June 30, 2000 to 21.5% for the six months ended June 30, 2001. EBITDA margins decreased from 19.2% for the six months ended June 30, 2000 to 18.9% for the six months ended June 30, 2001 due primarily to the acquisition of a previously managed facility and the lower initial EBITDA margins associated with hospitals acquired in 2000 and 2001.

On a same hospital basis, operating expenses as a percentage of net operating revenues decreased from 81.2% for the six months ended June 30, 2000 to 80.6% for the six months ended June 30, 2001. We achieved this reduction through efficiency and productivity gains in payroll and supplies expense reductions, offset by a smaller increase in bad debt expense and other operating expenses.

Depreciation and amortization increased by \$9.2 million from \$33.9 million for the six months ended June 30, 2000 to \$43.1 million for the six months ended June 30, 2001. The seven hospitals acquired in 2000 and one hospital acquired in 2001 accounted for \$2.9 million of the increase, facility renovations and purchases of equipment, information system upgrades, the inclusion of a hospital previously held for divestiture and other deferred items accounted for the remaining \$6.3 million.

Amortization of goodwill increased from \$12.4 million for the six months ended June 30, 2000 to \$14.1 million for the comparable period in 2001 related to acquired hospitals.

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Interest, net decreased from \$65.3 million for the six months ended June 30, 2000 to \$53.2 million for the six months ended June 30, 2001. The decrease in average long-term debt during the comparable periods in 2000 and 2001 accounted for \$9.8 million of the decrease while a net decrease in interest rates accounted for the remaining difference. The decrease in average debt balance is the result of debt repayments from proceeds raised from the issuance of common stock in 2000 being greater than additional sums borrowed to finance hospital acquisitions.

Income before income taxes increased from \$8.3 million for the six months ended June 30, 2000 to \$40.7 million for the six months ended June 30, 2001 primarily as a result of the increases in revenue and decreases in expenses as discussed above.

Provision for income taxes increased from \$7.2 million for the six months ended June 30, 2000 to \$20.2 million for the six months ended June 30, 2001 as a result of the increase in pre-tax income.

Net income was \$20.5 million for the six months ended June 30, 2001 compared to \$1.1 million for the six months ended June 30, 2000.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities increased \$129.9 million to \$95.5 million for the six months ended June 30, 2001 from a cash use of \$34.4 million for the six months ended June 30, 2000. This increase represents an increase in net income of \$19.4 million, an increase in non-cash expenses of \$11.8 million, an increase of cash from working capital of \$67.8 million and the absence of the one-time compliance settlement payment of \$30.9 million made in 2000 when comparing the six month periods ended June 30, 2000 and 2001. The increase of cash from working capital can be attributed primarily to improvement in collections of accounts receivable, an increase in our tax provision, which we anticipate will be substantially offset by our existing net operating loss carryforwards and therefore not result in cash outflow, and overall better management of other working capital items. The use of cash from investing activities increased from \$74.3 million for the six months ended June 30, 2000 to \$104.5 million for the six months ended June 30, 2001. This increase is the

result of the additional cost of the acquisition in 2001 and additional expenditures on property, equipment and other assets. Net cash provided by financing activities decreased \$79.4 million during the comparable periods as a result of not borrowing to meet capital expenditure and working capital needs during the 2001 period and not borrowing for the compliance settlement as was done in the 2000 period.

CAPITAL EXPENDITURES

We expect to incur total capital expenditures of approximately \$90 million in 2001, including \$60 million for renovation and equipment purchases and \$30 million for construction of replacement hospitals. Under hospital purchase agreements in effect as of June 30, 2001, we are obligated to construct four replacement hospitals through 2005 with an aggregate estimated construction cost, including equipment, of approximately \$120 million. During the six months ended June 30, 2001, we incurred expenditures of approximately \$9.0 million related to these replacement hospitals.

CAPITAL RESOURCES

Net working capital was \$169.1 million at June 30, 2001 compared to \$167.7 million at December 31, 2000. The \$1.4 million increase was attributable primarily to an increase in cash and cash equivalents, an increase in accounts receivable consistent with the increase in net revenues and a decrease in accrued interest and other current liabilities offset by a decrease in prepaid expenses and an increase in current income taxes payable that we expect to settle using net operating loss carry forwards.

In July 2001, we amended our credit agreement. Our amended credit agreement provides for \$644 million in term debt with quarterly amortization and staggered maturities in 2001, 2002, 2003, 2004 and 2005. This agreement also provides for revolving facility debt for working capital of \$200 million and acquisitions of

\$263.2 million at June 30, 2001. This new amendment extends the maturity of approximately 80% of the revolver commitments from approving lenders to January 2, 2004. 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 June 30, 2001 using amended rates, our weighted average interest rate under our credit agreement was 7.04%. As of June 30, 2001, we had availability to borrow an additional \$162.1 million under the working capital revolving facility and an additional \$144.2 million under the acquisition loan revolving facility.

We are required to pay a quarterly commitment fee at a rate of 0.375% to 0.500% based on specified financial 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 and acquisition facility will be sufficient to finance acquisitions, capital expenditures and working capital requirements through the next 12 months. If funds required for future acquisitions exceed existing sources of capital, we will need to increase our credit facilities 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 adverse effect on our future financial results.

INFLATION

The healthcare industry is labor intensive. Wages and other expenses increase 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.

RECENT ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

On July 20, 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets" (the "Statements"). These Statements make significant changes to the accounting for business combinations, goodwill and intangible assets.

SFAS No. 141 eliminates the pooling-of-interests method of accounting for business combinations. In addition, it further clarifies the criteria for recognition of intangible assets separately from goodwill. This statement's provisions apply to business combinations accounted for using the purchase method for which the date of acquisition is July 1, 2001, or later.

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SFAS No. 142 discontinues the practice of amortizing goodwill and indefinite lived intangible assets. Its nonamortization provisions are effective January 1, 2002 for goodwill existing at June 30, 2001, and are effective immediately for business combinations with acquisition dates after June 30, 2001. Intangible assets with a determinable useful life will continue to be amortized over that period. SFAS No. 142 requires the Company to complete a transitional goodwill impairment test during the initial interim period of calendar year 2002. Any impairment loss will be recorded as soon as possible, but in no case later than December 31, 2002. In addition, SFAS No. 142 requires that intangible assets and goodwill be tested at least annually for impairment of carrying value; intangible assets would be tested for impairment more frequently if certain indicators are encountered.

We expect to adopt SFAS No. 142 effective January 1, 2002. Early adoption and retroactive application of SFAS No. 141 and SFAS No. 142 are not permitted. Subject to final analysis, the Company expects application of the nonamortization provisions of the Statements to result in a positive effect on net income of at least \$23 million or \$0.25 per share - diluted in calendar year 2002. The Company will perform the first of the required impairment tests of goodwill and indefinite lived intangible assets as of January 1, 2002. The Company doesn't expect the effect of these Statements to have a significant effect on its financial position.

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. A Revenue Agent's Report has been issued in connection with the examination of the December 31, 1993, 1994, 1995 and July 10, 1996 tax periods wherein the Internal Revenue Service has prepared several adjustments, primarily involving temporary or timing differences. To date, a Revenue Agent's Report has not been issued in connection with the examination of the December 31, 1996 period. While we anticipate a resolution of the current examinations by the end of the current calendar year, we do not expect that the ultimate outcome of the Internal Revenue Service examinations will have a material effect on us.

FORWARD-LOOKING STATEMENTS

Some of the matters discussed in this filing 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 the following:

- o general economic and business conditions, both nationally and in the regions in which we operate;
- o demographic changes;
- o existing governmental regulations and changes in, or the failure to comply with, governmental regulations or our corporate compliance agreement;
- o legislative proposals for healthcare reform;

- o our ability, where appropriate, to enter into managed care provider arrangements and the terms of these arrangements;
- o changes in Medicare and Medicaid payment levels;
- o liability and other claims asserted against us;
- o competition;
- o our ability to attract and retain qualified personnel, including physicians;
- o trends toward treatment of patients in lower acuity healthcare settings;
- o changes in medical or other technology;
- o changes in generally accepted accounting principles;
- o the availability and terms of capital to fund additional acquisitions or replacement facilities; and
- o our ability to successfully acquire and integrate additional hospitals.

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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 filing. We assume no obligation to update or revise them or provide reasons why actual results may differ.

ITEM 3: 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 \$1.8 million for the three months ended June 30, 2001 and \$3.5 for the six months ended June 30, 2001.

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PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the matter of U.S. EX REL. BLEDSOE V. COMMUNITY HEALTH SYSTEMS, INC., Case # 2-00-0083, transferred from the Northern District of Georgia and now pending in the Middle District of Tennessee, the relator has filed a motion seeking from the United States government a portion of the settlement proceeds from the Company's May 2000 settlement with the U.S. Department of Justice, the Office of the Inspector General, and applicable state Medicaid programs. The government is vigorously opposing this motion. Should the relator prevail on this motion, any monies would come from the United States and not the Company, and at least a portion of the relator's lawsuit would likely be dismissed. We are still awaiting disposition of our motion to dismiss the case.

In the matter of U.S. EX REL. SMITH V. COMMUNITY HEALTH SYSTEMS, INC., which was filed in the Middle District of Tennessee, the Department of Justice notified us earlier this year that it would not intervene in the case and the relator has subsequently dismissed the case.

In the matter of U.S. EX REL. KOWATLI V. RUSSELL COUNTY MEDICAL CENTER, ET al. filed in Abingdon, Virginia, the Department of Justice has notified the Court that it will not intervene in the case. We have not yet been served with a complaint in this case. The relator has filed a motion similar to the relator's motion in the Bledsoe case, seeking a portion of the proceeds of the May 2000 settlement. The government is vigorously opposing this motion and has moved to dismiss the case against it.

In August 2001, the Company reached a civil settlement with the U.S. Department of Justice regarding the Harris Hospital mammography investigation. The Company paid \$65,000 in connection with the settlement, but admitted no liability in the matter.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the company's annual meeting of stockholders, held on May 22, 2001, in New York, New York, the following directors were elected as Class I directors of the Company: W. Larry Cash, Robert J. Dole, J. Anthony Forstmann, and Harvey Klein, M.D. The terms of the Class I directors will expire at the annual meeting of stockholders in 2004 but not before their respective successors are elected and qualified. The terms of the following Class II directors will continue until the annual meeting of stockholders in 2002: Dale F. Frey, Sandra J. Horbach, and Michael A. Miles. The terms of the following Class II directors will continue until the annual meeting of stockholders in 2003: Sheila P. Burke, Theodore J. Forstmann, Thomas H. Lister, and Wayne T. Smith. The stockholders also ratified the appointment of Deloitte & Touche LLP as the company's independent public accountants for the year ending December 31, 2001.

In the elections described above, votes were cast as follows:

ELECTION OF
- VOTES FOR
VOTES
WITHHELD -

--
-

Robert J.
Dole
77,430,423
55,860 J.
Anthony
Forstmann
77,429,803
56,480
Harvey
Klein, M.D.
77,429,553
56,730 W.
Larry Cash
71,100,261
6,386,022

RATIFICATION
OF - VOTES
FOR VOTES
AGAINST
VOTES
ABSTAINING

Deloitte &
Touche, LLP
77,465,112
18,071
3,100

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

See Index to Exhibits located on page 19.

(b) Reports on Form 8-K

Form 8-K, dated April 25, 2001, in connection with our press release related to first quarter 2001 operating results.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: August 13, 2001

COMMUNITY HEALTH SYSTEMS, INC.
(Registrant)

By: /s/ Wayne T. Smith

Wayne T. Smith
Chairman of the Board,
President and Chief Executive Officer
(principal executive officer)

By: /s/ W. Larry Cash

W. Larry Cash
Executive Vice President and Chief
Financial Officer
(principal financial officer)

By: /S/ T. Mark Buford

T. Mark Buford
Vice President and Corporate Controller
(principal accounting officer)

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INDEX TO EXHIBITS

NO. DESCRIPTION

(10) Material contracts

Included herein as Exhibit 10.1 (Second and Third Amendment to the Amended and Restated Credit Agreement)

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SECOND AMENDMENT

SECOND AMENDMENT, dated as of October 13, 2000 (this "Amendment"), to the AMENDED AND RESTATED CREDIT AGREEMENT, dated as of March 26, 1999, as amended (as amended, the "CREDIT AGREEMENT"), among COMMUNITY HEALTH SYSTEMS, INC., a Delaware corporation (the "BORROWER"), COMMUNITY HEALTH SYSTEMS HOLDINGS CORP., a Delaware corporation ("HOLDCO"), the several lenders from time to time parties thereto (the "LENDERS"), THE CHASE MANHATTAN BANK, as administrative agent for the Lenders (in such capacity, the "ADMINISTRATIVE AGENT") and NATIONSBANK, N.A. and THE BANK OF NOVA SCOTIA, as the co-agents for the Lenders (collectively, the "CO-AGENTS").

W I T N E S S E T H :
- - - - -

WHEREAS, the Borrower, HoldCo, the Administrative Agent, the Co-Agents and the Lenders are parties to the Credit Agreement;

WHEREAS, the Borrower and HoldCo, have requested that the Administrative Agent and the Required Lenders agree to amend certain provisions of the Credit Agreement; and

WHEREAS, the Administrative Agent and the Lenders parties hereto are willing to agree to the requested amendments, but only upon the terms and conditions set forth herein;

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in consideration of the premises contained herein, the parties hereto agree as follows:

SECTION I. AMENDMENTS TO THE CREDIT AGREEMENT.

1.1 DEFINED TERMS. Unless otherwise defined herein, capitalized terms which are defined in the Credit Agreement are used herein as defined therein.

1.2 AMENDMENT TO SECTION 14. (a) Section 14 of the Credit Agreement is hereby amended by deleting paragraph (1) therein in its entirety and substituting, in lieu thereof, the following:

"(1) FL Affiliates shall cease to own at least 25% of the outstanding capital stock of HoldCo, free and clear of all Liens; or, any person or group (other than the FL Affiliates) acquires beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended) of a percentage of the outstanding capital stock of HoldCo greater than that percentage owned beneficially by the FL Affiliates; or, any person or group (other than the FL Affiliates) shall at any time have the right to designate or elect a majority of the Board of Directors of HoldCo;"

SECTION II. MISCELLANEOUS.

2.1 REPRESENTATIONS AND WARRANTIES. On and as of the date hereof and after giving effect to this Amendment, the Borrower hereby confirms, reaffirms and restates the representations and warranties set forth in Section 10 of the Credit Agreement MUTATIS MUTANDIS, except to the extent that such representations and warranties expressly relate to a specific earlier date in which case the Borrower hereby confirms, reaffirms and restates such representations and warranties as of such earlier date, PROVIDED that the references to the Credit Agreement in such representations and warranties shall be deemed to refer to the Credit Agreement as amended pursuant to this Amendment.

2.2 CONDITIONS TO EFFECTIVENESS. This Amendment shall become effective as of the date hereof upon the satisfaction of the conditions that (i) the Administrative Agent shall have received counterparts of this Amendment duly executed and delivered by each of the Borrower, the Administrative Agent and the Required Lenders, and (ii) HoldCo shall have issued and sold in a registered public offering consummated on or after the effective date of this Amendment

7,500,000 shares of its common stock, the proceeds of which shall be used to repay outstanding Loans.

2.3 CONTINUING EFFECT; NO OTHER AMENDMENTS. Except as expressly set forth in this Amendment, all of the terms and provisions of the Credit Agreement are and shall remain in full force and effect and the Borrower shall continue to be bound by all of such terms and provisions. The amendments provided for herein are limited to the specific subsections of the Credit Agreement specified herein and shall not constitute an amendment of, or an indication of the Administrative Agent's or the Lenders' willingness to amend or waive, any other provisions of the Credit Agreement or the same subsections for any other date or purpose.

2.4 EXPENSES. The Borrower agrees to pay and reimburse the Administrative Agent for all its reasonable costs and expenses incurred in connection with the preparation and delivery of this Amendment, including, without limitation, the reasonable fees and disbursements of counsel to the Administrative Agent.

2.5 COUNTERPARTS. This Amendment may be executed by one or more of the parties to this Amendment on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of the copies of this Amendment signed by the parties hereto shall be delivered to the Borrower and the Administrative Agent.

2.6 GOVERNING LAW. THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAWS THEREOF.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered by their respective duly authorized officers as of the date first above written.

COMMUNITY HEALTH SYSTEMS, INC.

By: _____
Name:
Title:

COMMUNITY HEALTH SYSTEMS HOLDINGS
CORP.

By: _____
Name:
Title:

THE CHASE MANHATTAN BANK, as
Administrative Agent and as a Lender

By: _____
Name:
Title:

BANK OF AMERICA, N.A., as Co-Agent and as
a Lender

By: _____

Name:
Title:

THE BANK OF NOVA SCOTIA, as Co-Agent
and as a Lender

By: _____
Name:
Title:

AERIES-II FINANCE LTD., as a Lender

By: _____
Name:
Title:

AIMCO CDO SERIES 2000-A, as a Lender

By: _____
Name:
Title:

ALLSTATE INSURANCE COMPANY, as a Lender

By: _____
Name:
Title:

By: _____
Name:
Title:

ALLSTATE LIFE INSURANCE CO., as a Lender

By: -----
Name:
Title:

By: -----
Name:
Title:

AMSOUTH BANK OF ALABAMA, as a Lender

By: -----
Name:
Title:

APEX (IDM) CDO I, Ltd., as a Lender

By: -----
Name:
Title:

BHF (USA) CAPITAL CORPORATION, as a Lender

By: -----
Name:
Title:

By: -----
Name:
Title:

BANK AUSTRIA CREDITANSTALT CORPORATE FINANCE, INC., as a Lender

By: -----
Name:
Title:

By: _____
Name:
Title:

BANK ONE, NA, as a Lender

By: _____
Name:
Title:

BANK OF AMERICA, as a Lender

By: _____
Name:
Title:

THE BANK OF NEW YORK, as a Lender

By: _____
Name:
Title:

BANKBOSTON, N.A., as a Lender

By: _____
Name:
Title:

CAPTIVA FINANCE LTD., as a Lender

By: -----
Name:
Title:

CERES FINANCE, LTD., as a Lender
by: Stanfield Capital Partners LLC

By: -----
Name:
Title:

CITADELL HILL 2000 Ltd.,
as a Lender

By: -----
Name:
Title:

CREDIT LYONNAIS NEW YORK BRANCH,
as a Lender

By: -----
Name:
Title:

By: -----
Name:
Title:

ELC (CAYMAN) LTD., as a Lender

By: -----
Name:
Title:

ELC (CAYMAN) LTD. 1999-II,
as a Lender

By: _____
Name:
Title:

ELC (CAYMAN) LTD. 1999-III,
as a Lender

By: _____
Name:
Title:

ELC (CAYMAN) LTD. 2000-1,
as a Lender

By: _____
Name:
Title:

ELC (CAYMAN) LTD. CDO SERIES 1999-I,
as a Lender

By: _____
Name:
Title:

FIRST DOMINION FUNDING II, as a Lender

By:

Name:
Title:

FIRST NATIONAL BANK OF BOSTON,
as a Lender

By: -----
Name:
Title:

FIRST UNION NATIONAL BANK N.C., as a Lender

By: -----
Name:
Title:

FLOATING RATE PORTFOLIO, as a Lender

By: INVESCO Senior Secured Management, Inc.,
as attorney in fact

By: -----
Name:
Title:

GENERAL ELECTRIC CAPITAL
CORPORATION, as a Lender

By: -----
Name:
Title:

GIBRALTAR, LTD., as a Lender

By: _____
Name:
Title:

HSBC BANK USA, as a Lender

By: _____
Name:
Title:

INDUSTRIAL BANK OF JAPAN, LTD.,
as a Lender

By: _____
Name:
Title:

JACKSON NATIONAL LIFE INSURANCE
COMPANY, as a Lender

By: _____
Name:
Title:

KZH ING-1 LLC, as a Lender

By: _____
Name:
Title:

KZH ING-2 LLC, as a Lender

By: _____
Name:
Title:

KZH STERLING LLC, as a Lender

By: _____
Name:
Title:

KEYPORT LIFE INSURANCE COMPANY, as a
Lender

By: Stein Roe & Farnham Incorporated, as Agent

By: _____
Name:
Title:

LEHMAN COMMERCIAL PAPER INC., as a Lender

By: _____
Name:
Title:

LIBERTY-STEIN ROE ADV. FLOATING RATE,
as a Lender

By: _____
Name:
Title:

MSDW PRIME INCOME TRUST, as a Lender

By:

Name:

Title:

MAGNETITE ASSET INVESTORS,
as a Lender

By:

Name:

Title:

MASS MUTUAL HIGH YIELD PARTNERS II, LLC,
as a Lender

By:

Name:

Title:

MASSACHUSETTS MUTUAL LIFE INSURANCE
COMPANY, as a Lender

By:

Name:

Title:

MERRILL LYNCH PRIME RATE PORTFOLIO,
as a Lender

By:

Name:

Title:

MERRILL LYNCH SENIOR FLOATING RATE
FUND, INC., as a Lender

By: _____
Name:
Title:

THE MITSUBISHI TRUST AND BANKING
CORPORATION, as a Lender

By: _____
Name:
Title:

NATEXIS BANQUE POPULAIRES, as a Lender

By: _____
Name:
Title:

NATIONAL CITY BANK OF KENTUCKY, as a
Lender

By: _____
Name:
Title:

NEW YORK LIFE INSURANCE COMPANY,
as a Lender

By: _____
Name:
Title:

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION, as a Lender

By:

Name:
Title:

NUVEEN SENIOR INCOME FUND, as a Lender

By:

Name:
Title:

OASIS COLLATERAL HIGH INCOME PORTFOLIO-1, as a Lender

By: INVESCO Senior Secured Management, Inc., as Subadvisor

By:

Name:
Title:

OCTAGON INVESTMENT PARTNERS II, LLC, as a Lender

By:

Name:
Title:

OCTAGON INVESTMENT PARTNERS III, LTD. as a Lender

By:

Name:
Title:

PNC BANK, KENTUCKY, INC.,
as a Lender

By: _____
Name:
Title:

PARIBAS, as a Lender

By: _____
Name:
Title:

PILGRIM AMERICAN HIGH INCOME
INVESTMENT LTD., as a Lender

By: Pilgrim Investments, Inc., as its
investment manager

By: _____
Name:
Title:

PILGRIM CLO 1999-1 LTD.,
as a Lender

By: Pilgrim Investments, Inc., as its
investment manager

By: _____
Name:
Title:

PILGRIM PRIME RATE INCOME TRUST,
as a Lender

By: Pilgrim Investments, Inc., as its

investment manager

By:

Name:
Title:

SAAR HOLDINGS CDO, LIMITED,
as a Lender

By:

Name:
Title:

SEQUILS - PILGRIM I, LTD.,
as a Lender

By: Pilgrim Investments, Inc., as its
investment manager

By:

Name:
Title:

SPS SWAPS, as a Lender

By:

Name:
Title:

SRF 2000 LLC, as a Lender

By:

Name:
Title:

SRF TRADING, INC., as a Lender

By:

Name:
Title:

SENECA CBO II L.P., as a Lender

By:

Name:
Title:

SENIOR DEBT PORTFOLIO, as a Lender

By: Boston Management and Research,
as Investment Advisor

By:

Name:
Title:

SIMSBURY CLO, LIMITED,
as a Lender

By: MassMutual Life Insurance

By:

Name:
Title:

SKANDINAVISKA ENSILDA BANKEN,
as a Lender

By:

Name:
Title:

STANFIELD CLO, LTD.,
as a Lender

By: Stanfield Capital Partners LLC

By:

Name:
Title:

STANFIELD\RMF TRANSATLANTIC CDO, LTD.,
as a Lender

By: Stanfield Capital Partners LLC

By:

Name:
Title:

STEIN ROE & FARNHAM CLO I LTD.,
as a Lender

By: Stein Roe & Farnham Incorporated, as
Portfolio Manager

By:

Name:
Title:

STEIN ROE FLOATING RATE LLC,
as a Lender

By: Stein Roe & Farnham Incorporated, as
Portfolio Manager

By:

Name:
Title:

STRATA FUNDING LIMITED,
as a Lender

By: _____
Name:
Title:

SWAPS CSLT, as a Lender

By: _____
Name:
Title:

VAN KAMPEN CLO I, LIMITED,
as a Lender

By: Van Kampen Management Inc., as Collateral
Manager

By: _____
Name:
Title:

VAN KAMPEN CLO II, LIMITED,
as a Lender

By: Van Kampen Management Inc., as Collateral
Manager

By: _____
Name:
Title:

VAN KAMPEN PRIME RATE INCOME TRUST

as a Lender

By: Van Kampen Management Inc., as Collateral
Manager

By: -----
Name:
Title:

VAN KAMPEN SENIOR INCOME TRUST
as a Lender

By: Van Kampen Management Inc., as Collateral
Manager

By: -----
Name:
Title:

EXHIBIT A

THIRD AMENDMENT

THIRD AMENDMENT, dated as of July 19, 2001 (this "THIRD Amendment"), representing an amendment to the Amended and Restated Credit Agreement, dated as of March 26, 1999 (as amended, supplemented or otherwise modified, the "CREDIT AGREEMENT"), among CHS/COMMUNITY HEALTH SYSTEMS, INC., a Delaware corporation and formerly known as Community Health Systems, Inc. (the "BORROWER"), COMMUNITY HEALTH SYSTEMS, INC., a Delaware corporation and formerly known as Community Health Systems Holdings Corp. ("HOLDCO"), the several lenders from time to time parties thereto (the "LENDERS"), THE CHASE MANHATTAN BANK, as administrative agent for the Lenders (in such capacity, the "ADMINISTRATIVE AGENT") and BANK OF AMERICA, N.A. and THE BANK OF NOVA SCOTIA, as the co-agents for the Lenders (collectively, the "CO-AGENTS").

W I T N E S S E T H :
- - - - -

WHEREAS, the Borrower, HoldCo, the Administrative Agent, the Co-Agents and the Lenders are parties to the Credit Agreement;

WHEREAS, the Borrower and HoldCo have requested that the Administrative Agent and the Required Lenders agree to amend certain provisions of the Credit Agreement; and

WHEREAS, the Administrative Agent and the Lenders parties hereto are willing to agree to the requested amendments, but only upon the terms and conditions set forth herein;

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in consideration of the premises contained herein, the parties hereto agree as follows:

1. DEFINED TERMS. Unless otherwise defined herein, capitalized terms which are defined in the Credit Agreement are used herein as defined therein.

2. Amendment to Subsection 1.1 (Defined Terms). (a) Subsection 1.1 of the Credit Agreement is hereby amended by deleting in their respective entirety definitions in such subsection for the following defined terms and

substituting, in lieu thereof, the following definitions:

"ACQUISITION LOAN COMMITMENT PERCENTAGE": as to any Lender at any time, the percentage which such Lender's Acquisition Loan Commitment constitutes of all such Acquisition Loan Commitments (or, if the Acquisition Loan Commitments shall have been terminated, the percentage of the outstanding Acquisition Loans constituted by such Lender's Acquisition Loans), it being understood that such percentage shall be appropriately adjusted as of the date of any reduction in the Acquisition Loan

Commitments of the Non-Extending Acquisition Loan Lenders or the First Extending Acquisition Loan Lenders to reflect such reduction.

"ACQUISITION LOAN COMMITMENT PERIOD": (a) with respect to any Non-Extending Acquisition Loan Lender or First Extending Acquisition Loan Lender, the period from and including the Original Closing Date to but not including the Original Acquisition Loan Termination Date, and (b) with respect to any Second Extending Acquisition Loan Lender, the period from and including the Original Closing Date to but not including the Extended Acquisition Loan Termination Date.

"ACQUISITION LOAN TERMINATION DATE": as to any Non-Extending Acquisition Loan Lender or First Extending Acquisition Loan Lender, the Original Acquisition Loan Termination Date, and as to any Second Extending Acquisition Loan Lender, the Extended Acquisition Loan Termination Date, as the case may be.

"REVOLVING CREDIT COMMITMENT PERIOD": (a) with respect to any Non-Extending Revolving Credit Lender, the period from and including the Original Closing Date to but not including the Non-Extended Revolving Credit Termination Date and, (b) with respect to any Extending Revolving Credit Lender, the period from and including the original Closing Date to but not including the Extended Revolving Credit Termination Date.

"REVOLVING CREDIT TERMINATION DATE": as to any Non-Extending Revolving Credit Lender, the Non-Extended Revolving Credit Termination Date, and as to any Extending Revolving Credit Lender, the Extended Revolving Credit Termination Date, as the case may be.

(b) Subsection 1.1 of the Credit Agreement is hereby amended by deleting paragraph (B) in the definition of "Interest Period" in such subsection in its entirety and substituting, in lieu thereof, the following:

(B) any Interest Period with respect to any Revolving Credit Loan or Acquisition Loan that would otherwise extend beyond the Revolving Credit Termination Date of any Lender or the Acquisition Loan Termination Date of any Lender, as the case may be, shall end on such Revolving Credit Termination Date or Acquisition Loan Termination Date, as the case may be, or if such 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) Subsection 1.1 of the Credit Agreement is hereby amended by deleting paragraph (a) in the definition of "Applicable Margin" in such subsection in its entirety and substituting, in lieu thereof, the following:

(a) (i) for each Revolving Credit Loan (other than any Revolving Credit Loan held by an Extending Revolving Credit Lender after the Third Amendment Effective Date), Tranche A Term Loan, Acquisition Loan (other than any Acquisition Loan held by a Second Extending Acquisition Loan Lender after the Third Amendment Effective Date) and Swing Line Loan (with respect to ABR only) (other than a Swing Line Loan after the Third Amendment Effective Date) 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 and (ii) for each Revolving Credit Loan held by any Extending Revolving Credit Lender, Acquisition Loan held by any Second Extending Acquisition Loan Lender and Swing Line Loan (with respect to ABR only) for each day after the Third Amendment Effective Date, the rate per annum for the relevant Type of such Loan set forth below opposite the Applicable Level in effect on such day plus 0.50%:

ABR Loan

Eurodollar
Loan -----

Level 1
1.50%
2.50%
Level 2
1.25%
2.25%
Level 3
1.00%
2.00%
Level 4
0.75%
1.75%
Level 5
0.50%
1.50%

(d) Subsection 1.1 of the Credit Agreement is hereby amended by adding alphabetically therein the following definitions:

"EXTENDED ACQUISITION LOAN TERMINATION DATE": the earlier of (i) January 2, 2004 and (ii) any other date on which the Acquisition Loan Commitments shall terminate hereunder.

"EXTENDED REVOLVING CREDIT TERMINATION DATE": the earlier of (i) January 2, 2004 and (ii) any other date on which the Revolving Credit Commitments shall terminate hereunder.

"EXTENDING REVOLVING CREDIT LENDERS": the Lenders with Revolving Credit Commitments that consent to the Third Amendment in accordance with the terms thereof.

"FIRST EXTENDED ACQUISITION LOAN COMMITMENT": as to any First Extending Acquisition Loan Lender, its Acquisition Loan Commitment.

"FIRST EXTENDING ACQUISITION LOAN LENDERS": the Lenders with Acquisition Loan Commitments that are listed on Schedule 1 (as in effect on the records of the Administrative Agent immediately prior to the Third Amendment Effective Date) as having Extended Acquisition Loan Commitments and that do not consent to the Third Amendment in accordance with the terms thereof.

"NON-EXTENDED ACQUISITION LOAN COMMITMENT": as to any Non-Extending Acquisition Loan Lender, its Acquisition Loan Commitment."

"NON-EXTENDING ACQUISITION LOAN LENDERS": the Lenders with Acquisition Loan Commitments that are listed on Schedule 1 (as in effect on the records of the Administrative Agent immediately prior to the Third Amendment Effective Date) as having Non-Extended Acquisition Loan Commitments and that do not consent to the Third Amendment in accordance with the terms thereof.

"NON-EXTENDING REVOLVING CREDIT LENDERS": the Lenders with Revolving Credit Commitments that do not consent to the Third Amendment in accordance with the terms thereof.

"NON-EXTENDED 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.

"ORIGINAL 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.

"SECOND EXTENDED ACQUISITION LOAN COMMITMENT": as to any Second Extending Acquisition Loan Lender, its Acquisition Loan Commitment.

"SECOND EXTENDING ACQUISITION LOAN LENDERS": the Lenders with Acquisition Loan Commitments listed on Schedule 1 (as in effect on the records of the Administrative Agent immediately prior to the Third Amendment Effective Date) under the heading "Non-Extended Acquisition Loan Commitment" or "Extended Acquisition Loan Commitment" that consent to the Third Amendment in accordance with the terms thereof.

"THIRD AMENDMENT": the Third Amendment dated as of July 19, 2001 to

this Agreement.

"THIRD AMENDMENT EFFECTIVE DATE": as defined in section 16 of the Third Amendment.

3. AMENDMENT TO SUBSECTION 6.3 (ISSUANCE OF LETTERS OF CREDIT).

Subsection 6.3 of the Credit Agreement is hereby amended by deleting paragraph (b) of such subsection in its entirety and substituting, in lieu thereof, the following:

(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 Extended 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 Extended 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.

4. AMENDMENT TO SECTION 6 (AMOUNT AND TERMS OF REVOLVING CREDIT COMMITMENTS). Section 6 of the Credit Agreement is hereby amended by adding subsection 6.9 thereto as follows:

6.9 PAYMENTS ON DECEMBER 31, 2002. On the Non-Extended Revolving Credit Termination Date (if such date is not also the Extended Revolving Credit Termination Date) the Company shall make a prepayment of the Revolving Credit Loans of the Extending Revolving Credit Lenders in the aggregate amount (if any) as may be necessary to reduce the Aggregate Revolving Credit Extensions of Credit of the Extending Revolving Credit Lenders to an amount equal to their aggregate Revolving Credit Commitments on such date, after giving effect to any payments on such date of the Revolving Credit Loans of the Non-Extending Revolving Credit Lenders and, as provided in the next succeeding sentence, the release of their liabilities in respect of Letters of Credit and Swing Line Loans. On such date, so long as no Event of Default shall have occurred and be continuing and so long as any prepayment contemplated by the immediate preceding sentence of the Revolving Credit Loans of the Extending Revolving Credit Lenders has been made, the Non-Extending Revolving Credit Lenders shall be released from all liability in respect of the Letters of Credit and the Swing Line Loans.

5. AMENDMENT TO SUBSECTION 7.2 (MANDATORY REDUCTION OF ACQUISITION LOAN COMMITMENTS). Subsection 7.2 of the Credit Agreement is hereby amended by deleting subsection 7.2 in its entirety and substituting, in lieu thereof, the following:

7.2 MANDATORY REDUCTION OF ACQUISITION LOANS. On each anniversary of the Original Closing Date as set forth on Schedule 7.2(a) or 7.2(b), as the case may be, (a) the First Extended Acquisition Loan Commitments shall automatically be permanently reduced to, and each Lender's First Extended Acquisition Loan Commitment shall be permanently reduced to an amount equal to such Lender's First Extended Acquisition Loan Commitment Percentage of, the amount set forth on Schedule 7.2(a) and (b) the 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 Non-Extended Acquisition Loan Commitment Percentage of, the amount set forth on Schedule 7.2(b); provided, however, that if prior to any of the dates specified in Schedules 7.2(a) or 7.2(b), the First Extended Acquisition Loan Commitments or the Non-Extended Acquisition Loan Commitments shall have been permanently reduced pursuant to subsection 8.4 or 8.6 to an amount less than the amount to which the First Extended Acquisition Loan Commitments or the Non-Extended Acquisition Loan Commitments, as the case may be, are required to be reduced on such date pursuant to such Schedule, the relevant Acquisition Loan Commitments shall as of such date continue to be such lesser amount. If at the time of any such mandatory reduction of the First Extended Acquisition Loan Commitments or the Non-Extended Acquisition Loan Commitments the aggregate principal amount of the First Extended Acquisition Loans or the Non-Extended Acquisition Loans, as the case may be, then outstanding exceeds the First Extended Acquisition Loan Commitments or the Non-Extended Acquisition Loan Commitments, as the case may be, as so

reduced on such date, the Company shall on such date prepay the

relevant Acquisition Loans in the amount of such excess, together with accrued interest thereon to the date of payment. The Second Extended Acquisition Loan Commitments shall not be subject to any scheduled mandatory reductions.

6. AMENDMENT TO SUBSECTION 8.2 (REPAYMENT OF LOANS; EVIDENCE OF DEBT). Subsection 8.2 of the Credit Agreement is hereby amended by deleting paragraph (a) of such subsection in its entirety and substituting, in lieu thereof, the following:

(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 (if such Lender is a Non-Extending Revolving Credit Lender) the Non-Extended Revolving Credit Termination Date or (if such Lender is an Extending Revolving Credit Lender) the Extended 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 (if such Lender is a Non-Extending Acquisition Loan Lender or a First Extending Acquisition Loan Lender) the Original Acquisition Loan Termination Date or (if such Lender is a Second Extending Acquisition Loan Lender) the Extended 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.

7. AMENDMENT TO SUBSECTION 8.9 (COMMITMENT FEES). Subsection 8.9 of the Credit Agreement is hereby amended by deleting subsection 8.9 in its entirety and substituting, in lieu thereof, the following:

8.9 COMMITMENT FEES. The Company agrees to pay to the Administrative Agent, (i) for the account of each Lender (other than any Extending Revolving Credit Lender or Second Extending Acquisition Loan 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 Level on such day, and (ii) for the account of each Extending Revolving Credit Lender and Second Extending Acquisition Loan Lender, a commitment fee from and including the Third Amendment Effective Date to but excluding the later of the Extended Revolving Credit Termination Date and the Extended 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 Level on such day plus, for each of Levels 3 and 4, 0.125%:

Applicable
Level
Commitment
Fee -----

---- Level
1 .500%
Level 2
.500%
Level 3
.375%
Level 4
.375%
Level 5
.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 or Extended Revolving Credit Termination Date, as the case may be, with respect to the Available Revolving Credit Commitments and on the Acquisition Loan Termination Date or Extended Acquisition Loan Termination Date, as the case may be, with respect to the Available Acquisition Loan Commitments.

8. AMENDMENT TO SUBSECTION 8.11(A) (LETTER OF CREDIT FEES).

Subsection 8.11(a) of the Credit Agreement is hereby amended by deleting the first paragraph of such subsection in its entirety and substituting, in lieu thereof, the following:

(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 or the Extended Revolving Credit Termination Date as the case may be 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. After the Third Amendment Effective Date, the Letter of Credit fees payable for the benefit of the Non-Extending Revolving Credit Lenders and Extending Revolving Credit Lenders, respectively, shall be as provided in the definition of "Applicable Margin" in subsection 1.1.

9. AMENDMENT TO SUBSECTION 8.18 (PRO RATA TREATMENT AND PAYMENTS).

Subsection 8.18(a) of the Credit Agreement is hereby amended by adding the following clause to the end of the second sentence of such subsection:

, provided that (i) so long as no Event of Default shall have occurred and be continuing, the Company may pay the principal of the Revolving Credit Loans of the Non-Extending Revolving Credit Lenders on or after the Non-Extended

Revolving Credit Termination Date without making any equivalent payment of principal of the Revolving Credit Loans of the Extending Revolving Credit Lenders, (ii) so long as no Event of Default shall have occurred and be continuing, the Company may make payments of principal of the Acquisition Loans of the Non-Extending Acquisition Lenders or the First Extending Acquisition Lenders without making any equivalent payment of principal of the Acquisition Loans of the other Acquisition Lenders in order to reduce the principal of the Acquisition Loans of such Non-Extending Acquisition Lenders or such First Extending Acquisition Lenders to the amount of their Acquisition Loan Commitments as of the date of any scheduled reduction of the Non-Extended Acquisition Loan Commitments or the First Extended Acquisition Loan Commitments or to pay in full the principal of its Acquisition Loans on the Original Acquisition Loan Termination Date, (iii) and on the Third Amendment Effective Date, borrowings under the Acquisition Loan Commitments shall be made from among the Acquisition Loan Lenders in order to make the ratio of the Acquisition Loans of each Acquisition Loan Lender to its Acquisition Loan Commitment as close as practicable to the ratio thereof for the other Acquisition Loan Lenders and (iv) on and after the Third Amendment Effective Date, payments of interest on the Revolving Credit Loans and the Acquisition Loans shall be made PRO RATA according to the respective amounts of interest owing to the Lenders who have made Revolving Credit Loans or Acquisition Loans, as the case may be.

10. AMENDMENT TO SUBSECTION 13.2 (INDEBTEDNESS). Subsection 13.2 of the Credit Agreement is hereby amended by:

(a) deleting paragraph (k) of such subsection in its entirety and substituting, in lieu thereof, the following:

(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 any such Indebtedness assumed or issued after the Third Amendment Effective Date, together with the aggregate amount of net investments made after the Third Amendment Effective Date in Permitted Acquisitions pursuant to subsection 13.7(1) (and calculated as at such date as provided herein), shall not exceed \$500,000,000.

11. AMENDMENT TO SUBSECTION 13.4 (LIMITATION ON CONTINGENT OBLIGATIONS). Subsection 13.4 of the Credit Agreement is hereby amended by adding paragraph (g) thereto as follows:

(g) Contingent Obligations in respect of any accounts receivable sold or otherwise disposed of pursuant to subsection 13.6(a)(ii).

12. AMENDMENT TO SUBSECTION 13.6 (PROHIBITION ON SALE OF ASSETS). Subsection 13.6 of the Credit Agreement is hereby amended by deleting paragraph (a) of such subsection in its entirety and substituting, in lieu thereof, the following:

(a) for the sale or other disposition of (i) 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 or (ii) any accounts receivable of the Company or any of its Subsidiaries more than 180 days past due or are written-off at the time of such sale or disposition or any self-pay accounts receivable of the Company or any of its Subsidiaries that are determined by the Company to be unable to be paid in full within 150 days of the related service date, PROVIDED that the face value of such sold or disposed of accounts receivable shall not exceed \$50,000,000 in the aggregate;

13. AMENDMENT TO SUBSECTION 13.7 (LIMITATION ON INVESTMENTS, LOANS AND ADVANCES). Subsection 13.7 of the Credit Agreement is hereby amended by deleting paragraph (l) of such subsection in its entirety and substituting, in lieu thereof, the following:

(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 Third Amendment Effective 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 Third Amendment Effective 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(k) and incurred after the Third Amendment Effective Date, \$500,000,000;

14. AMENDMENT TO SUBSECTION 13.9 (LIMITATION ON DIVIDENDS). Subsection 13.9 of the Credit Agreement is hereby amended by deleting paragraph (c) of such subsection in its entirety and substituting, in lieu thereof, the following:

(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; 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, that the aggregate amount of such cash dividends paid after the Third Amendment Effective Date does not exceed \$10,000,000, as such amount may be increased by the proceeds of any additional HoldCo capital stock which is issued after the Third Amendment Effective Date 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

15. AMENDMENT TO SECTION 14 (EVENTS OF DEFAULT). Section 14 of the Credit Agreement is hereby amended by deleting paragraph (k) of such section in its entirety and substituting, in lieu thereof, the following:

(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 and (5) to the extent necessary to effect the IPO and subsequent offerings or issuances of shares of common stock of HoldCo and other transactions customarily incident thereto; or

16. CONDITIONS TO EFFECTIVENESS OF THIS THIRD AMENDMENT. This Third Amendment shall become effective upon the satisfaction of the following conditions precedent (such date, the "THIRD AMENDMENT EFFECTIVE DATE"):

(a) the Administrative Agent shall have received counterparts of this Third Amendment duly executed and delivered by each of the Borrower, HoldCo and the Administrative Agent, consented to by the Required Lenders (including each Extending Revolving Credit Lender and each Second Extending Acquisition Loan Lender), and

(b) the Administrative Agent shall have received, dated the Third Amendment Effective Date and addressed to the Administrative Agent and the Lenders, legal opinions of Fried, Frank, Harris, Shriver & Jacobson, special counsel to HoldCo and the Borrower, and from the internal counsel to HoldCo and the Borrower, in each case in form and substance satisfactory to the Administrative Agent.

17. REPRESENTATIONS AND WARRANTIES. On and as of the date hereof and after giving effect to this Third Amendment, the Borrower hereby confirms, reaffirms and restates the representations and warranties set forth in Section 10 of the Credit Agreement mutatis mutandis, except to the extent that such representations and warranties expressly relate to a specific earlier date in which case the Borrower hereby confirms, reaffirms and restates such representations and warranties as of such earlier date, provided that the references to the Credit Agreement in such representations and warranties shall be deemed to refer to the Credit Agreement as amended pursuant to this Amendment.

18. SCHEDULE 1. Promptly following the Third Amendment Effective Date, the Administrative Agent shall furnish to the Borrower and each of the Lenders a schedule setting forth the Revolving Credit Commitments of the Extending Revolving Credit Lenders and the Non-Extending Revolving Credit Lenders and the respective Acquisition Loan Commitments of the Second Extending Acquisition Loan Lenders, First Extending Acquisition Loan Lenders and the Non-Extending Acquisition Loan Lenders.

19. CONTINUING EFFECT; NO OTHER AMENDMENTS. Except as expressly set forth in this Third Amendment, all of the terms and provisions of the Credit Agreement are and shall remain in full force and effect and the Borrower shall continue to be bound by all of such terms and provisions. The amendments provided for herein are limited to the specific subsections of the Credit Agreement specified herein and shall not constitute an amendment of, or an indication of the Administrative Agent's or the Lenders' willingness to amend or waive, any other provisions of the Credit Agreement or the same subsections for any other date or purpose.

20. EXPENSES. The Borrower agrees to pay and reimburse the Administrative Agent for all its reasonable costs and expenses incurred in connection with the preparation and delivery of this Third Amendment, including, without limitation, the reasonable fees and disbursements of counsel to the Administrative Agent.

21. COUNTERPARTS. This Third Amendment may be executed by one or more of the parties to this Third Amendment on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of the copies of this Third Amendment signed by the parties hereto shall be delivered to the Borrower and the Administrative Agent. The execution and delivery of this Third Amendment by any Lender shall be binding upon each of its successors and assigns (including transferees of its commitments and Loans in whole or in part prior to effectiveness hereof) and binding in respect of all of its commitments and Loans, including any acquired subsequent to its execution and delivery hereof and prior to the effectiveness hereof.

22. GOVERNING LAW. THIS THIRD AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS THIRD AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAWS THEREOF.

IN WITNESS WHEREOF, the parties hereto have caused this Third Amendment to be executed and delivered by their respective duly authorized officers as of the date first above written.

CHS/COMMUNITY HEALTH SYSTEMS, INC.

By:

Name:

Title:

COMMUNITY HEALTH SYSTEMS, INC.

By:

Name:

Title:

THE CHASE MANHATTAN BANK, as
Administrative Agent and Issuing Lender

By:

Name:

Title: