

THIS FORM 10-Q WAS ORIGINALLY FILED BY THE REGISTRANT ON AUGUST 11, 2000. INADVERTENTLY, OUR FINANCIAL PRINTER FILED THIS 10-Q WITH THE CIK CODE OF OUR PREDECESSOR COMPANY, WHICH HAD THE SAME NAME AS WE HAVE. OUR PREDECESSOR COMPANY WAS DEREGISTERED UNDER THE EXCHANGE ACT OF 1934 ON AUGUST 13, 1996.

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, 2000

Commission file number 001-15925

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

Delaware 13-3893191
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) 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 YES NO X
 ---- ---- ---- ----

As of August 10, 2000, there were outstanding 76,046,524 shares of the Registrant's Common Stock, \$.01 par value.

COMMUNITY HEALTH SYSTEMS, INC.

FORM 10-Q

FOR THE QUARTER AND SIX MONTHS ENDED JUNE 30, 2000

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PART I. FINANCIAL INFORMATION

ITEM 1.

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

	June 30, 2000	December 31, 1999
	----- (UNAUDITED)	-----
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,990	\$ 4,282
Patients accounts receivable, net	248,451	226,350
Supplies and other current assets	60,636	54,156
Prepaid expenses	15,304	9,846
Prepaid and current deferred income taxes	5,779	5,862
	-----	-----
Total current assets	336,160	300,496
	-----	-----
PROPERTY AND EQUIPMENT		
Less accumulated depreciation and amortization	766,869 (114,677)	731,842 (108,499)
	-----	-----
Property and equipment, net	652,192	623,343
	-----	-----
GOODWILL, NET		
	874,218	877,890
	-----	-----
OTHER ASSETS, NET		
	113,229	93,355
	-----	-----
TOTAL ASSETS		
	\$ 1,975,799	\$ 1,895,084
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 26,987	\$ 27,029
Accounts payable	46,496	57,392
Current income taxes payable	6,261	-
Compliance settlement payable	-	30,900
Accrued liabilities	122,970	119,956
	-----	-----
Total current liabilities	202,714	235,277
	-----	-----
LONG-TERM DEBT		
	1,296,394	1,407,604
	-----	-----
OTHER LONG-TERM LIABILITIES		
	20,475	22,495
	-----	-----
COMMITMENTS AND CONTINGENCIES		
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, 75,338,787 and 56,588,787 shares issued; 74,370,807 and 55,620,807 shares outstanding at June 30, 2000 and December 31, 1999, respectively	753	566
Additional paid-in capital	708,273	483,237
Accumulated deficit	(244,253)	(245,352)
Treasury stock, at cost, 967,980 shares	(6,587)	(6,587)
Notes receivable for common stock	(1,854)	(1,997)
Unearned stock compensation	(116)	(159)
	-----	-----
Total stockholders' equity	456,216	229,708
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		
	\$ 1,975,799	\$ 1,895,084
	=====	=====

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 JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2000	1999	2000	1999
	-----	-----	-----	-----
NET REVENUES	\$ 317,136	\$ 261,821	\$ 625,787	\$ 524,825
OPERATING COSTS AND EXPENSES:				
Salaries and benefits	123,815	102,741	244,222	204,235
Provision for bad debts	28,639	22,132	56,594	44,687
Supplies	36,431	30,144	72,410	61,890
Other operating expenses	61,038	50,392	118,168	99,219
Rent	7,438	6,433	14,537	12,545
Depreciation and amortization	17,530	13,929	33,910	26,962
Amortization of goodwill	6,210	6,277	12,378	11,954
Year 2000 remediation costs	-	600	-	900
	-----	-----	-----	-----
Total operating costs and expenses	281,101	232,648	552,219	462,392
	-----	-----	-----	-----
INCOME FROM OPERATIONS	36,035	29,173	73,568	62,433
INTEREST EXPENSE, NET	32,622	28,919	65,305	55,681
	-----	-----	-----	-----
INCOME BEFORE INCOME TAXES	3,413	254	8,263	6,752
PROVISION FOR INCOME TAXES	3,235	2,097	7,164	6,677
	-----	-----	-----	-----
NET INCOME (LOSS)	\$ 178	\$ (1,843)	\$ 1,099	\$ 75
	=====	=====	=====	=====
NET INCOME (LOSS) PER COMMON SHARE:				
Basic	\$ 0.00	\$ (0.03)	\$ 0.02	\$ 0.00
	=====	=====	=====	=====
Diluted	\$ 0.00	\$ (0.03)	\$ 0.02	\$ 0.00
	=====	=====	=====	=====
WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING:				
Basic	58,175,050	54,517,660	56,423,677	54,497,950
	=====	=====	=====	=====
Diluted	59,310,601	54,517,660	57,554,519	55,632,717
	=====	=====	=====	=====

See accompanying notes.

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

	SIX MONTHS ENDED JUNE 30,	
	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,099	\$ 75
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	46,288	38,916
Stock compensation expense	43	28
Other non-cash (income) expenses, net	(498)	3,443
Changes in operating assets and liabilities, net of effects of acquisitions and divestitures:		
Patient accounts receivable	(9,321)	(23,675)
Supplies, prepaid expenses and other current assets	(3,989)	(886)
Accounts payable, accrued liabilities and income taxes	(30,486)	(24,880)
Compliance settlement payable	(30,900)	--
Other	(6,635)	(3,686)
Net cash used in operating activities	(34,399)	(10,665)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of facilities, pursuant to purchase agreements	(40,639)	(44,347)
Purchases of property and equipment	(24,006)	(37,913)
Proceeds from sale of equipment	62	61
Increase in other assets	(9,678)	(5,846)
Net cash used in investing activities	(74,261)	(88,045)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock, net of expenses	225,225	24
Borrowings under credit agreement	137,731	351,200
Repayments of long-term indebtedness	(252,588)	(257,377)
Net cash provided by financing activities	110,368	93,847
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,708	(4,863)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	4,282	6,719
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 5,990	\$ 1,856

See accompanying notes.

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, 2000 and June 30, 1999, have been prepared in accordance with generally accepted accounting principles. 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, 2000 are not necessarily indicative of the results to be expected for the full fiscal year ending December 31, 2000.

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, 1999 contained in the Company's Form S-1.

2. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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 April 1, 2000, the Company acquired, through separate purchase transactions, the assets and working capital of two hospitals for aggregate consideration of \$23.8 million, including liabilities assumed. Licensed beds at these two facilities totaled 124. The Company borrowed \$12.9 million against its acquisition loan revolving facility to fund these transactions.

Effective June 1, 2000, the Company acquired, pursuant to a capital lease, most of the assets and working capital of an 82 licensed bed hospital for total consideration of \$24.4 million, including liabilities assumed and prepaying the entire lease, by borrowing \$18.5 million against its acquisition loan revolving facility.

4. INITIAL PUBLIC OFFERING

On June 14, 2000 the Company closed its initial public offering of 18,750,000 shares of Common Stock at a public offering price of \$13.00 per share. The net proceeds to the Company from the offering, excluding the overallotment were \$225.2 million. Prior to the closing the following recapitalization took place:

- - each outstanding share of Class B common stock was exchanged for .390 of a share of Class A common stock;
- - each outstanding option to purchase a share of Class C common stock was exchanged for an option to purchase .702 of a share of Class A common stock;
- - the Class A common stock was redesignated as Common Stock and adjusted for a stock split on a 119.7588-for-1 basis;
- - the certificate of incorporation was amended and restated to reflect a single class of common stock, par value \$.01 per share, and increase the number of authorized shares of common stock to 300,000,000 and the number of shares of preferred stock to 100,000,000; and

- - vesting, repurchase and transfer provisions related to Class B and Class C common shares were not affected.

The Company was obligated in connection with the initial public offering to use the proceeds (net of expenses and underwriting commissions) to repay the revolving credit and acquisition loan revolving facilities. These proceeds were used to pay \$145.0 million on the revolving credit facility and \$80.2 million of the acquisition loan revolving facility. In connection with any subsequent registered public offering, the Company may, under the terms of the Credit Agreement, apply the proceeds to the repayment of subordinated debentures if certain financial covenants are met.

On June 8, 2000, the Company authorized grants of 3,778,000 stock options to various employees under the 2000 Stock Option and Award Plan at an exercise price of \$13.00, the initial public offering price. 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.

5. 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 JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2000	1999	2000	1999
NUMERATOR:				
Net income (loss)	\$ 178	\$ (1,843)	\$ 1,099	\$ 75
DENOMINATOR:				
Weighted-average number of shares outstanding--basic	58,175,050	54,517,660	56,423,677	54,497,950
Effect of dilutive options	1,135,551	0	1,130,842	1,134,767
Weighted-average number of shares outstanding--diluted	59,310,601	54,517,660	57,554,519	55,632,717
Basic earnings (loss) per share	\$ 0.00	\$ (0.03)	\$ 0.02	\$ 0.00
Diluted earnings (loss) per share	\$ 0.00	\$ (0.03)	\$ 0.02	\$ 0.00

6. 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 was effective for fiscal years beginning after June 15, 2000. The Company is currently evaluating the impact, if any, of adopting SFAS No. 133.

On December 3, 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 (SAB 101) "Revenue Recognition in Financial Statements," that provides the staff's views in applying generally accepted accounting principles to selected revenue recognition issues. SAB 101 is required to be implemented no later than the fourth quarter of fiscal years beginning after December 15, 1999. The Company is currently evaluating the impact, if any, of implementing SAB 101.

7. SUBSEQUENT EVENTS

Effective July 1, 2000, the Company acquired, through a purchase transaction, the assets and working capital of a 90 bed hospital for total consideration of approximately \$82 million including liabilities assumed. The Company borrowed \$34.0 million against its acquisition loan revolving facility and signed a promissory note to seller for \$42.6 million to fund the transaction.

In connection with the Company's initial public offering, an overallotment option was granted to the underwriters. On July 3, 2000, the underwriters exercised their overallotment option and purchased 1,675,717 shares at the initial public offering price of \$13 per share. The Company used the net proceeds of \$20.5 million to pay on the revolving credit facility.

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.

OVERVIEW

On June 13, 2000, Community Health Systems, Inc. completed its initial public offering of common stock. A description of the offering is included in Notes 4 and 7 of the Notes to the Condensed Consolidated Financial Statements included elsewhere in this report.

ACQUISITIONS

On March 1, 2000, we acquired Southampton Memorial Hospital, a 105 bed hospital located in Franklin, Virginia. On April 1, 2000, in separate transactions, we acquired Lakeview Community Hospital, a 74 bed hospital located in Eufaula, Alabama and Northeastern Regional Hospital, a 50 bed hospital located in Las Vegas, New Mexico. On June 1, 2000, we acquired South Baldwin Regional, an 82 bed hospital located in Foley, Alabama. We acquired all four hospitals from tax-exempt entities for an aggregate consideration of approximately \$61 million, including working capital. This consideration consisted of \$40.1 million in cash, of which \$38.9 million was borrowed under our acquisition loan facility and assumed liabilities of \$20.9 million. Each of these hospitals is the sole provider of general hospital services in its community.

During 1999, we acquired, through three purchases and one capital lease transaction, 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 we borrowed under our acquisition loan facility, and assumed liabilities of \$18.1 million. We prepaid the entire lease obligation relating to the lease transaction. We included the prepayment 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.

Goodwill, net of accumulated amortization from the acquisition of our predecessor company in 1996 was \$663.4 million and from subsequent hospital acquisitions was \$210.8 million for an aggregate of \$874.2 million as of June 30, 2000. Based on management's assessment of the goodwill's estimated useful life, we generally amortize our goodwill over 40 years. Goodwill represented 191.6% of our shareholders' equity as of June 30, 2000; the amount of goodwill amortized equaled 17.2% of our income from operations for the three-month period ended June 30, 2000, and 16.8% of our income from operations for the six-month period ended June 30, 2000. Significant adverse changes in facts regarding our industry, markets and operations could cause our management to shorten the estimated useful life used to amortize our goodwill. This could result in material increases in amortization of goodwill, or cause impairments to the carrying amount of such goodwill, resulting in a non-cash charge which would reduce operating income.

In the future, we intend to acquire, on a selective basis, 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. On May 1, 2000, we terminated the lease of a hospital previously held for disposition. At June 30, 2000, the carrying amounts of one of our hospitals were segregated from our remaining assets. These carrying amounts of long-term assets of facilities held for disposition are classified in other assets, net in our unaudited interim condensed consolidated balance sheet as of June 30, 2000. We do not expect the impact of any gain or loss on our financial results to be material.

SOURCES OF REVENUE

Net 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 46% of net revenues for the three-month period ended June 30, 2000, and 48% for the three-month period ended June 30, 1999, are related to services rendered to patients covered by the Medicare and Medicaid programs. In addition, we are reimbursed 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 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 increased revenue were insignificant in each of the three-month periods ended June 30, 2000 and 1999. Net amounts due to third-party payors as of June 30, 2000 were \$3.7 million and as of December 31, 1999 were \$9.1 million. We included these amounts in accrued liabilities in the accompanying balance sheets. Substantially all Medicare and Medicaid cost reports are final settled through 1996.

The payment rates under the Medicare program for inpatients are made 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 reimbursement may have an adverse impact on our net revenue growth.

Based on our preliminary assessment of the final regulations implementing Medicare's new prospective payment system for outpatient hospital care, we expect its impact to be favorable but not material to our future operating results. The Health Care Financing Administration estimates that this new prospective payment system will result in an overall 9.7% increase in projected outpatient payments starting August 1, 2000, eliminating a projected 5.7% reduction in payments mandated by the Balance Budget Act of 1997. 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 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 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 JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2000	1999	2000	1999

	(EXPRESSED AS A PERCENTAGE OF NET REVENUES)			
Net revenues	100.0	100.0	100.0	100.0
Operating expenses (a)	81.2	80.9	80.8	80.5

Adjusted EBITDA (b)	18.8	19.1	19.2	19.5
Depreciation and amortization	5.5	5.3	5.4	5.1
Amortization of goodwill	2.0	2.4	2.0	2.3
Year 2000 remediation costs	0.0	0.2	0.0	0.2
	-----	-----	-----	-----
Income from operations	11.4	11.1	11.8	11.9
Interest, net	10.3	11.0	10.4	10.6
	-----	-----	-----	-----
Income before income taxes	1.1	0.1	1.3	1.3
Provision for income taxes	1.0	0.8	1.1	1.3
	-----	-----	-----	-----
Net income (loss)	0.1	(0.7)	0.2	0.0
	=====	=====	=====	=====

	THREE MONTHS ENDED JUNE 30, 2000	SIX MONTHS ENDED JUNE 30, 2000
	-----	-----
PERCENTAGE CHANGE FROM SAME PERIOD PRIOR YEAR:	(EXPRESSED IN PERCENTAGES)	
Net revenues	21.1	19.2
Admissions	18.8	14.2
Adjusted admissions (c)	23.2	19.7
Average length of stay	(5.0)	(4.9)
Adjusted EBITDA	19.6	17.2
SAME HOSPITALS PERCENTAGE CHANGE FROM PRIOR PERIOD (d):		
Net revenues	10.5	9.2
Admissions	7.8	4.5
Adjusted admissions	10.6	8.5
Adjusted EBITDA	15.3	14.7

(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 Year 2000 remediation costs. 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.

(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.

THREE MONTHS ENDED JUNE 30, 2000 COMPARED TO THREE MONTHS ENDED JUNE 30, 1999

Net revenues increased by 21.1% to \$317.1 million for the three months ended June 30, 2000 from \$261.8 million for the three months ended June 30, 1999. Of the \$55.3 million increase in net revenues, the nine hospitals we acquired in 1999 and 2000 contributed approximately \$28.6 million, and hospitals we owned throughout both periods contributed \$26.7 million, an increase of 10.5%. The increase from hospitals owned throughout both periods was attributable primarily to volume increases.

Inpatient admissions increased by 18.8%. Adjusted admissions increased by 23.2%. 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 5.0%. On a same-hospital basis, inpatient admissions increased by 7.8% and adjusted admissions increased by 10.6%. 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 16.3%.

Operating expenses, as a percentage of net revenues, increased from 80.9% for the three months ended June 30, 1999 to 81.2% for the three months ended June 30, 2000, primarily due to lower initial adjusted EBITDA margins associated with acquired hospitals and one recently constructed hospital. Operating expenses include salaries and benefits, provision for bad debts, supplies, rent and other operating expenses. Salaries and benefits, as a percentage of net revenues, decreased to 39.0% from 39.2% for the comparable periods, due to the realization of savings from improvements made at the hospitals acquired in 1999, offset by the acquisitions made in 2000 having higher salaries and benefits as a percentage of net revenues. Adjusted EBITDA margin decreased from 19.1% for the three months ended June 30, 1999 to 18.8% for the three months ended June 30, 2000. Provision for bad debts, as a percentage of net revenues, increased to 9.0% from 8.5% for the comparable periods due to an increase in self-pay revenues. Supplies, as a percentage of net revenues, remained at 11.5%. Rent and other operating expenses, as a percentage of net revenues, decreased to 21.6% from 21.7% for the comparable periods.

On a same-hospital basis, operating expenses as a percentage of net revenues decreased from 80.9% for the three months ended June 30, 1999 to 80.1% for the three months ended June 30, 2000. We achieved these efficiency and productivity gains in payroll and other operating expense reductions, offset by an increase in bad debt expense. Operating expenses improved as a percentage of net revenues in every major category except provision for bad debts.

Depreciation and amortization increased by \$3.6 million from \$13.9 million for the three months ended June 30, 1999 to \$17.5 million for the three months ended June 30, 2000. The nine hospitals acquired in 1999 and 2000 accounted for \$0.7 million of the increase and facility renovations and purchases of equipment, including purchases of medical equipment and information systems upgrades related to Year 2000, accounted for the remaining \$2.9 million.

Amortization of goodwill remained at \$6.2 million for the comparable periods.

Interest, net increased by \$3.7 million from \$28.9 million for the three months ended June 30, 1999 to \$32.6 million for the three months ended June 30, 2000. The nine hospitals acquired in 1999 and 2000 accounted for approximately \$2.6 million of the increase and borrowings under our credit agreement to finance capital expenditures, compliance settlement costs and an increase in average interest rates accounted for the remaining \$2.1 million, net of benefit of \$1.0 million interest savings from IPO proceeds.

Income before income taxes increased from \$0.3 million for the three months ended June 30, 1999 to \$3.4 million for the three months ended June 30, 2000 primarily as a result the continuing execution of our operating strategy and realization of increased admissions at hospitals owned during both periods.

Provision for income taxes increased from \$2.1 million for the three months ended June 30, 1999 to \$3.2 million for the three months ended June 30, 2000.

Net income was \$0.2 million for the three months ended June 30, 2000 compared to a net loss of \$1.9 million for the three months ended June 30, 1999.

SIX MONTHS ENDED JUNE 30, 2000 COMPARED TO SIX MONTHS ENDED JUNE 30, 1999

Net revenues increased 19.2% to \$625.8 million for the six months ended June 30, 2000 from \$524.8 million for the six months ended June 30, 1999. Of the \$101.0 million increase in net revenues, the nine hospitals we acquired in 1999 and 2000 contributed approximately \$54.0 million, and hospitals we owned throughout both periods contributed \$47.0 million, an increase of 9.2%. The increase from hospitals owned throughout both periods was attributable primarily to volume increases.

Inpatient admissions increased by 14.2%. Adjusted admissions increased by 19.7%. Average length of stay decreased by 4.9%. On a same hospital basis, inpatient admissions increased by 4.5% and adjusted admissions increased by 8.5%. 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 by 15.4%.

Operating expenses as a percentage of net revenues, increased from 80.5% for the six months ended June 30, 1999 to 80.8% for the six months ended June 30, 2000, primarily due to and lower initial adjusted EBITDA margins associated with acquired hospitals and one recently constructed hospital. Operating expenses include salaries and benefits, provision for bad debts, supplies, rent and other operating expenses. Salaries and benefits, as a percentage of net revenues increased to 39.0% from 38.9% for the comparable periods due to acquisition of hospitals in 1999 and 2000 having higher salary and benefits as a percentage of net revenues, offset by the savings beginning to be realized from improvements at the hospitals acquired in 1999. Adjusted EBITDA margin decreased from 19.5% for the six months ended June 30, 1999 to 19.2% for the six months ended June 30, 2000. Provisions for bad debts, as a percentage of net revenues, increased to 9.0% from 8.5% for the comparable periods due primarily to an increase in self-pay revenues. Supplies as a percentage of net revenues decreased from 11.8% to 11.6%. Rent and other operating expenses, as a percentage of net revenues, decreased to 21.2% from 21.3% for the comparable periods.

On a same hospital basis, operating expenses decreased from 80.7% for the six months ended June 30, 1999 to 79.7% for the six months ended June 30, 2000. We achieved these efficiencies and productivity gains in payroll and other operating expenses offset by an increase in bad debt expense.

Depreciation and amortization increased by \$6.9 million from \$27.0 million for the six months ended June 30, 1999 to \$33.9 million for the six months ended June 30, 2000. The nine hospitals acquired in 1999 and 2000 accounted for \$1.2 million of the increase and facility renovations and purchases of equipment, including purchases of medical equipment and information systems upgrades related to Year 2000, accounted for the remaining \$5.7 million.

Amortization of goodwill increased by \$0.4 million from \$12.0 million for the six months ended June 30, 1999 to \$12.4 million for the six months ended June 30, 2000. The increase was related to the hospitals acquired in 1999 and 2000.

Interest, net increased by \$9.6 million from \$55.7 million for the six months ended June 30, 1999 to \$65.3 million for the six months ended June 30, 2000. The nine hospitals acquired in 1999 and 2000 accounted for approximately \$4.7 million of the increase and borrowings under our credit agreement to finance capital expenditures, compliance settlement costs and an increase in average interest rates account for the remaining \$5.9 million, net of benefit of \$1.0 million interest savings from IPO proceeds.

Income before income taxes increased from \$6.8 million for the six months ended June 30, 1999 to \$8.3 million for the six months ended June 30, 2000 primarily as a result of the absence of \$0.9 of Year 2000 remediation costs incurred during the six months ended June 30, 1999 and improved profitability obtained through the continuing execution of our operating strategy and the realization of increased admissions at hospitals owned during both periods.

Provision for income taxes increased from \$6.7 million for the six months ended June 30, 1999 to \$7.2 million for the six months ended June 30, 2000.

Net income increased from \$0.1 million for the six months ended June 30, 1999 to \$1.1 million for the six months ended June 30, 2000.

LIQUIDITY AND CAPITAL RESOURCES

Net cash used in operating activities increased \$23.7 million from a use of \$10.7 million for the six months ended June 30, 1999 to a use of \$34.4 million for the six months ended June 30, 2000. This increase represents the payment for settlement of compliance cost of \$31.4 million offset by an increase in operating cash flows of \$7.7 million. The use of cash from investing activities decreased from \$88.0 million to \$74.3 million for the comparable periods. The cash paid for acquisitions for the six months ended June 30, 2000 included \$8.5 million for the acquisition of a hospital located in Franklin, Virginia and \$12.9 million for acquisitions located in Las Vegas, New Mexico and Eufaula, Alabama that closed on April 1, 2000 and \$18.7 million for the acquisition of a hospital located in Foley, Alabama that closed on June 1, 2000. The cost of acquisitions during the comparable periods decreased \$3.7 million and the cost of construction and renovation projects decreased \$13.9 million primarily as a result of the completion of construction of a new facility which was opened in October 1999. Net cash provided by financing activities increased \$16.5 million from \$93.8 million to \$110.4 million for the comparable periods as a result of borrowing to pay the compliance settlement offset by the Company spending less to acquire hospitals and a reduction in construction and renovations costs.

CAPITAL EXPENDITURES

As an obligation under hospital purchase agreements in effect as of June 30, 2000, we are required to construct four replacement hospitals through 2005 with an aggregate estimated construction cost, including equipment, of approximately \$120 million. This includes our obligation under a purchase agreement relating to a hospital we acquired on April 1, 2000. We expect total capital expenditures of approximately \$60 million in 2000, including \$55 million for renovation and equipment purchases and \$5 million for construction of replacement hospitals.

CAPITAL RESOURCES

Net working capital was \$133.4 million at June 30, 2000 compared to \$65.2 million at December 31, 1999. The \$68.2 million increase from December 31, 1999 to June 30, 2000 was attributable primarily to an increase in accounts receivable due to a combination of growth in same hospitals revenues during 2000 and the addition of four hospitals in 2000 and payment of approximately \$31 million related to the compliance settlement, which was borrowed against the acquisition loan revolving facility.

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 revolving facility debt for working capital of \$200 million and acquisitions of \$282.5 million. This revolving facility 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 June 30, 2000, under our credit agreement, our weighted average interest rate was 9.45%. As of June 30, 2000, we had availability to borrow an additional \$138.3 million under the working capital revolving facility and an additional \$155.6 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 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.

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.

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:

- - 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 or our corporate compliance agreement;
- - legislative proposals for healthcare reform;
- - our 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;
- - the availability and terms of capital to fund additional acquisitions or replacement facilities; and
- - our ability to successfully acquire and integrate additional hospitals.

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 \$2 million for the three months ended June 30, 2000 and \$4 million for the six months ended June 30, 2000.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities and Use of Proceeds

On June 14, 2000 the Company closed the initial public offering of its Common Stock. The shares of Common Stock sold in the offering were registered under the Securities Act of 1933, as amended, on a Registration Statement on Form S-1 (the "Registration Statement") (Registration No. 333-31790) that was declared effective by the Securities and Exchange Commission on June 8, 2000. The 18,750,000 shares offered by the Company under the Registration Statement were sold at a price of \$13.00 per share. 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, the managing underwriters of the offering, also exercised an overallotment option on July 3, 2000 for 1,675,717 shares. The overallotment shares were sold at a price of \$13.00 per share. The aggregate proceeds to the Company from the offering were \$265.5 million. In connection with the offering the Company paid an aggregate of \$15.9 million in underwriting discounts and commissions to the underwriters. In addition, the expenses incurred in connection with the offering for legal costs, accounting costs, printing costs, registration, filing and other costs were approximately \$3.9 million.

After deducting the underwriting discounts and commissions and the offering expenses described above, the Company received net proceeds from the offering of \$245.7 million which was used to repay long-term debt.

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

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

None

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 11, 2000

COMMUNITY HEALTH SYSTEMS, INC.
(Registrant)

By: /s/ WAYNE T. SMITH

Wayne T. Smith
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)

INDEX TO EXHIBITS

NO.	DESCRIPTION
- - - -	-----
(2)	Plan of acquisition, reorganization, arrangement, liquidation or succession Not applicable
(3) (i)	Articles of incorporation Included herein as Exhibit 3.1 at page 20
(ii)	By-laws Included herein as Exhibit 3.2 at page 26
(4)	Instruments defining the rights of holders, including indentures Not applicable
(10)	Material contracts Not applicable
(11)	Statement re: computation of per share earnings Not applicable
(12)	Statement re: computation of ratios Not applicable
(15)	Letter re: unaudited interim financial information Not applicable
(18)	Letter re: change in accounting principles Not applicable
(19)	Report furnished to security holders Not applicable
(22)	Published report regarding matters submitted to vote of security holders Not applicable
(23)	Consents of experts and counsel Not applicable
(24)	Power of attorney Not applicable
(27)	Financial Data Schedule Included herein as Exhibit 27.1 at page 40
(99)	Additional exhibits Not applicable

RESTATED CERTIFICATE OF INCORPORATION

OF

COMMUNITY HEALTH SYSTEMS, INC.

(Pursuant to Sections 242 and 245 of the
General Corporation Law of the State of Delaware)

The undersigned, Wayne T. Smith, certifies that he is the President and Chief Executive Officer of Community Health Systems, Inc., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), and does hereby further certify as follows:

(1) The name of the Corporation is Community Health Systems, Inc. The name under which the Corporation was originally incorporated was FLCH Holdings Corp.

(2) The Corporation's original certificate of incorporation was filed with the Secretary of the State of Delaware on June 6, 1996.

(3) This Restated Certificate of Incorporation, which restates, integrates and further amends the certificate of incorporation of the Corporation, was duly adopted in accordance with Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware (the "GCL").

(4) Pursuant to Section 103(d) of the GCL, this Restated Certificate of Incorporation shall become effective at 8:59 a.m. (Eastern Time) on June 14, 2000 (the "Effective Time").

(5) The text of the Restated Certificate of Incorporation of the Corporation as further amended hereby is restated to read in its entirety as follows:

FIRST: The name of the Corporation is Community Health Systems, Inc. (the "Corporation").

SECOND: The address of the registered office of the Corporation in the State of Delaware is 1013 Centre Road, in the City of Wilmington, County of New Castle, Delaware 19805. The name of its registered agent at that address is Corporation Service Company.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the GCL.

FOURTH: The total number of all shares of all classes of capital stock which the Corporation shall have the authority to issue is 400,000,000 shares, divided into two classes, of which 300,000,000 shares of par value \$.01 per share shall be designated Common Stock, and 100,000,000 shares of par value \$.01 per share shall be designated Preferred Stock. At the Effective Time, the terms of the Class A Common Stock shall be amended pursuant to this Restated Certificate of Incorporation and the Class A Common Stock shall be redesignated as Common Stock, and each issued share of such Common Stock shall be subdivided into 119.7588 shares of Common Stock, with a par value of \$.01 per share.

A. Common Stock

1. DIVIDENDS. Subject to the preferential rights, if any, of the Preferred Stock, the holders of shares of Common Stock shall be entitled to receive, when and if declared by the Board of

Directors, out of the assets of the Corporation which are by law available therefor, dividends payable either in cash, in property, or in shares of Common Stock.

2. VOTING RIGHTS. Except as otherwise required by law, or this Restated Certificate of Incorporation, every holder of Common Stock shall be entitled to one vote on each matter properly submitted to the stockholders of the Corporation for their vote, in person or by proxy, for each share of Common Stock standing in such holder's name on the books of the Corporation; PROVIDED, HOWEVER, that, except as otherwise required by law, holders of Common Stock shall not be entitled to vote on any amendment to this Restated Certificate of Incorporation (including any Certificate of Designations relating to any series of Preferred Stock) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together as a class with the holders of one or more other such series, to vote thereon by law or pursuant to this Restated Certificate of Incorporation (including any Certificate of Designations relating to any series of Preferred Stock).

B. Preferred Stock

1. ISSUANCE. The Board of Directors of the Corporation is authorized, subject to limitations prescribed by law, to provide for the issuance of shares of the Preferred Stock of the Corporation from time to time in one or more series, each of which series shall have such distinctive designation or title as shall be fixed by the Board of Directors prior to the issuance of any shares thereof. Each such series of Preferred Stock shall have such voting powers, full or limited, or no voting powers, and such preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereof, as shall be stated in such resolution or resolutions providing for the issue of such series of Preferred Stock as may be adopted from time to time by the Board of Directors prior to the issuance of any shares thereof pursuant to the authority hereby expressly vested in it, all in accordance with the laws of the State of Delaware. The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the Common Stock, without a vote of the holders of the Preferred Stock, or of any series thereof, unless a vote of any such holders is required pursuant to the terms of any Certificate of Designation relating to any series of Preferred Stock.

2. AMENDMENT. Except as may otherwise be required by law or this Restated Certificate of Incorporation, the terms of any series of Preferred Stock may be amended without consent of the holders of any other series of Preferred Stock or of any class of Common Stock of the Corporation.

FIFTH: The business and affairs of the Corporation shall be managed by and under the direction of the Board of Directors. The Board of Directors may exercise all such authority and powers of the Corporation and do all such lawful acts and things as are not by statute or this Restated Certificate of Incorporation directed or required to be exercised or done by the stockholders.

A. NUMBER OF DIRECTORS. Except as otherwise fixed by or pursuant to the provisions of this Restated Certificate of Incorporation relating to the rights of the holders of Preferred Stock to elect directors under specified circumstances, the number of directors shall be fixed from time to time exclusively by the Board of Directors pursuant to a resolution adopted by a majority of the then authorized number of directors of the Corporation, whether or not there exist any vacancies in previously authorized directorships, but in no event shall the number of directors be fewer than three. No director need be a stockholder.

B. CLASSES AND TERMS OF DIRECTORS. The directors, other than those who may be elected by the holders of any series of Preferred Stock under specified circumstances, shall be divided into three classes (I, II and III), as nearly equal in number as possible, and no class shall include less than one director. The initial term of office for members of Class I shall expire at the annual meeting of

stockholders in 2001; the initial term of office for members of Class II shall expire at the annual meeting of stockholders in 2002; and the initial term of office for members of Class III shall expire at the annual meeting of stockholders in 2003. At each annual meeting of stockholders beginning in 2001, directors elected to succeed those directors whose terms expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election, and shall continue to hold office until their respective successors are elected and qualified.

C. NEWLY-CREATED DIRECTORSHIPS AND VACANCIES. Subject to the rights of the holders of any series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or any other cause shall, unless otherwise provided by law or by resolution of the Board of Directors, be filled only by a majority vote of the directors then in office, even if less than a quorum is then in office, or by the sole remaining director, and shall not be filled by stockholders. Directors elected to fill a newly created directorship or other vacancies shall hold office for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred and until such director's successor has been elected and has qualified.

D. REMOVAL OF DIRECTORS. Subject to the rights of the holders of any series of Preferred Stock then outstanding, the directors or any director may be removed from office at any time, but only for cause, at a meeting called for that purpose, and only by the affirmative vote of the holders of at least a majority of the voting power of all issued and outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

E. RIGHTS OF HOLDERS OF PREFERRED STOCK. Notwithstanding the foregoing provisions of this Article FIFTH, whenever the holders of any one or more series of Preferred Stock issued by the Corporation shall have the right, voting separately by series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the rights and preferences of such Preferred Stock as set forth in this Restated Certificate of Incorporation or in the resolution or resolutions of the Board of Directors relating to the issuance of such Preferred Stock, and such directors so elected shall not be divided into classes pursuant to this Article FIFTH unless expressly provided by such rights and preferences.

F. WRITTEN BALLOT NOT REQUIRED. Elections of directors need not to be by written ballot unless the By-laws of the Corporation shall otherwise provide.

G. ADVANCE NOTICE. Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the By-laws of the Corporation.

SIXTH: To the fullest extent permitted under the law of the State of Delaware, including the GCL, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty as a director. Any amendment to or repeal of this Article SIXTH shall not adversely affect any right or protection of any director of the Corporation with respect to any acts or omissions of such director occurring prior to such amendment or repeal. In the event that the GCL is hereafter amended to permit further elimination or limitation of the personal liability of directors, then the liability of a director of the Corporation shall be so eliminated or limited to the fullest extent permitted by the GCL as so amended without further action by either the Board of Directors or the stockholders of the Corporation.

SEVENTH: Each person who was or is made a party or is threatened to be made a party to or is involved (including, without limitation, as a witness) in any threatened, pending or completed action, suit, arbitration, alternative dispute resolution mechanism, investigation, administrative hearing or any other proceeding, whether civil, criminal, administrative or investigative ("Proceeding"), brought by

reason of the fact that such person (the "Indemnitee") is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director or officer of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan, whether the basis of such Proceeding is alleged action in an official capacity as a director or officer or in any other capacity while serving as such a director or officer, shall be indemnified and held harmless by the Corporation to the fullest extent permitted by the laws of the State of Delaware in effect on the date hereof, or as such laws may from time to time hereafter be amended to increase the scope of such permitted indemnification, against all expense, liability, losses and claims (including attorneys' fees, judgments, fines, excise taxes under the Employee Retirement Income Security Act of 1974, as amended from time to time, penalties and amounts to be paid in settlement) actually incurred or suffered by such Indemnitee in connection with such Proceeding.

EIGHTH: The Corporation elects not to be governed by Section 203 of the GCL.

NINTH: In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to adopt, repeal, alter, amend or rescind the By-laws of the Corporation. In addition, the By-laws of the Corporation may be adopted, repealed, altered, amended or rescinded by the affirmative vote of the holders of at least a majority of the voting power of all of the issued and outstanding shares of capital stock of the Corporation entitled to vote thereon.

TENTH: The Corporation reserves the right to repeal, alter, amend or rescind any provision contained in this Restated Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred on stockholders herein are granted subject to this reservation.

IN WITNESS WHEREOF, Community Health Systems, Inc. has caused this Restated Certificate of Incorporation to be signed by Wayne T. Smith, its President and Chief Executive Officer, on this 9th day of June, 2000.

COMMUNITY HEALTH SYSTEMS, INC.

By: /s/ WAYNE T. SMITH

Name: Wayne T. Smith
Title: President and Chief Executive
Officer

RESTATED BY-LAWS

OF

COMMUNITY HEALTH SYSTEMS, INC.

(hereinafter called the "Corporation")

(As of June 14, 2000)

ARTICLE I

OFFICES

SECTION 1. REGISTERED OFFICE. The registered office of the Corporation within the State of Delaware shall be in the City of Wilmington, County of New Castle.

SECTION 2. OTHER OFFICES. The Corporation may also have an office or offices other than said registered office at such place or places, either within or without the State of Delaware, as the Board of Directors shall from time to time determine or the business of the Corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

SECTION 1. PLACE OF MEETINGS. All meetings of the stockholders for the election of directors or for any other purpose shall be held at any such time and place, either within or without the State of Delaware as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting or in a duly executed waiver of notice thereof.

SECTION 2. ANNUAL MEETINGS. Annual meetings of stockholders shall be held on such date and at such time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting or in a duly executed waiver thereof. At such annual meetings, the stockholders shall elect by a plurality vote the directors standing for election and transact such other business as may properly be brought before the meeting in accordance with these Restated By-Laws.

SECTION 3. SPECIAL MEETINGS. Special meetings of stockholders, for any purpose or purposes, unless otherwise prescribed by statute may be called by the Board of Directors, the Chairman of the Board of Directors, if one shall have been elected, or the President.

SECTION 4. NOTICE OF MEETINGS. Except as otherwise expressly required by statute, notice of each annual and special meeting of stockholders stating the date, place and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given to each stockholder of record entitled to vote thereat not less than ten nor more than sixty days before the date of the meeting. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice. Notice of any meeting shall not be required to be given to any person who attends such meeting (except when such person attends the meeting in person or by proxy for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened) or who, either before or after the meeting, shall submit a signed written waiver of notice, in person or by proxy. Neither the business to be transacted at,

nor the purpose of, an annual or special meeting of stockholders need be specified in any written waiver of notice.

SECTION 5. ORGANIZATION. At each meeting of stockholders, the Chairman of the Board, if one shall have been elected, or, in the event of such person's absence or if one shall not have been elected, the President, shall act as chairman of the meeting. The Secretary or, in the event of such person's absence or inability to act, the person whom the chairman of the meeting shall appoint secretary of the meeting, shall act as secretary of the meeting and keep the minutes thereof.

SECTION 6. CONDUCT OF BUSINESS. The chairman of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussion as seems to him or her in order. The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting.

SECTION 7. QUORUM, ADJOURNMENTS. The holders of a majority of the voting power of the issued and outstanding shares of capital stock of the Corporation entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum for the transaction of business at all meetings of stockholders, except as otherwise provided by statute or by the Restated Certificate of Incorporation. If, however, such quorum shall not be present or represented by proxy at any meeting of stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented by proxy. At such adjourned meeting at which a quorum shall be present or represented by proxy, any business may be transacted which might have been transacted at the meeting as originally called. If the adjournment is for more than thirty days, or, if after adjournment a new record date is set, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

SECTION 8. VOTING. Except as otherwise provided by statute or the Restated Certificate of Incorporation and these Restated By-Laws, each stockholder of the Corporation shall be entitled at each meeting of stockholders to one vote for each share of capital stock of the Corporation standing in such stockholder's name on the record of stockholders of the Corporation:

(a) on the date fixed pursuant to the provisions of Section 7 of Article V of these Restated By-Laws as the record date for the determination of the stockholders who shall be entitled to notice of and to vote at such meeting; or

(b) if no such record date shall have been so fixed, then at the close of business on the day next preceding the day on which notice thereof shall be given, or, if notice is waived, at the close of business on the date next preceding the day on which the meeting is held.

Each stockholder entitled to vote at any meeting of stockholders may authorize another person or persons to act for such stockholder by a proxy signed by such stockholder or such stockholder's attorney-in-fact, or as otherwise authorized in accordance with the Delaware General Corporation Law, but no proxy shall be voted after three years from its date, unless the proxy provides for a longer period. Any such proxy shall be delivered to the secretary of the meeting at or prior to the time designated in the order of business for so delivering such proxies. When a quorum is present at any meeting, the affirmative vote of the holders of a majority of the voting power of the shares of the Corporation which are present in person or represented by proxy at the meeting and entitled to vote thereon, shall decide any question brought before such meeting, unless the question is one upon which by express provision of statute or of the Restated Certificate of Incorporation or of these Restated By-Laws, a different vote is required, in which case such express provision shall govern and control the decision of such question. Unless required by statute, or determined by the chairman of the meeting to be advisable, the vote on any question need not be by

ballot. On a vote by ballot, each ballot shall be signed by the stockholder voting, or by such stockholder's proxy, if there be such proxy.

SECTION 9. LIST OF STOCKHOLDERS ENTITLED TO VOTE. At least ten days before each meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder shall be prepared. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, as required by the Delaware General Corporation Law. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder of the Corporation who is present.

SECTION 10. INSPECTORS. The Board of Directors shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at such meeting or any adjournment thereof. If any of the inspectors so appointed shall fail to appear or act, the chairman of the meeting shall, or if inspectors shall not have been appointed, the chairman of the meeting may appoint one or more inspectors. Each inspector, before entering upon the discharge of such inspector's duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of such inspector's ability. The inspectors shall determine the number of shares of capital stock of the Corporation outstanding and the voting power of each, the number of shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the results, and do such acts as are proper to conduct the election or vote with fairness to all stockholders. On request of the chairman of the meeting, the inspectors shall make a report in writing of any challenge, request or matter determined by them and shall execute a certificate of any fact found by them. No director or candidate for the office of director shall act as an inspector of an election of directors. Inspectors need not be stockholders.

SECTION 11. CONSENT OF STOCKHOLDERS IN LIEU OF MEETING. Unless otherwise provided by statute or in the Restated Certificate of Incorporation, any action required to be taken or which may be taken at any annual or special meeting of the stockholders of the Corporation may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of any such corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

SECTION 12. ADVANCE NOTICE PROVISIONS FOR ELECTION OF DIRECTORS. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election to the Board of Directors may be made at any annual meeting of stockholders, or at any special meeting of stockholders called for the purpose of electing directors, (a) by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (b) by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 12 and on the record date for the determination of stockholders entitled to vote at such meeting and (ii) who complies with the notice procedures set forth in this Section 12.

In addition to any other applicable requirements, for a nomination to be made by a stockholder such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation (a) in the case of an annual meeting, not less than 45 or more than 75 days prior to the first anniversary of the date on which the Corporation first

mailed its proxy materials for the preceding year's annual meeting of stockholders; provided, however, that 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 so delivered not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made; and (b) in the case of a special meeting of stockholders called for the purpose of electing directors, not later than the close of business on the later of the 90th day prior to such special meeting or the 10th day following the day on which public announcement is first made of the date of the special meeting. For purposes of this Section 12 and Section 13, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

To be in proper written form, a stockholder's notice to the Secretary must set forth (a) as to each person whom the stockholder proposes to nominate for election as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by the person and (iv) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act, and the rules and regulations promulgated thereunder; and (b) as to the stockholder giving the notice (i) the name and record address of such stockholder, (ii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder, (iii) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such stockholder, (iv) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice and (v) any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to be named as a nominee and to serve as a director if elected.

No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 12. If the Chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

SECTION 13. ADVANCE NOTICE PROVISIONS FOR BUSINESS TO BE TRANSACTED AT ANNUAL MEETING. No business may be transacted at an annual meeting of stockholders, other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (b) otherwise properly brought before the annual meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (c) otherwise properly brought before the annual meeting by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 13 and on the record date for the determination of stockholders entitled to vote at such annual meeting and (ii) who complies with the notice procedures set forth in this Section 13.

In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation not less than 45 or more than 75 days prior to the first anniversary of the date on which the Corporation first mailed its proxy materials for the preceding year's annual meeting of stockholders; provided, however, that 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 so delivered not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made.

To be in proper written form, a stockholder's notice to the Secretary must set forth as to each matter such stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of such stockholder, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by such stockholder, (iv) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business and (v) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

No business shall be conducted at the annual meeting of stockholders except business brought before the annual meeting in accordance with the procedures set forth in this Section 13. If the Chairman of an annual meeting determines that business was not properly brought before the annual meeting in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

ARTICLE III

DIRECTORS

SECTION 1. PLACE OF MEETINGS. Meetings of the Board of Directors shall be held at such place or places, within or without the State of Delaware, as the Board of Directors may from time to time determine or as shall be specified in the notice of any such meeting.

SECTION 2. ANNUAL MEETING. The Board of Directors shall meet for the purpose of organization, the election of officers and the transaction of other business, as soon as practicable after each annual meeting of stockholders, on the same day and at the same place where such annual meeting shall be held. Notice of such meeting need not be given. In the event such annual meeting is not so held, the annual meeting of the Board of Directors may be held at such other time or place (within or without the State of Delaware) as shall be specified in a notice thereof given as hereinafter provided in Section 5 of this Article III.

SECTION 3. REGULAR MEETINGS. Regular meetings of the Board of Directors shall be held at such time and place as the Board of Directors may fix. If any day fixed for a regular meeting shall be a legal holiday at the place where the meeting is to be held, then the meeting which would otherwise be held on that day shall be held at the same hour on the next succeeding business day.

SECTION 4. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by the Chairman of the Board, if one shall have been elected, or by two or more directors of the Corporation or by the President.

SECTION 5. NOTICE OF MEETINGS. Notice of regular meetings of the Board of Directors need not be given except as otherwise required by law or these Restated By-Laws. Notice of each

special meeting of the Board of Directors for which notice shall be required, shall be given by the Secretary as hereinafter provided in this Section 5, in which notice shall be stated the time and place of the meeting. Except as otherwise required by these By-Laws, such notice need not state the purposes of such meeting. Notice of any special meeting, and of any regular or annual meeting for which notice is required, shall be given to each director at least (a) four hours before the meeting if by telephone or by being personally delivered or sent by telex, telecopy, or similar means or (b) two days before the meeting if delivered by mail to the director's residence or usual place of business. Such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage prepaid, or when transmitted if sent by telex, telecopy, or similar means. Neither the business to be transacted at, nor the purpose of, any special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting. Any director may waive notice of any meeting by a writing signed by the director entitled to the notice and filed with the minutes or corporate records. The attendance at or participation of the director at a meeting shall constitute waiver of notice of such meeting, unless the director at the beginning of the meeting or promptly upon such director's arrival objects to holding the meeting or transacting business at the meeting.

SECTION 6. ORGANIZATION. At each meeting of the Board of Directors, the Chairman of the Board, if one shall have been elected, or, in the absence of the Chairman of the Board or if one shall not have been elected, the President (or, in the President's absence, another director chosen by a majority of the directors present) shall act as chairman of the meeting and preside thereat. The Secretary or, in such person's absence, any person appointed by the chairman shall act as secretary of the meeting and keep the minutes thereof.

SECTION 7. QUORUM AND MANNER OF ACTING. A majority of the entire Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, and, except as otherwise expressly required by statute or the Restated Certificate of Incorporation or these Restated By-Laws, the affirmative vote of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors. In the absence of a quorum at any meeting of the Board of Directors, a majority of the directors present thereat may adjourn such meeting to another time and place. Notice of the time and place of any such adjourned meeting shall be given to all of the directors unless such time and place were announced at the meeting at which the adjournment was taken, in which case such notice need only be given to the directors who were not present thereat. At any adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally called. The directors shall act only as a Board and the individual directors shall have no power as such.

SECTION 8. ACTION BY CONSENT. Unless restricted by the Restated Certificate of Incorporation, any action required or permitted to be taken by the Board of Directors or any committee thereof may be taken without a meeting if all members of the Board of Directors or such committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of the Board of Directors or such committee, as the case may be.

SECTION 9. TELEPHONIC MEETING. Unless restricted by the Restated Certificate of Incorporation, any one or more members of the Board of Directors or any committee thereof may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation by such means shall constitute presence in person at a meeting.

SECTION 10. COMMITTEES. The Board of Directors may, by resolution passed by a majority of the entire Board of Directors, designate one or more committees, including an executive committee, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence of disqualification of any member of a committee, the member or members present at any meeting and not disqualified from

voting, whether or not such members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

Each such committee, to the extent provided in the resolution creating it, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which require it; PROVIDED, HOWEVER, that no such committee shall have the power or authority in reference to the following matters: (a) approving or adopting, or recommending to the stockholders, any action or matter expressly required by the Delaware General Corporation Law to be submitted to stockholders for approval or (b) adopting, amending or repealing any by-law of the Corporation. Each such committee shall serve at the pleasure of the Board of Directors and have such name as may be determined from time to time by resolution adopted by the Board of Directors. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors.

SECTION 11. FEES AND COMPENSATION. Directors and members of committees may receive such compensation, if any, for their services, and such reimbursement for expenses, as may be fixed or determined by the Board of Directors. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

SECTION 12. RESIGNATIONS. Any director of the Corporation may resign at any time by giving written notice of such director's resignation to the Corporation. Any such resignation shall take effect at the time specified therein or, if the time when it shall become effective shall not be specified therein, immediately upon its receipt. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

ARTICLE IV

OFFICERS

SECTION 1. GENERAL. The officers of the Corporation shall be chosen by the Board of Directors and shall include a President, one or more Vice Presidents (including Senior, Executive, Group or other classifications of Vice Presidents) and a Secretary. The Board of Directors, in its discretion, may also choose as an officer of the Corporation the Chairman of the Board and any Vice Chairman of the Board and may choose other officers (including a Treasurer, one or more Assistant Secretaries and one or more Assistant Treasurers) as may be necessary or desirable. Such officers as the Board of Directors may choose shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors. The Board of Directors may delegate to any officer of the Corporation the power to choose such other officers and to proscribe their respective duties and powers. Any number of offices may be held by the same person, unless otherwise prohibited by law, the Restated Certificate of Incorporation or these Restated By-Laws. The officers of the Corporation need not be stockholders of the Corporation nor, except in the case of the Chairman of the Board and Vice Chairman of the Board of Directors, need such officers be directors of the Corporation.

SECTION 2. TERM. All officers of the Corporation shall hold office until their successors are chosen and qualified, or until their earlier resignation or removal. Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors.

SECTION 3. RESIGNATIONS. Any officer of the Corporation may resign at any time by giving written notice of such officer's resignation to the Corporation. Any such resignation shall take effect at the time specified therein or, if the time when it shall become effective shall not be specified therein, immediately upon receipt. Unless otherwise specified therein, the acceptance of any such resignation shall not be necessary to make it effective.

SECTION 4. REMOVAL. Any officer may be removed at any time by the Board of Directors with or without cause.

SECTION 5. COMPENSATION. The compensation of the officers of the Corporation for their services as such officers shall be fixed from time to time by the Board of Directors. An officer of the Corporation shall not be prevented from receiving compensation by reason of the fact that such officer is also a director of the Corporation.

SECTION 6. CHAIRMAN OF THE BOARD. The Chairman of the Board, if one shall have been elected, shall be a member of the Board, an officer of the Corporation (if the Board of Directors, in its discretion, chooses to make the Chairman of the Board an officer of the Corporation) and, if present, shall preside at each meeting of the Board of Directors or the stockholders. The Chairman of the Board shall advise and counsel with the President, and in the President's absence with other executives of the Corporation, and shall perform such other duties as may from time to time be assigned to the Chairman of the Board by the Board of Directors.

ARTICLE V

STOCK CERTIFICATES AND THEIR TRANSFER

SECTION 1. STOCK CERTIFICATES. Every holder of stock in the Corporation shall be entitled to have a certificate, signed by, or in the name of the Corporation by, the Chairman of the Board or a Vice Chairman of the Board or the President or a Vice President and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by such holder in the Corporation. If the Corporation shall be authorized to issue more than one class of stock or more than one series of any class, the designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restriction of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate which the Corporation shall issue to represent such class or series of stock, provided that, except as otherwise provided in Section 202 of the Delaware General Corporation Law, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate which the Corporation shall issue to represent such class or series of stock, a statement that the Corporation will furnish without charge to each stockholder who so requests the designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

SECTION 2. FACSIMILE SIGNATURES. Any or all of the signatures on a certificate may be a facsimile, engraved or printed. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person was such officer, transfer agent or registrar at the date of issue.

SECTION 3. LOST CERTIFICATES. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen, or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen, or destroyed certificate or certificates, or the owner's legal representative, to give the Corporation a bond in such sum as it may direct sufficient to indemnify it against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

SECTION 4. TRANSFERS OF STOCK. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of

succession, assignment or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its records; PROVIDED, HOWEVER, that the Corporation shall be entitled to recognize and enforce any lawful restriction on transfer. Whenever any transfer of stock shall be made for collateral security, and not absolutely, it shall be so expressed in the entry of transfer if, when the certificates are presented to the Corporation for transfer, both the transferor and the transferee request the Corporation to do so.

SECTION 5. TRANSFER AGENTS AND REGISTRARS. The Board of Directors may appoint, or authorize any officer or officers to appoint, one or more transfer agents and one or more registrars.

SECTION 6. REGULATIONS. The Board of Directors may make such additional rules and regulations, not inconsistent with these Restated By-Laws, as it may deem expedient concerning the issue, transfer and registration of certificates for shares of stock of the Corporation.

SECTION 7. FIXING THE RECORD DATE. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; PROVIDED, HOWEVER, that the Board of Directors may fix a new record date for the adjourned meeting.

In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall be not more than 10 days after the date upon which the resolution fixing the record date is adopted. If no record date has been fixed by the Board of Directors and no prior action by the Board of Directors is required by the Delaware General Corporation Law, the record date shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Secretary of the Corporation at the Corporation's principal executive offices. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by the Delaware General Corporation Law with respect to the proposed action by written consent of the stockholders, the record date for determining stockholders entitled to consent to corporate action in writing shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

SECTION 8. REGISTERED STOCKHOLDERS. The Corporation shall be entitled to recognize the exclusive right of a person registered on its records as the owner of shares of stock to receive dividends and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares of stock on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by law.

ARTICLE VI

INDEMNIFICATION OF DIRECTORS AND OFFICERS

SECTION 1. GENERAL. Each person who was or is made a party or is threatened to be made a party to or is involved (including, without limitation, as a witness) in any threatened, pending or completed action, suit, arbitration, alternative dispute resolution mechanism, investigation, administrative hearing or any other proceeding, whether civil, criminal, administrative or investigative ("Proceeding") brought by reason of the fact that such person (the "Indemnitee") is or was a director or officer of the

Corporation or is or was serving at the request of the Corporation as a director or officer of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan, whether the basis of such Proceeding is alleged action in an official capacity as a director or officer or in any other capacity while serving as such a director or officer, shall be indemnified and held harmless by the Corporation (unless such Proceeding was brought by or in the right of the Indemnitee without the prior written approval of the Board of Directors) to the fullest extent permitted by the laws of the State of Delaware in effect on the date hereof or as such laws may from time to time hereafter be amended to increase the scope of such permitted indemnification, against all expenses, liabilities, losses and claims (including attorneys' fees, judgments, fines, excise taxes under the Employee Retirement Income Security Act of 1974, as amended from time to time, penalties and amounts to be paid in settlement) actually incurred or suffered by such Indemnitee in connection with such Proceeding (collectively, "Losses"). Without diminishing the scope of the indemnification provided by this Section 1, the rights of indemnification of an Indemnitee provided hereunder shall include but not be limited to those rights set forth in this Article VI.

SECTION 2. DERIVATIVE ACTIONS. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to or is involved (including, without limitation, as a witness) in any Proceeding brought by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that such person (also an "Indemnitee") is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director or officer of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan, against Losses actually incurred or suffered by the Indemnitee in connection with the defense or settlement of such action or suit if the Indemnitee acted in good faith and in a manner the Indemnitee reasonably believed to be in or not opposed to the best interests of the Corporation, provided that no indemnification shall be made in respect of any claim, issue or matter as to which Delaware law expressly prohibits such indemnification by reason of an adjudication of liability of the Indemnitee unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, the Indemnitee is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

SECTION 3. INDEMNIFICATION IN CERTAIN CASES. Notwithstanding any other provision of this Article VI, to the extent that an Indemnitee has been wholly successful on the merits or otherwise in any Proceeding referred to in Sections 1 or 2 of this Article VI on any claim, issue or matter therein, the Indemnitee shall be indemnified against Losses actually incurred or suffered by the Indemnitee in connection therewith. If the Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Corporation shall indemnify the Indemnitee, against Losses actually incurred or suffered by the Indemnitee in connection with each successfully resolved claim, issue or matter. In any review or Proceeding to determine such extent of indemnification, the Corporation shall bear the burden of proving any lack of success and which amounts sought in indemnity are allocable to claims, issues or matters which were not successfully resolved. For purposes of this Section 3 and without limitation, the termination of any such claim, issue or matter by dismissal with or without prejudice shall be deemed to be a successful resolution as to such claim, issue or matter.

SECTION 4. PROCEDURE. (a) Any indemnification under Sections 1 and 2 of this Article VI (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the Indemnitee is proper (except that the right of the Indemnitee to receive payments pursuant to Section 5 of this Article VI shall not be subject to this Section 4) in the circumstances because the Indemnitee has met the applicable standard of conduct. Such determination shall be made promptly, but in no event later than 60 days after receipt by the Corporation of the Indemnitee's written request for indemnification. The Secretary of the Corporation shall, promptly upon receipt of the Indemnitee's request for indemnification, advise the Board of Directors that the Indemnitee has made such request for indemnification.

(b) The entitlement of the Indemnitee to indemnification shall be determined, with respect to a person who is a director or officer at the time of such determination, in the specific case (1) by the Board of Directors by a majority vote of the directors who are not parties to such Proceeding (the "Disinterested Directors"), even though less than a quorum, or (2) by a committee of the Disinterested Directors designated by majority vote of the Disinterested Directors, even though less than a quorum, or (3) if there are no Disinterested Directors, or if such Disinterested Directors so direct, by independent legal counsel, or (4) by the stockholders. The entitlement of the Indemnitee to indemnification shall be determined with respect to any person who is not a director or officer at the time of such determination by any means reasonably determined by the Corporation.

(c) In the event the determination of entitlement is to be made by independent legal counsel, such independent legal counsel shall be selected by the Board of Directors and approved by the Indemnitee. Upon failure of the Board of Directors to so select such independent legal counsel or upon failure of the Indemnitee to so approve, such independent legal counsel shall be selected by the American Arbitration Association in New York, New York or such other person as such Association shall designate to make such selection.

(d) If a determination is made pursuant to Section 4(b) of this Article VI that the Indemnitee is not entitled to indemnification to the full extent of the Indemnitee's request, the Indemnitee shall have the right to seek entitlement to indemnification in accordance with the procedures set forth in Section 6 of this Article VI.

(e) If a determination pursuant to Section 4(b) of this Article VI with respect to entitlement to indemnification shall not have been made within 60 days after receipt by the Corporation of such request, the requisite determination of entitlement to indemnification shall be deemed to have been made and the Indemnitee shall be absolutely entitled to such indemnification, absent (i) misrepresentation by the Indemnitee of a material fact in the request for indemnification or (ii) a final judicial determination that all or any part of such indemnification is expressly prohibited by law.

(f) The termination of any proceeding by judgment, order, settlement or conviction, or upon a plea of NOLO CONTENDERE or its equivalent, shall not, of itself, adversely affect the rights of the Indemnitee to indemnification hereunder except as may be specifically provided herein, or create a presumption that the Indemnitee did not act in good faith and in a manner which the Indemnitee reasonably believed to be in or not opposed to the best interests of the Corporation or create a presumption that (with respect to any criminal action or proceeding) the Indemnitee had reasonable cause to believe that the Indemnitee's conduct was unlawful.

(g) For purposes of any determination of good faith hereunder, the Indemnitee shall be deemed to have acted in good faith if the Indemnitee's action is based on the records or books of account of the Corporation or an affiliate, including financial statements, or on information supplied to the Indemnitee by the officers of the Corporation or an affiliate in the course of their duties, or on the advice of legal counsel for the Corporation or an affiliate or on information or records given or reports made to the Corporation or an affiliate by an independent certified public accountant or by an appraiser or other expert selected with reasonable care to the Corporation or an affiliate. The Corporation shall have the burden of establishing the absence of good faith. The provisions of this Section 4(g) of this Article VI shall not be deemed to be exclusive or to limit in any way the other circumstances in which the Indemnitee may be deemed to have met the applicable standard of conduct set forth in these Restated By-Laws.

(h) The knowledge and/or actions, or failure to act, of any other director, officer, agent or employee of the Corporation or an affiliate shall not be imputed to the Indemnitee for purposes of determining the right to indemnification under these Restated By-Laws.

SECTION 5. ADVANCES FOR EXPENSES AND COSTS. All expenses (including attorneys fees) incurred by or on behalf of the Indemnitee (or reasonably expected by the Indemnitee to be incurred

by the Indemnitee within three months) in connection with any Proceeding shall be paid by the Corporation in advance of the final disposition of such Proceeding within twenty days after the receipt by the Corporation of a statement or statements from the Indemnitee requesting from time to time such advance or advances whether or not a determination to indemnify has been made under Section 4 of this Article VI. The Indemnitee's entitlement to such advancement of expenses shall include those incurred in connection with any Proceeding by the Indemnitee seeking an adjudication or award in arbitration pursuant to these By-Laws. The financial ability of an Indemnitee to repay an advance shall not be a prerequisite to the making of such advance. Such statement or statements shall reasonably evidence such expenses incurred (or reasonably expected to be incurred) by the Indemnitee in connection therewith and shall include or be accompanied by a written undertaking by or on behalf of the Indemnitee to repay such amount if it shall ultimately be determined that the Indemnitee is not entitled to be indemnified therefor pursuant to the terms of this Article VI.

SECTION 6. REMEDIES IN CASES OF DETERMINATION NOT TO INDEMNIFY OR TO ADVANCE EXPENSES. (a) In the event that (i) a determination is made that the Indemnitee is not entitled to indemnification hereunder, (ii) advances are not made pursuant to Section 5 of this Article VI or (iii) payment has not been timely made following a determination of entitlement to indemnification pursuant to Section 4 of this Article VI, the Indemnitee shall be entitled to seek a final adjudication either through an arbitration proceeding or in an appropriate court of the State of Delaware or any other court of competent jurisdiction of the Indemnitee's entitlement to such indemnification or advance.

(b) In the event a determination has been made in accordance with the procedures set forth in Section 4 of this Article VI, in whole or in part, that the Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration referred to in paragraph (a) of this Section 6 shall be DE NOVO and the Indemnitee shall not be prejudiced by reason of any such prior determination that the Indemnitee is not entitled to indemnification, and the Corporation shall bear the burdens of proof specified in Sections 3 and 4 of this Article VI in such proceeding.

(c) If a determination is made or deemed to have been made pursuant to the terms of Sections 4 or 6 of this Article VI that the Indemnitee is entitled to indemnification, the Corporation shall be bound by such determination in any judicial proceeding or arbitration in the absence of (i) a misrepresentation of a material fact by the Indemnitee or (ii) a final judicial determination that all or any part of such indemnification is expressly prohibited by law.

(d) To the extent deemed appropriate by the court, interest shall be paid by the Corporation to the Indemnitee at a reasonable interest rate for amounts which the Corporation indemnifies or is obliged to indemnify the Indemnitee for the period commencing with the date on which the Indemnitee requested indemnification (or reimbursement or advancement of expenses) and ending with the date on which such payment is made to the Indemnitee by the Corporation.

SECTION 7. RIGHTS NON-EXCLUSIVE. The indemnification and advancement of expenses provided by, or granted pursuant to, the other Sections of this Article VI shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any law, by-law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office.

SECTION 8. INSURANCE. The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan, against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this Article VI.

SECTION 9. DEFINITION OF CORPORATION. For purposes of this Article VI, references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan, shall stand in the same position under this Article VI with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued.

SECTION 10. OTHER DEFINITIONS. For purposes of this Article VI, references to "fines" shall include any excise taxes assessed on a person with respect to any employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article VI.

SECTION 11. SURVIVAL OF RIGHTS. The indemnification and advancement of expenses provided by, or granted pursuant to this Article VI shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person. No amendment, alteration, rescission or replacement of these By-Laws or any provision hereof shall be effective as to an Indemnitee with respect to any action taken or omitted by such Indemnitee in Indemnitee's position with the Corporation or any other entity which the Indemnitee is or was serving at the request of the Corporation prior to such amendment, alteration, rescission or replacement.

SECTION 12. INDEMNIFICATION OF EMPLOYEES AND AGENTS OF THE CORPORATION. The Corporation may, by action of the Board of Directors from time to time, grant rights to indemnification and advancement of expenses to employees and agents of the Corporation with the same scope and effect as the provisions of this Article VI with respect to the indemnification of directors and officers of the Corporation.

SECTION 13. SAVINGS CLAUSE. If this Article VI or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each person entitled to indemnification under the first paragraph of this Article VI as to all losses actually and reasonably incurred or suffered by such person and for which indemnification is available to such person pursuant to this Article VI to the full extent permitted by any applicable portion of this Article VI that shall not have been invalidated and to the full extent permitted by applicable law.

ARTICLE VII

GENERAL PROVISIONS

SECTION 1. DIVIDENDS. Subject to the provisions of statute and the Restated Certificate of Incorporation, dividends upon the shares of capital stock of the Corporation may be declared by the Board of Directors at any regular or special meeting. Dividends may be paid in cash, in property or in shares of stock of the Corporation, unless otherwise provided by statute or the Restated Certificate of Incorporation.

SECTION 2. RESERVES. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors may, from time to time, in its absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation or for such other purpose as the Board of Directors may think conducive to the interests of the Corporation. The Board of Directors may modify or abolish any such reserve in the manner in which it was created.

SECTION 3. SEAL. The seal of the Corporation shall be in such form as shall be approved by the Board of Directors.

SECTION 4. FISCAL YEAR. The fiscal year of the Corporation shall be fixed, and once fixed, may thereafter be changed, by resolution of the Board of Directors.

SECTION 5. CHECKS, NOTES, DRAFTS, ETC. All checks, notes, drafts or other orders for the payment of money of the Corporation shall be signed, endorsed or accepted in the name of the Corporation by such officer, officers, person or persons as from time to time may be designated by the Board of Directors or by an officer or officers authorized by the Board of Directors to make such designation.

SECTION 6. EXECUTION OF CONTRACTS, DEEDS, ETC. The Board of Directors may authorize any officer or officers, agent or agents, in the name and on behalf of the Corporation to enter into or execute and deliver any and all deeds, bonds, mortgages, contracts and other obligations or instruments, and such authority may be general or confined to specific instances.

SECTION 7. VOTING OF STOCK IN OTHER CORPORATIONS. Unless otherwise provided by resolution of the Board of Directors, the Chairman of the Board or the President, from time to time, may (or may appoint one or more attorneys or agents to) cast the votes which the Corporation may be entitled to cast as a shareholder or otherwise in any other corporation, any of whose shares or securities may be held by the Corporation, at meetings of the holders of the shares or other securities of such other corporation. In the event one or more attorneys or agents are appointed, the Chairman of the Board or the President may instruct the person or persons so appointed as to the manner of casting such votes or giving such consent. The Chairman of the Board or the President may, or may instruct the attorneys or agents appointed to, execute or cause to be executed in the name and on behalf of the Corporation and under its seal or otherwise, such written proxies, consents, waivers or other instruments as may be necessary or proper in the circumstances.

ARTICLE VIII

AMENDMENTS

These Restated By-Laws may be repealed, altered, amended or rescinded in whole or in part, or new By-Laws may be adopted by either the affirmative vote of the holders of at least a majority of the voting power of all of the issued and outstanding shares of capital stock of the Corporation entitled to vote thereon or by the Board of Directors.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM FORM 10-Q FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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6-MOS	
DEC-31-2000	
JAN-01-2000	
JUN-30-2000	5,990
	0
	248,451
	41,329
	35,960
	336,160
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	114,677
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202,714	1,296,394
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	495,625
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	8,263
	7,164
1,099	0
	0
	0
	1,099
	0.02
	0.02