

LIFEPOINT HOSPITALS, INC.

Form DEF 14A

April 27, 2011

**Table of Contents**

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A  
(Rule 14a-101)  
INFORMATION REQUIRED IN PROXY STATEMENT  
SCHEDULE 14A INFORMATION  
Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement.
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)).**
- Definitive Proxy Statement.
- Definitive Additional Materials.
- Soliciting Material Pursuant to §240.14a-12.

LIFEPOINT HOSPITALS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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**Table of Contents**

**Notice of 2011  
Annual Meeting of Stockholders  
and Proxy Statement  
LIFEPOINT HOSPITALS, INC.**

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**Table of Contents**

LIFEPOINT HOSPITALS, INC.  
103 Powell Court  
Brentwood, Tennessee 37027

April 27, 2011

Dear Stockholders:

It is my pleasure to invite you to attend the 2011 Annual Meeting of Stockholders, which is to be held on Tuesday, June 7, 2011 at 3:00 p.m. local time at 511 Union Street, Suite 2700, Nashville, Tennessee 37219. The following pages contain the formal notice of the Annual Meeting and the Company's Proxy Statement, which describe the specific business to be considered and voted upon at the Annual Meeting.

It is important that your shares be represented at the Annual Meeting. Whether or not you expect to attend in person, the Company would greatly appreciate your efforts to vote your shares as soon as possible by following the instructions located in the Notice of Internet Availability of Proxy Materials sent to you or in the Company's Proxy Statement. If you decide to attend the Annual Meeting and wish to vote in person, you may withdraw your proxy. We look forward to seeing you at the Annual Meeting.

Sincerely yours,

/s/ William F. Carpenter III

WILLIAM F. CARPENTER III

*Chairman and Chief Executive Officer*

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**Table of Contents**

**NOTICE OF 2011 ANNUAL MEETING OF STOCKHOLDERS**

To our Stockholders:

Notice is hereby given that the 2011 Annual Meeting of Stockholders of LifePoint Hospitals, Inc. will be held on Tuesday, June 7, 2011 at 3:00 p.m. local time at 511 Union Street, Suite 2700, Nashville, Tennessee 37219, for the following purposes, as more fully described in the accompanying Proxy Statement:

- (1) Elect three nominees as Class III directors of the Company;
- (2) Ratify the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for 2011;
- (3) To conduct an advisory vote on compensation of the Company's named executive officers;
- (4) To conduct an advisory vote on the frequency of the advisory vote on compensation of the Company's named executive officers; and
- (5) Transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

Stockholders of record at the close of business on April 14, 2011 are entitled to vote at the meeting. On such date, there were 52,479,500 shares of Company's common stock outstanding.

By Order of the Board of Directors,

/s/ Paul D. Gilbert  
PAUL D. GILBERT  
*Executive Vice President, Chief Legal and  
Development  
Officer, Corporate Governance Officer and  
Corporate Secretary*  
April 27, 2011

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CONTENTS

	<b>Page</b>
<u>PROXY STATEMENT</u>	1
<u>PROPOSAL 1: ELECTION OF DIRECTORS</u>	2
<u>CORPORATE GOVERNANCE</u>	5
<u>BOARD OF DIRECTORS AND COMMITTEES</u>	7
<u>COMPENSATION COMMITTEE REPORT</u>	11
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	12
<u>COMPENSATION OF EXECUTIVE OFFICERS</u>	20
<u>Summary Compensation Table</u>	22
<u>Grants of Plan-Based Awards</u>	23
<u>Outstanding Equity Awards at Fiscal Year-End</u>	24
<u>Option Exercises and Stock Vested at Fiscal Year-End</u>	26
<u>Potential Payments upon Termination or Change in Control</u>	26
<u>COMPENSATION OF DIRECTORS</u>	31
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	33
<u>AUDIT AND COMPLIANCE COMMITTEE REPORT</u>	36
<u>FEES AND SERVICES OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	37
<u>PROPOSAL 2: RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	38
<u>PROPOSAL 3: ADVISORY VOTE ON EXECUTIVE COMPENSATION</u>	39
<u>PROPOSAL 4: ADVISORY VOTE ON THE FREQUENCY OF AN ADVISORY VOTE ON EXECUTIVE COMPENSATION</u>	40
<u>ADDITIONAL INFORMATION</u>	41

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**Table of Contents**

**PROXY STATEMENT**

As a holder of common stock ( Common Stock ) of LifePoint Hospitals, Inc. (the Company ), this Proxy Statement and the Annual Report to Stockholders for the Year Ended 2010 (the Annual Report to Stockholders ) are available to you on the Internet or, upon your request, will be delivered to you by mail or email in connection with the solicitation of proxies by the Board of Directors of the Company to be voted at the 2011 Annual Meeting of Stockholders to be held on Tuesday, June 7, 2011 at 3:00 p.m. local time at 511 Union Street, Suite 2700, Nashville, Tennessee 37219, and at any adjournments or postponements thereof (the Annual Meeting ). Distribution of the Notice of Internet Availability of Proxy Materials is scheduled to begin on or about April 27, 2011.

You can ensure that your shares are voted at the Annual Meeting by submitting your instructions by telephone or by Internet, or if you requested a hard copy of the proxy materials, by completing, signing, dating and returning the proxy card accompanying the materials in the envelope provided to you. Submitting your instructions or proxy by any of these methods will not affect your right to attend and vote at the Annual Meeting. We encourage our stockholders to submit proxies in advance of the Annual Meeting. A stockholder who gives a proxy may revoke it at any time before it is exercised by voting in person at the Annual Meeting, by delivering a subsequent proxy or by notifying the inspectors of election in writing of such revocation. If your shares of Common Stock are held for you in a brokerage, bank or other institutional account, you must obtain a proxy from that entity and bring it with you to hand in with your ballot in order to be able to vote your shares at the Annual Meeting.



**Table of Contents**

**PROPOSAL 1: ELECTION OF DIRECTORS**

Upon the recommendation of the Corporate Governance and Nominating Committee, which consists entirely of independent directors, the Board of Directors has nominated the three individuals named below under the caption

Nominees for Election for election as directors to serve until the annual meeting of stockholders in 2014 or until their successors have been elected and qualified. In addition to the information presented below regarding each director's specific experience, qualifications, attributes and skills that led to the conclusion that the person should serve as a director of the Company, a discussion of the director nomination process and the general standards for directors established by the Corporate Governance and Nominating Committee is contained in the section entitled Board of Directors and Committees Director Nomination Process beginning on page 10 of this Proxy Statement.

**Nominees for Election**

**CLASS III DIRECTORS TERM WILL EXPIRE IN 2014**

**William F. Carpenter III, 56, Director since June 2006**

*William F. Carpenter III* has served as Chief Executive Officer ( CEO ) of the Company since his appointment on June 2006 and as Chairman of the Company since December 2010. Prior to June 2006, Mr. Carpenter served as Executive Vice President of the Company from February 2004 until his appointment as CEO. In addition, Mr. Carpenter served as General Counsel and Secretary of the Company from May 1999 to June 2006 and Corporate Governance Officer from February 2003 to June 2006. From May 1999 to February 2004, Mr. Carpenter served as Senior Vice President of the Company. From 2004 to 2007, he served as a director of Psychiatric Solutions, Inc. Among his other skills and expertise, Mr. Carpenter brings to the Board of Directors his perspective as the Company's CEO, decades of legal, development and corporate governance experience and the perspective gained from serving on the Board of Directors of the Federation of American Hospitals, including serving as Chair since 2010.

**Richard H. Evans, 66, Director since June 2000**

*Richard H. Evans* currently serves as the Chair of the Company's Compensation Committee. Mr. Evans has been the chairman of Evans Holdings, LLC, a real estate investment and real estate services company, since April 1999. Prior to that time, Mr. Evans served as chief executive officer of Huizenga Sports, Entertainment Group, Madison Square Garden Corporation and Radio City Music Hall Productions, chief operating officer of Gaylord Entertainment Company and chief operating officer and corporate director of Florida Panthers Holdings, Inc. Mr. Evans currently serves as a member of the board of directors of TharpeRobbins Company, Inc., an employee recognition company, and previously served as a member of the Board of Governors of the National Basketball Association, the National Hockey League, Major League Baseball and the National Football League. Among his other skills and expertise, Mr. Evans brings to the Board of Directors decades of expertise in managing employee-intensive businesses, consumer-facing organizations and entities with substantial real estate holdings.

**Michael P. Haley, 60, Director since April 2005**

*Michael P. Haley* has served as executive chairman of Coach America, a transportation services operator, since September 2007 and as an advisor to Fenway Partners, LLC, a private equity investment firm, since April 2006 and a managing partner of its affiliate, Fenway Resources, since 2008. From January 2005 to June 2005, Mr. Haley served as chairman of MW Manufacturers, Inc., a producer and distributor of window and door products for the residential construction industry, and served as president and chief executive officer of MW Manufacturers, Inc., from 2001 to January 2005. Mr. Haley is chairman of the board of directors of Stanley Furniture Company (NASDAQ: STLY), a furniture manufacturer, and a member of the board of directors of Ply Gem Industries, Inc. and American National Bankshares, Inc. (NASDAQ: AMNB), a bank holding company. Among his other skills and expertise, Mr. Haley brings to the Board of Directors substantial executive experience and community leadership in markets like those in which the Company operates.

**Table of Contents**

**Continuing Directors**

The persons named below will continue to serve as directors until the annual meeting of stockholders in the year indicated or until their successors are elected and take office. Stockholders are not voting at this Annual Meeting on the election of Class I or Class II directors.

**CLASS I DIRECTORS TERM WILL EXPIRE IN 2012**

**Marguerite W. Kondracke, 65, Director since November 2007**

*Marguerite W. Kondracke* has served as president and chief executive officer of America's Promise Alliance, a not-for-profit children's advocacy organization, since October 2004. Prior to that time, Ms. Kondracke served as special assistant to U.S. Senator Lamar Alexander, as well as the staff director, Senate Subcommittee on Children and Families, between April 2003 and September 2004. From September 2001 to March 2003, Ms. Kondracke served as president and chief executive officer of The Brown Schools, a leading provider of behavioral services for adolescents. Ms. Kondracke is the co-founder, former chief executive officer and current Board member of Bright Horizons Family Solutions, LLC, which provides childcare and other workplace services for employers and families. Ms. Kondracke is currently a member of the Board of Directors of Saks, Inc. (NYSE: SKS), a public company that operates department stores in the United States and overseas. Ms. Kondracke also serves on the Board of Trustees of Duke University and Duke University Medical Center. Her prior experience includes having served as Commissioner of Human Services for the State of Tennessee, where her responsibilities included making eligibility determinations for the state's Medicaid program. She earlier served in various leadership capacities for the Tennessee Department of Public Health. Among her other skills and expertise, Ms. Kondracke brings to the Board of Directors experience in dealing with the legislative and executive branches of government and executive experience in healthcare and other caregiving services, including experience as a chief executive officer.

**John E. Maupin, Jr., 64, Director since May 1999**

*John E. Maupin, Jr.*, currently serves as Chair of the Company's Corporate Governance and Nominating Committee. Dr. Maupin has served as president and chief executive officer of Morehouse School of Medicine since July 2006. From July 1994 through June 2006, he was president and chief executive officer of Meharry Medical College. His other senior administrative positions have included Executive Vice President and Chief Operating Officer of the Morehouse School of Medicine; Chief Executive Officer of Southside Healthcare, Inc. Atlanta, Georgia; and Deputy Commissioner for Medical Services, Baltimore City Health Department, Baltimore, Maryland. Dr. Maupin has served on numerous health-related advisory councils and scientific panels. Most notably, he was recently appointed to the National Healthcare Workforce Commission, which was created by the Patient Protection and Affordable Care Act to serve as a national advisory resource to the U.S. Congress and President. Dr. Maupin is a director of HealthSouth Corporation (NYSE:HLS), a post-acute healthcare management company, and Regions Financial Corporation (NYSE:RF), a bank holding company. He also serves as a director/trustee for VALIC family of funds, a group retirement fund complex. From 2000 to 2006, Dr. Maupin served on the board of directors of Pinnacle Financial Partners, Inc. (NASDAQ:PNFP), a bank holding company. As noted above, Dr. Maupin brings to the Board of Directors a diverse experience as an executive in academic medicine, public health and ambulatory health care, as well as experience in dealing with legislative and executive branches of government and agencies within the U.S. Department of Health and Human Services.

**Owen G. Shell, Jr., 74, Director since December 2002**

*Owen G. Shell, Jr.* currently serves as the Company's Lead Director. From 2006 to December 2010, Mr. Shell served as non-executive Chairman of the Company's Board of Directors. Mr. Shell has over 40 years of executive management experience in the banking industry. He served as president of the Asset Management Group of Bank of America Corporation from November 1996 until his retirement in June 2001. From 1986 through 1996, Mr. Shell served as the president of Bank of America for the Tennessee

**Table of Contents**

region. Prior to that, Mr. Shell held several positions, including chairman, president and chief executive officer of First American National Bank in Nashville, Tennessee. From 2004 to 2007, Mr. Shell served as director of Central Parking Corporation. Among his other skills and expertise, Mr. Shell brings to the Board of Directors his perspective from several years as Lead Director and non-executive Chairman of the Company, as well as his decades of financial experience as an executive in a highly regulated industry.

**CLASS II DIRECTORS TERM WILL EXPIRE IN 2013**

**Gregory T. Bier, 64, Director since February 2008**

*Gregory T. Bier* currently serves as Chair of the Company's Audit and Compliance Committee. Mr. Bier retired in 2002 from Deloitte & Touche LLP. Prior to his retirement, Mr. Bier was the managing partner of the Cincinnati Office of Deloitte & Touche LLP from 1998 to 2002. Mr. Bier joined Haskins & Sells, which later became part of Deloitte, in 1968, and he became a certified public accountant in 1970. Mr. Bier served on the audit committee of Catholic Healthcare Partners, one of the largest not-for-profit health systems in the United States, from 2002 to 2007. He currently serves as a director of Cincinnati Financial Corporation (NASDAQ: CINF), a public company that markets commercial, personal and life insurance through independent insurance agencies. Among his other skills and expertise, Mr. Bier brings to the Board of Directors financial expertise, public company accounting experience and experience with auditing of health care service providers.

**DeWitt Ezell, Jr., 72, Director since May 1999**

*DeWitt Ezell, Jr.* served as state president of Tennessee for BellSouth Corporation, a communications services company, from January 1990 until his retirement in April 1999. Mr. Ezell served in various engineering, regulatory and public relations positions during his 37-year tenure with BellSouth Corporation. Mr. Ezell served as the chairman of the board of BlueCross BlueShield of Tennessee, a non-profit health insurance company, until April 2009. Among his other skills and expertise, Mr. Ezell brings to the Board of Directors decades of executive experience with regulated entities and experience with a large health care payor.

**Your Board of Directors Recommends a Vote FOR Proposal 1**

**Table of Contents**

**CORPORATE GOVERNANCE**

The fundamental duties of the Board of Directors are to oversee the CEO and senior management in the appropriate operation of the Company, to advise the CEO and senior management with respect to the conduct of the Company's business and its strategic direction, and to protect the long-term interests of the stockholders. To satisfy these duties, the directors take a proactive approach through active and frequent communication with the CEO and other members of senior management, by setting the correct tone at the top and ensuring that it permeates the Company's relationships, and by defining what information the Board of Directors should receive and how. The Board of Directors sets its own meeting agendas through its Lead Director and committee chairs.

The Board of Directors believes that governance is far more than a "check the box" activity. Rather, the Board of Directors believes that how it functions is more important than the structure in which it functions. To this end, each director completes detailed evaluations of the performance and effectiveness of the Board of Directors, each of its committees and other directors on an annual basis. As part of this process, the Company's Chief Legal Officer interviews each director privately in an effort to identify any concerns that have not otherwise been identified. The governance structure of the Company is designed to enable the Board of Directors to be an active, collegial body that is prepared to make prompt, principled decisions, provide sound advice and counsel and monitor the Company's compliance efforts, risk management and performance. The key practices and procedures of the Board of Directors are outlined in the Corporate Governance Standards available under the "Corporate Governance" section of the Company's website at [www.lifepointhospitals.com](http://www.lifepointhospitals.com).

**Independence of Directors**

The Board has determined that all Board members except Mr. Carpenter are independent in accordance with the applicable rules of The NASDAQ Stock Market LLC. All committee members, except our Chairman who also serves as chair of the Quality Committee, are independent in accordance with NASDAQ's listing standards.

**Code of Conduct and Code of Ethics**

The Company has a Code of Conduct that provides guidance to all employees, including the Company's CEO, Chief Financial Officer (CFO), principal accounting officer and the Board of Directors (the "Code of Conduct"). The Board of Directors has also adopted the Code of Ethics for Senior Financial Officers and the CEO, which specifically addresses the unique roles of these officers in corporate governance (the "Code of Ethics"). Many of the topics covered in the Code of Ethics are also addressed in the Company's Code of Conduct, and each of the officers subject to the Code of Ethics is subject to, and has agreed to comply with, the Code of Conduct.

The Company's Code of Conduct and Code of Ethics are available under the "Corporate Governance" section of its website at [www.lifepointhospitals.com](http://www.lifepointhospitals.com).

**Compliance Hotline**

The Audit and Compliance Committee has adopted a policy on the reporting of concerns regarding accounting, internal controls or auditing matters. Any person, whether or not an employee, who has a concern about the conduct of the Company or any of the Company's personnel, including with respect to the Company's accounting, internal controls or auditing matters, may, in a confidential and anonymous manner, communicate that concern through an external compliance hotline by calling 1-877-508-5433. The hotline services are available 24 hours a day, seven days a week. All calls to the compliance hotline will be handled on an expedited basis and, under certain circumstances, will be communicated directly to the Chair of the Audit and Compliance Committee.

**Table of Contents**

**Certain Relationships and Related Person Transactions**

In addition to the Company's Corporate Governance Standards, Code of Conduct and Code of Ethics, the Board has approved written policies and procedures that govern the review, approval and/or ratification of transactions between the Company and its directors, director nominees, executive officers, greater than five percent beneficial owners and each of their respective family members, where the amount involved in the transaction exceeds or is expected to exceed \$100,000 in any single calendar year. A copy of the Related Person Transactions Policies and Procedures is available under the Corporate Governance section of the Company's website at [www.lifepointhospitals.com](http://www.lifepointhospitals.com). This policy is administered under the oversight of the Audit and Compliance Committee. To assist this committee in identifying potential related person transactions, each director and executive officer is annually required to identify his or her family members and provide certain information about them. The Company's Corporate Governance Officer disseminates a list of the related persons to various officers and departments of the Company so that such transactions can readily be identified. If a related person transaction is identified in advance and the Corporate Governance Officer determines that the transaction is subject to this policy, he must submit the transaction to the Audit and Compliance Committee (or its Chair, if time is of the essence) for consideration. The Audit and Compliance Committee may generally approve such transactions that are in, or not inconsistent with, the best interests of the Company and its stockholders. The policy also enumerates certain related person transactions that are deemed automatically pre-approved by the Audit and Compliance Committee because the SEC has determined that such transactions are not required to be disclosed or they are unlikely to raise the concerns underlying the SEC's disclosure requirements. During 2010, there were no reportable related person transactions for the Company, and no related person had any reportable indebtedness to the Company or any of its subsidiaries.

**Table of Contents**

**BOARD OF DIRECTORS AND COMMITTEES**

The Company's Board of Directors consists of eight members, seven of whom are independent. The Company's Amended and Restated Certificate of Incorporation provides that the Board of Directors shall be divided into three classes of as nearly equal size as possible. Approximately one-third of the directors are elected each year. The Corporate Governance and Nominating Committee conducts an annual evaluation of the Board of Directors, its committees and the directors, including the Chairman and Lead Director, in order to evaluate their performance prior to nominating any director for additional terms. During this process, the Corporate Governance and Nominating Committee received from the Company's Chief Legal Officer a report regarding any matters of concern found through the review of detailed background checks obtained by the Company's Chief Legal Officer from a third party. In addition, the Corporate Governance and Nominating Committee considers a number of subjective, objective, qualitative and quantitative factors before recommending any nominee to the Board of Directors.

Directors are expected to attend all meetings of the Board of Directors, the annual meeting of stockholders and all meetings of the committees on which they serve, with the understanding that on occasion a director may be unable to attend a meeting. The Board of Directors held 11 meetings (including regularly scheduled and special meetings) during 2010. During 2010, all directors attended the annual meeting of stockholders. Additionally, no director attended fewer than 75% of the aggregate of the total number of meetings of the Board of Directors and the total number of meetings of the committees on which the director served.

**Board Leadership Structure**

Currently, the offices of Chairman of the Board and CEO of the Company are held by the same person. From 2006 to December 2010, the Company had a non-executive Chairman. In December 2010, the Board of Directors determined that the Company's stockholders would be best served by electing Mr. Carpenter to be Chairman of the Board. The Board reached this decision after considering the Company's governance structure and how it functioned, the number of companies in the healthcare services industry that combined the Chairman and CEO roles, Mr. Carpenter's contributions to the Company, including a recognition of his role in setting the Company's strategic direction and in attracting new executive management to the Company, and the importance of the Lead Director position, as defined by the Company and set out in the written job description of the Lead Director. The By-Laws and the Corporate Governance Standards of the Company allow the Chairman and CEO roles to be held by the same person, and in such case, the Board of Directors is required to have an independent Lead Director. The independent members of the Board of Directors selected Mr. Shell, who previously served as the non-executive Chairman of the Board, to serve as the Lead Director. The Lead Director advises and counsels the Chairman, coordinates with the Chairman on the agenda and format for meetings of the Board, chairs executive sessions of the Board and serves as a primary liaison between the independent directors and the CEO.

**Executive Sessions of the Board**

Routinely, the Board of Directors meets in executive sessions in which William F. Carpenter III, the Company's Chairman and CEO and sole management director, and other members of management do not participate. With respect to meetings during 2010, the non-executive Chairman presided over the executive sessions of the Board of Directors. In 2011, the Lead Director began presiding over these sessions.

**Committees of the Board of Directors**

The Board has adopted written charters for each of its four standing committees: the Audit and Compliance Committee; the Compensation Committee; the Corporate Governance and Nominating Committee; and the Quality Committee. The committee charters are available on the Company's website under the Corporate Governance Section at [www.lifepointhospitals.com](http://www.lifepointhospitals.com).

**Table of Contents**

Except for the Quality Committee, the committees of the Board of Directors are composed exclusively of independent directors. The following table shows the current membership of each committee:

<b>Director</b>	<b>Audit and Compliance</b>	<b>Compensation</b>	<b>Corporate Governance and Nominating</b>	<b>Quality Committee</b>
Gregory T. Bier	Chair	X	X	X
Richard H. Evans	X	Chair	X	X
DeWitt Ezell, Jr.	X	X	X	X
Michael P. Haley	X	X	X	X
Marguerite W. Kondracke	X	X	X	X
John E. Maupin, Jr.	X	X	Chair	X
Owen G. Shell, Jr.	X	X	X	X
William F. Carpenter III				Chair

**Audit and Compliance Committee**

The Audit and Compliance Committee is primarily responsible for selecting and overseeing the services performed by the Company's independent registered public accounting firm, evaluating the Company's accounting policies and its system of internal controls, monitoring compliance with the Code of Conduct and the Code of Ethics, and monitoring and overseeing the internal audit and compliance departments of the Company and their respective work plans and programs. The Board has determined that Mr. Bier, Chair of the Audit and Compliance Committee, is qualified as an audit committee financial expert, as defined by SEC rules, and that each member is independent in accordance with the applicable rules of The NASDAQ Stock Market, LLC. During 2010, the Audit and Compliance Committee held nine meetings. The report of the Audit and Compliance Committee is on page 36 of this Proxy Statement.

**Compensation Committee**

The Compensation Committee is primarily responsible for approving compensation arrangements for the CEO and other senior management of the Company and administering the Company's compensation plans. Pursuant to its Charter, the Compensation Committee has authority to delegate any of its responsibilities to subcommittees as the Compensation Committee may deem appropriate. Additionally, the Compensation Committee engaged Mercer Consulting as compensation consultant for 2010 to assist in evaluating the Company's executive and director compensation. During 2010, the Compensation Committee held six meetings. The report of the Compensation Committee is on page 11 of this Proxy Statement.

The Compensation Committee has retained, without recommendation from management, Mercer Consulting as its compensation consultant. Mercer Consulting, which does not directly or indirectly perform any other services for the Company, is a subsidiary of Marsh & McLennan Companies, Inc., and, as a result, has over 700 affiliates that operate in numerous distinct areas of business unrelated to Mercer's compensation consulting practice, including in property and casualty insurance. In connection with insurance activities, as well as fees paid to Mercer as compensation consultant, the Company paid Mercer and its affiliates an aggregate of approximately \$0.5 million during 2010, of which approximately \$0.2 million was for Mercer's services as compensation consultant. Neither the Compensation Committee nor the Board of Directors approved in advance the services of Mercer's affiliates that were not related to executive compensation.

**Corporate Governance and Nominating Committee**

The Corporate Governance and Nominating Committee is primarily responsible for identifying persons qualified to become members of the Board of Directors and, when appropriate, recommending such persons to the Board of Directors as proposed nominees for Board membership; ensuring that a succession plan is in place for the position of CEO and other senior management positions; leading the Board and directors in their respective annual reviews of the performance of the Board, its committees

**Table of Contents**

and individual directors; and regularly reviewing and considering evolving governance practices. During 2010, there were no material changes to the procedures by which a stockholder may recommend nominees to the Board of Directors. During 2010, the Corporate Governance and Nominating Committee held five meetings.

**Quality Committee**

The Board of Directors of the Company established the Quality Committee in February 2010 to monitor and provide leadership with respect to the quality of care provided at hospitals owned by the Company. The Quality Committee has the authority and responsibility to: monitor the Company's performance on established internal and external benchmarking regarding clinical performance and outcomes; facilitate the development of industry best practices based on internal and external data comparisons; consult with the Company's clinical leadership regarding leading edge strategies, including clinical practices to be evaluated for the Company's adoption; foster enhanced awareness of the Company's clinical performance; and help to establish a long-term, strategic clinical vision for the Company. During 2010, the Quality Committee held three meetings.

**Board's Role in Risk Oversight**

The Board of Directors considers risk oversight as a high priority. The role of the Board of Directors is to oversee and monitor the Company's risk management processes. Throughout the year, the Board of Directors and the committees to which it has delegated responsibility dedicate a portion of their meetings to review and discuss specific risk topics. The Board of Directors has delegated responsibility for the oversight of specific risks to the following committees:

The Enterprise Risk Management Committee of the Company, which is comprised of individuals from all major areas of the Company including operational, financial, human resource, legal and risk functions of the Company, is responsible for, among other things, establishing a comprehensive process for the management of risk across the Company and measurement methodologies for quantifying, comparing, benchmarking and prioritizing risks facing the Company;

The Audit and Compliance Committee oversees the Company's guidelines, policies and processes for monitoring and mitigating risk relating to the financial statements and financial reporting processes, as well as key credit risks, liquidity risks, market risks and compliance efforts, and receives reports from the Company's compliance and audit services departments at each of its regular, quarter end and year end meetings;

The Compensation Committee monitors any risks related to the Company's executive compensation policies and practices and the Company's compensation practices in general;

The Corporate Governance and Nominating Committee oversees risks related to the Company's governance structure, processes and risks arising from related person transactions; and

The Quality Committee plays a significant role in evaluating risks with respect to clinical performance and industry practices.

**Compensation Committee Interlocks and Insider Participation**

During 2010, the Compensation Committee of the Board of Directors consisted of Dr. Maupin, Messrs. Evans, Bier, Ezell, Haley and Shell and Ms. Kondracke. None of the members of the Compensation Committee has at any time been an officer or employee of the Company, nor has any of the members had any relationship requiring disclosure by the Company. None of the Company's executive officers serves, or in the past year served, as a member of the board of directors or compensation committee of any entity that has or had one or more of its executive officers serving on the Company's Board of Directors or Compensation Committee.



**Table of Contents**

**Director Nomination Process**

The information required to be provided by a stockholder nominating a candidate for the Board of Directors is set forth in the Company's By-Laws, and the general experience, qualifications, attributes and skills established by the Corporate Governance and Nominating Committee for directors are included in the Company's Corporate Governance Standards. The Company believes that directors should possess the highest personal and professional ethics, integrity and values and be committed to representing the long-term interests of the stockholders. They must also have an inquisitive and objective perspective, practical wisdom and mature judgment. The Company endeavors to have a Board of Directors representing diverse experience, and the Corporate Governance and Nominating Committee will evaluate all potential nominees in the same manner. This committee also considers candidates recommended by current directors, company officers and others.

The deadlines for timely submission by stockholders of persons for election as directors (other than persons nominated by or at the direction of the Board of Directors) at the 2012 annual meeting of stockholders is described in this Proxy Statement under the caption "Additional Information - Other Stockholder Proposals for Presentation at the 2012 Annual Meeting." The Corporate Governance and Nominating Committee will consider nominations by any Company stockholder of record who is entitled to vote at the applicable meeting and who has complied with the notice procedures set forth in the Company's By-Laws.

Nominations by stockholders of persons for election to the Board of Directors also may be made at a special meeting of stockholders if the stockholder's notice required by the Company's By-Laws is delivered not later than the close of business on the later of 90 days prior to such special meeting or the tenth day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting.

**Stockholder Communication with the Board of Directors**

Stockholders who wish to communicate with the Board of Directors (or specified individual directors), including the non-management directors as a group, may do so by addressing their correspondence to the appropriate member(s) of the Board of Directors (or the Board as a whole), c/o the Corporate Secretary, LifePoint Hospitals, Inc., 103 Powell Court, Brentwood, Tennessee 37027. All written communications received in such manner from stockholders of the Company will be forwarded to the members of the Board of Directors to whom the communication is directed or, if the communication is not directed to any particular member(s) of the Board of Directors, the communication will be forwarded to all members of the Board of Directors.

**Table of Contents**

**COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed and discussed with management the disclosures contained in the section entitled "Compensation Discussion and Analysis" required by SEC Regulation S-K, Item 402(b) beginning on page 12 of this Proxy Statement. Based on such review and discussions, the Compensation Committee recommended to the Board of Directors that the section entitled "Compensation Discussion and Analysis" be included in this Proxy Statement for the Annual Meeting and incorporated by reference in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

**COMPENSATION COMMITTEE**

Richard H. Evans, Chair  
Gregory T. Bier  
DeWitt Ezell, Jr.  
Michael P. Haley  
Marguerite W. Kondracke  
John E. Maupin, Jr.  
Owen G. Shell, Jr.  
Dated: April 21, 2011

**Table of Contents**

**COMPENSATION DISCUSSION AND ANALYSIS**

**Executive Summary and 2010 Highlights**

The Company's executive compensation program is designed to balance stockholder interests with the Company's needs to retain and motivate executive talent. The Company also strives to conform its pay practices with sound governance practices.

Key features of the Company's program include:

*Pay-for-performance:* Over 75% of the targeted total compensation for the NEOs is at risk based on the Company's financial performance and the performance of the Company's stock price.

*Performance-based equity:* All of the NEOs' long-term equity awards are performance-based, through the granting of stock options and restricted stock awards, and typically are subject to time-vesting. Additionally, restricted stock awards typically require the Company to achieve certain financial goals before vesting.

*Strategic alignment:* The Company's non-equity incentive plan contains specific targets regarding financial measures, such as growth in revenue, earnings before interest, taxes, depreciation and amortization (EBITDA), and earnings per share (EPS), and on patient satisfaction and quality care, consistent with our business strategy. The Compensation Committee sets these targets at the beginning of each year.

*Stockholder-friendly policies:* The Company has adopted stock ownership guidelines for the NEOs and a recoupment policy that provides for reimbursement of incentive compensation paid based on a financial restatement because of fraud. Additionally, with limited exceptions, the Company's executive compensation approach does not involve the use of perquisites beyond those available to employees generally.

The operation of the Company's executive compensation plan and actions taken by the Compensation Committee in 2010 highlight our emphasis on pay-for-performance.

The Company achieved financial results exceeding its targets while also achieving all of its patient satisfaction and quality metrics goals. Compared to 2009, the Company's:

- revenues increased by 10.1%

- EBITDA increased by 6.6%

- EPS increased by 12.4%

As a result of the Company's financial performance and achievement of patient satisfaction and quality metrics goals, the annual cash bonus payouts under the Company's non-equity incentive plan were at 169% of the Target Bonus.

The 2010 financial goals set for our restricted share awards were also achieved, and the shares will become unrestricted in 2013.

No salary increases were given to any of our NEOs in 2010.

**Principles of Executive Compensation**

The Compensation Committee is comprised solely of the Company's seven independent directors. The Compensation Committee oversees and directs the Company's executive compensation program and, on an annual basis, sets the compensation of the executive officers who are named in the section titled "Compensation of Executive Officers Summary Compensation Table" (the NEOs) and of a number of other officers of the Company.

**Table of Contents**

When setting executive compensation, the Compensation Committee seeks to correctly balance the following five principles (the Principles): (i) to attract, motivate and retain exceptional leaders, the Company's compensation must be competitive, in form and amount, with the compensation available from other employers and professional opportunities; (ii) to foster the tone at the top that it desires and to ensure equity among all senior executives, the compensation paid to each NEO should be within a reasonable range of that paid to the other NEOs and the Company's other senior executives; (iii) the Company benefits from a compensation system that is easy to monitor, implement, understand and describe; (iv) the Company's compensation program should drive the best financial results; and (v) the Company's compensation program must take into account the heavily regulated nature of the Company's business, the harm that could be done to the Company if its compensation policies incentivize unacceptable risks or if employees feel that they can benefit financially by taking improper legal or ethical risks, and the need for high quality care to be provided in the Company's hospitals. The Principles are not applied in a rigid or formulaic manner, but in a manner intended to further the long-term interests of the Company, its stockholders and other stakeholders.

**Components of Compensation**

In 2010, the Company's executive compensation program was comprised of three main elements. These elements were: (i) base salary; (ii) the possibility of receiving an annual cash bonus under the Executive Performance Incentive Plan (the EPIP) if pre-established performance criteria were met; and (iii) long-term equity-based incentives in the form of stock options and performance-based restricted shares.

The Compensation Committee allocates compensation to individuals both as to specific components and as a whole (Total Compensation), and strives to target Total Compensation opportunities for each NEO within the range of Total Compensation for comparable executives at publicly-reporting healthcare companies that the Compensation Committee considered comparable to the Company in terms of revenue, market capitalization and/or other relevant indicators (which are referred to as the comparator companies).<sup>1</sup>

In 2010, over 75% of the targeted Total Compensation of the NEOs was performance-based, consisting of (i) annual cash bonuses if performance criteria were met, (ii) performance-based restricted shares and (iii) stock options. Through this mix of compensation components, the Compensation Committee seeks to incentivize year-to-year progress, long-term performance, and retention. Also, because a significant portion of each NEO's compensation is performance-based, the actual compensation realized by each NEO depends on the performance of the Company, and the value of its shares of Common Stock, over both the short and long terms.

*Base Salary*

The base salaries of the NEOs are determined on an annual basis by the Compensation Committee based largely on its application of the Principles. The Compensation Committee believes that base salaries should be targeted within the range of base salaries for comparable executives at comparator companies, and that they should also take into account other relevant factors such as the NEO's unique roles and responsibilities, his or her performance over a period of years, experience and results. Accordingly, the base salary of any particular individual may be above or below the median of the applicable range of base salaries paid by the comparator companies.

<sup>1</sup> The Compensation Committee considered the following comparator companies when making its 2010 compensation decisions: Brookdale Senior Living Inc., Community Health Systems, Inc., DaVita Inc., Gentiva Health Services, Inc., HealthSouth Corp, Health Management Associates, Inc., Kindred Healthcare, Inc., Lincare Holdings, Inc., Psychiatric Solutions, Inc., Sun Healthcare Group, Inc., Sunrise Senior Living, Inc., Universal Health Services, Inc. and Varian Medical Systems, Inc. The Compensation Committee determined that the comparator companies constituted a relevant group for purposes of comparing compensation data, although in some cases it also evaluated proprietary survey data relating to a larger group of companies.

**Table of Contents**

*Annual Cash Bonuses*

The Compensation Committee sets a target annual cash bonus expressed as a percentage of each NEO's base salary (the Target Bonus). A significant amount of each NEO's potential annual cash compensation, the Target Bonus is earned only if the Company meets or exceeds annual performance targets set by the Compensation Committee at the start of each year (the Performance Criteria). The opportunity to earn a Target Bonus is intended to incentivize the NEOs, from year to year, to manage the Company in a manner that emphasizes the Company's performance against the Performance Criteria. The NEOs can earn an amount less than their Target Bonuses if Performance Criteria are partially achieved, but in excess of minimum, threshold targets. The NEOs also have the opportunity to earn an amount greater than their Target Bonuses if goals for certain Performance Criteria are exceeded, as was the case in 2010 with respect to three of the Performance Criteria. The maximum potential bonus for an NEO in 2010 was equal to 200% of the Target Bonus.

Although the Performance Criteria may be revised by the Compensation Committee to reflect a material change in the Company's strategic initiatives, no such revision was made with respect to the 2010 Performance Criteria.

With respect to specific Performance Criteria for 2010, 75% of the Target Bonus of each NEO was based on the Company's actual financial performance against the following goals:

twenty-five percent (25%) of the Target Bonus was payable if the Company achieved annual net revenues from continuing operations of at least \$3,163.6 million and, because the Company's actual result of \$3,262.4 million in annual net revenues from continuing operations exceeded the goal, 58% of the Target Bonus was earned, which was the maximum potential for this Performance Criteria;

twenty-five percent (25%) of the Target Bonus was payable if the Company achieved annual adjusted EBITDA from continuing operations of at least \$497.6 million and, because the Company's actual result of \$500.1 million in adjusted EBITDA from continuing operations exceeded the goal, 33% of the Target Bonus was earned; and

twenty-five percent (25%) of the Target Bonus was payable if the Company achieved annual diluted earnings per share (EPS) from continuing operations of at least \$2.78 and, because the Company's actual result of \$2.91 in annual diluted EPS from continuing operations exceeded the goal, 53% of the Target Bonus was earned.

The remaining twenty-five percent (25%) of the Target Bonus was payable if the Company achieved patient satisfaction and quality metrics with respect to the care provided at the Company's hospitals, including improved core measure scores, Hospital Consumer Assessment of Healthcare Providers and Systems scores and Emergency Department satisfaction scores in excess of the national average, and the full 25% was earned for 2010 achievements. Annual cash bonus payments to the NEOs are made under the terms of the EPIP. The Compensation Committee may reduce any such bonus in its sole and absolute discretion, regardless of the achievement of the Performance Criteria. The actual cash bonus paid for 2010 to each NEO is shown in the Summary Compensation Table.

*Long-Term Equity-Based Incentives*

Long-term equity-based awards are intended to incentivize the NEOs to: manage the Company in a manner that emphasizes long-term value creation for the Company's stockholders, including share price appreciation; minimize any reason to seek short-term gains at the expense of long-term growth and value creation; emphasize ethical and legal compliance throughout the Company and its hospitals; and remain employed with the Company. These awards also consider the fact that, in contrast to several comparator companies, the Company offers no supplemental welfare or retirement benefits to the NEOs beyond

**Table of Contents**

those available to employees generally, except for the recently approved supplemental long-term disability plan. The Compensation Committee awards options and restricted shares to offer competitive compensation arrangements with substantial performance and employee retention components. In administering the Company's equity-based incentive programs, the Compensation Committee regularly evaluates the total cost of such programs.

**Stock Option Awards**

In 2010, the Compensation Committee made its annual grant of stock option awards to the NEOs at its first regularly scheduled meeting. All stock option awards granted in 2010 to NEOs vest in three equal installments on the first, second and third anniversary following the date of the grant. The Compensation Committee believes that stock options are inherently performance-based as value is realized only if the price per share of the Common Stock increases. The regularly scheduled meetings of the Compensation Committee at which stock option awards are granted do not typically coincide with earnings releases or other periodic filings of the Company that may have a material effect on the stock price of the Company and are scheduled in advance without regard to those events. Under the provisions of the Company's 1998 Amended and Restated Long-Term Incentive Plan (the "LTIP"), which is the sole plan under which stock options are granted to NEOs, the exercise price of an option is set as the closing price of the Common Stock on the most recent trading date before the grant date. The Compensation Committee does not grant stock option awards with reload features and follows a policy against the re-pricing of stock options.

**Restricted Share Awards**

In 2010, the Compensation Committee granted restricted share awards to the NEOs under the LTIP pursuant to the EPIP. As with stock option awards, the Compensation Committee granted restricted share awards to the NEOs at its first regularly scheduled meeting. Additionally, Mr. Dill received a supplemental grant of restricted share awards in June 2010 in connection with the Compensation Committee's mid-year analysis discussed in more detail below. In order to realize any value from the restricted shares, (i) the NEO must remain employed by the Company through the three-year anniversary of the grant date, and (ii) the Company must exceed an annual net revenue or EBITDA performance target established by the Compensation Committee on each annual grant date. For the 2010 grant of restricted share awards to the NEOs, the Compensation Committee conditioned the grant of restricted shares upon achievement by the Company during any one of the fiscal years 2010, 2011 or 2012 of either (a) annual net revenues from continuing operations of \$3,163.6 million or (b) annual adjusted EBITDA from continuing operations of \$497.6 million.

**Benefits and Perquisites**

The NEOs generally receive only those benefits and perquisites available to employees generally. The NEOs are eligible to participate in the Company's health and welfare programs, the 401(k) Plan, and other employee recognition programs on the same basis as other employees. The Company offers all employees group life, disability, medical, dental and vision insurance and other comparable benefits.

The Company maintains a Management Stock Purchase Plan (the "MSPP"), available to approximately 306 management level employees of the Company, including the NEOs, which allows participants to purchase shares of the Common Stock at an amount equal to 75% of the average market value of the Common Stock since the last grant date. Shares purchased under the MSPP are restricted until the third anniversary of the date of purchase and vest only if the participant continues to be employed by the Company.

Effective as of January 1, 2010, the Company implemented a deferred compensation plan (the "Deferred Compensation Plan") for which the NEOs and certain other senior executives of the Company are eligible. Pursuant to the Deferred Compensation Plan, the NEOs and other participants in the Deferred

**Table of Contents**

Compensation Plan may defer up to 50% of their annual base compensation and up to 100% of any annual cash bonus. In the discretion of the Compensation Committee, the Company may make additional contributions to be credited to the account of any or all participants in the Deferred Compensation Plan. Any such additional Company contributions generally will vest after two years or upon a change of control of the Company. In September 2010, management of the Company recommended and the Compensation Committee approved the implementation of a restoration match program under the Deferred Compensation Plan. Under the restoration match program, the Company matches funds in the Deferred Compensation Plan in an amount equal to the gap between IRS limitations and the maximum amount participants can achieve under the Company's 401(k) Plan. Effective January 1, 2011, the Deferred Compensation Plan was amended to describe the restoration match program. Also, on March 14, 2011, the Deferred Compensation Plan was amended to allow for mid-year deferral elections under limited circumstances.

Additionally, in September 2010, management of the Company recommended and the Compensation Committee approved the implementation of a supplemental long-term disability plan to accommodate certain employees, including the NEOs, who cannot receive a maximum payout under the existing long-term disability plan because of limitations within the plan.

*Change in Control Protections*

The NEOs are covered by the Company's Change in Control Severance Plan (the "Change in Control Plan"). The Change in Control Plan provides certain payments and benefits to the NEOs upon a change in control, if the employment of the NEOs is subsequently terminated or materially diminished. For more information about the Change in Control Plan, please refer to the section below entitled "COMPENSATION OF EXECUTIVE OFFICERS Potential Payments upon Termination or Change in Control" Change in Control Arrangements.

**Compensation of the Named Executive Officers**

The compensation of individual NEOs is determined by the Compensation Committee. The Chair of the Compensation Committee has a significant role in determining the compensation recommendations made to the committee for its consideration, and works closely with John P. Bumpus, the Company's Executive Vice President and Chief Administrative Officer, and Mercer Consulting, the Compensation Committee's compensation consultant in formulating such recommendations. Periodically, Mr. Carpenter also provides input regarding these recommendations to Mr. Bumpus or directly to the Chair of the Compensation Committee. The recommendations made to the Compensation Committee regarding base salaries, annual cash bonuses and related Performance Criteria, and long-term equity-based incentive recommendations for the Company's NEOs were based largely on the competitive market data contained in the compensation consultant's reports, application of the Principles and other relevant factors including the experience, responsibilities and performance of each NEO.

For compensation set in 2010, the compensation consultant assisted the Compensation Committee in its comparative evaluation of the compensation practices of the Company compared to those of the comparator companies. The Compensation Committee uses the compensation practices of the comparator companies to benchmark the compensation paid to the NEOs.

As noted above, the Compensation Committee strives to establish the Total Compensation of the individual NEOs within the range of Total Compensation paid to comparable executives by the comparator companies. When exercising its judgment in this regard, the Compensation Committee considers other factors including the experience, responsibilities and performance of each NEO, the performance of the NEOs as a team and the Company's overall financial performance. The Compensation Committee also takes into account whether each NEO is, in its judgment, fairly compensated and sufficiently incentivized to remain with the Company. Owen G. Shell, Jr., the Company's Lead Director, directly and significantly influences compensation decisions made with respect to Mr. Carpenter. Mr. Shell reviews Mr. Carpenter's performance based on his observations and with input from all other

**Table of Contents**

independent directors and discusses the results of this performance review with Mr. Carpenter. Mr. Shell also makes compensation recommendations to the Compensation Committee with respect to Mr. Carpenter. The Compensation Committee recognizes that the NEOs have significant experience relevant to the execution of the Company's strategic initiatives and goals, and that they also have substantial operating history with the Company. As a result, when considering the retention risk posed by the compensation decisions made with respect to each NEO, the Compensation Committee takes into account the disruption that could be caused by the unplanned or unexpected departure of one or more NEOs, including the time that might be required for any successor to fully transition into his or her duties, and the potential costs that the Company would incur if it is required to replace an NEO (or fill the position vacated by his or her internal successor) with an external candidate. Ultimately, the Compensation Committee seeks to balance its view that it is fairly compensating and incentivizing the NEOs (without over-compensating any NEO or establishing incentives that might reasonably be expected to lead to risky or inappropriate behavior) with the Company's desire to retain the NEOs.

Recommendations for merit increases in base salary for the NEOs historically occurred at the Compensation Committee's first meeting each year. For 2010, the Compensation Committee deferred any recommendations for merit increases until the second quarter meeting. In June 2010, the Compensation Committee reviewed management's recommendations regarding merit increases for the senior management team, including the NEOs, and received the compensation consultant's report regarding comparator company compensation practices. At the recommendation of management, the Compensation Committee did not approve any merit increases in 2010 base salary for the NEOs, but did approve a supplemental grant of 6,500 restricted share awards to Mr. Dill.

*Recent Compensation Committee Actions*

As discussed above, at its meeting in September 2010, the Compensation Committee accepted management's recommendation that the Company implement a restoration program under the Deferred Compensation Plan and a supplemental long-term disability plan.

At its meeting in February 2011, the Compensation Committee approved management's recommendation for merit increases to the base salary of each NEO, including a larger percentage increase for Mr. Dill in consideration of his promotion to the role of President of the Company and evaluation of his compensation relative to comparable executives at comparator companies. At this meeting, the Compensation Committee also set the 2011 Performance Criteria for the NEOs and certified that the Restricted Shares granted in 2010 had met the Performance Criteria set at the time they were granted.

The Compensation Committee made certain changes in its approach to the 2011 Performance Criteria from 2010. First, the Compensation Committee bifurcated the percentage of the Target Bonus previously allocated to annual net revenue by creating performance goals for adjusted revenue from the trailing 12 months of acquisitions closed in the calendar year. The calculation of adjusted acquisition revenue will be based on the trailing 12 month performance of an acquisition target at the time of the closing of the acquisition. Revenue and EBITDA from an acquired entity or asset that are generated after the closing of such acquisition will be included in the Company's financial results from continuing operations. The Compensation Committee believes that this approach incentivizes growth through acquisitions in 2011 without losing focus on the importance of identifying acquisition targets that are accretive to the Company's overall financial health. Second, while the maximum percentage of the Target Bonus attributable to the Company's achievement of defined patient satisfaction and quality metrics with respect to the care provided at the Company's hospitals remained unchanged, the Compensation Committee approved parameters that allow for the realization of less than the maximum Target Bonus. Third, the Compensation Committee increased the maximum bonus from 200% of the Target Bonus to 250% of the Target Bonus.



**Table of Contents**

The Target Bonus of each NEO will be based on the Company's actual performance against the following goals:  
twenty-five percent (25%) of the Target Bonus is payable if the Company achieves certain defined patient satisfaction and quality metrics with respect to the care provided at the Company's hospitals;

twelve and one-half percent (12.5%) of the Target Bonus is payable if the Company achieves targeted annual net revenue from continuing operations;

twelve and one-half percent (12.5%) of the Target Bonus is payable if the revenue of facilities acquired by the Company during 2011 exceeds a targeted amount (as determined based on the pre-acquisition revenue of acquired facilities);

twenty-five percent (25%) of the Target Bonus is payable if the Company achieves targeted annual adjusted EBITDA from continuing operations; and

twenty-five percent (25%) of the Target Bonus is payable if the Company achieves targeted annual diluted EPS from continuing operations.

Also in 2011, the Compensation Committee changed its approach to granting equity-based compensation. Under the new approach, equity-based grants to NEOs are tied to the specific dollar value of such grants (such that the number of restricted share awards and stock option awards granted to NEOs is determined based on the Company's stock price divided by the target dollar value of the grant). Prior to 2011, NEOs were granted a fixed number of restricted share awards and stock option awards (which number was not specifically a function of the Common Stock price or the dollar value of such grant). The primary factor in the Compensation Committee adopting this approach, which resulted in a lower grant value in 2011, was to allow the Company to better monitor its benchmarking of NEO compensation to comparator companies. The Company has experience using the fixed value approach in recent years with respect to the compensation of its directors.

**Stock Ownership Guidelines**

The Compensation Committee has established stock ownership guidelines applicable to senior executives (including the NEOs) and non-employee directors. These ownership guidelines provide that the subject persons should own Company stock equal in value to their annual salary (or, in the case of directors, their annual retainer) within five years from the date they become subject to the ownership guidelines. The Compensation Committee will monitor compliance with the stock ownership guidelines on an annual basis.

**Recoupment Policy**

The NEOs are subject to a Recoupment Policy Relating to Unearned Incentive Compensation of Executive Officers (the Recoupment Policy). Generally, the Recoupment Policy provides that if the Board of Directors determines that a senior executive (including, but not limited to, one of the NEOs) has committed fraud and such fraud caused the Company to be required to restate its financial statements, the Board of Directors may take, in its discretion, such action as it deems appropriate with respect to the fraud.

The Board of Directors will, in all cases it determines appropriate, require reimbursement of any incentive compensation paid to an executive subject to the policy. The Board of Directors may also require reimbursement from executives subject to the Recoupment Policy of gains realized upon the exercise of any equity-based awards previously made to such person that vested after the date of adoption of the Recoupment Policy. The Recoupment Policy would allow reimbursement from an executive subject to the policy only if and to the extent that (a) the amount paid to or realized was calculated based upon the achievement of certain financial results that were subsequently reduced due to the restatement, (b) if the Board of Directors determines that such person actually committed a fraud that

**Table of Contents**

obligated the Company to restate its financial statements, and (c) the amount of the incentive compensation that would have been paid to, or the amount of the gains realized by, an executive subject to the policy, had the financial results not been restated, would have been lower than the amount actually paid or realized. The Board of Directors will not seek to recover compensation paid or amounts realized more than three years prior to the date that the applicable restatement is first publicly disclosed.

**Impact of Tax Treatment**

Under Section 162(m) of the Internal Revenue Code, publicly held corporations may not take a tax deduction for compensation in excess of \$1.0 million paid to an NEO unless that compensation meets the Internal Revenue Code's definition of performance-based compensation. Section 162(m) allows a deduction for compensation to a specified executive that exceeds \$1.0 million only if it is paid solely upon attainment of one or more performance goals pursuant to a qualifying performance-based compensation plan adopted by the Compensation Committee, the terms of which are approved by the stockholders before payment of the compensation.

The Compensation Committee considers deductibility under Section 162(m) with respect to compensation arrangements for executive officers. The Committee believes that it is in the Company's best interests for the Committee to retain its flexibility and discretion to make compensation awards to foster achievement of performance goals established by the Compensation Committee and the Principles. The Compensation Committee believes that the Company's outstanding stock options and restricted share grants qualify as performance-based compensation and are not subject to any deductibility limitations under Section 162(m). Grants of restricted stock, restricted stock units, stock options or other equity-based awards that are not subject to specific quantitative performance measures will likely not qualify as performance-based compensation and, in such event, would be subject to Section 162(m) deduction restrictions.

**Table of Contents****COMPENSATION OF EXECUTIVE OFFICERS****Executive Officers of the Company**

The following list identifies the name, age and position(s) of the executive officers of the Company:

<b>Name</b>	<b>Age</b>	<b>Position</b>
William F. Carpenter III	56	Chairman and Chief Executive Officer
David M. Dill	42	President and Chief Operating Officer
Jeffrey S. Sherman	45	Executive Vice President and Chief Financial Officer
Paul D. Gilbert	44	Executive Vice President, Chief Legal and Development Officer; Corporate Governance Officer; Corporate Secretary
John P. Bumpus	50	Executive Vice President and Chief Administrative Officer
Lanny R. Copeland, M.D.	66	Chief Medical Officer
Joné Law Koford	54	President, Strategic Growth and Development
R. Scott Raplee	45	President, Operations Support and Planning
Michael S. Coggin	41	Senior Vice President and Chief Accounting Officer

The term of each executive officer runs until his or her successor is appointed by the Board, or until his or her earlier death, resignation or removal. Below is a biographical summary of the experience of the executive officers of the Company. Information pertaining to Mr. Carpenter, who is both a director and an executive officer of the Company, may be found in the section entitled Proposal 1 Election of Directors.

*David M. Dill* has served as President of the Company since January 2011 and as Chief Operating Officer of the Company since April 2009. Mr. Dill served as Executive Vice President from April 2009 to January 2011. From February 2008 to April 2009, Mr. Dill served as the Company's Executive Vice President and Chief Financial Officer. Mr. Dill joined the Company in July 2007 as Chief Financial Officer. From March 2006 until Mr. Dill joined the Company, he served as executive vice president of Fresenius Medical Care North America and as chief executive officer of one of two United States divisions of Fresenius Medical Care Services, a wholly owned subsidiary of Fresenius Medical Care AG & Co. KGaA. Mr. Dill previously served as executive vice president, chief financial officer and treasurer of Renal Care Group, Inc., a publicly traded dialysis services company, from November 2003 until Renal Care Group was acquired by Fresenius Medical Care in March 2006. From 1996 to November 2003, Mr. Dill served in various finance and accounting roles with Renal Care Group, Inc. Mr. Dill served as a member of the board of directors of Psychiatric Solutions, Inc., a behavioral health services company, from 2005 until 2010.

*Jeffrey S. Sherman* has served as Executive Vice President and Chief Financial Officer since joining the Company in April 2009. From September 2005 until he joined the Company, Mr. Sherman served as Vice President and Treasurer of Tenet Healthcare, where he managed all aspects of corporate finance, including cash flow management and capital structure, and was responsible for risk management. Mr. Sherman worked in various capacities for Tenet and its predecessor company since 1990, including as a hospital chief financial officer, regional vice president and ultimately as the company's treasurer.

*Paul D. Gilbert* has served as Executive Vice President, Chief Legal Officer and Corporate Governance Officer of the Company since February 2008. Since February 2009, Mr. Gilbert has also served as the Company's Chief Development Officer and, since December 15, 2010, he has also served as Corporate Secretary. From August 2006 until February 2008, Mr. Gilbert served as Senior Vice President, General Counsel, Secretary and Corporate Governance Officer of the Company. Prior to such time, Mr. Gilbert was a partner in the law firm of Waller Lansden Dortch & Davis, LLP from January 1999 to August 2006. While in private practice, Mr. Gilbert advised hospitals and healthcare systems in the acquisition, affiliation, joint venture, sale or merger of acute care hospitals and behavioral or psychiatric hospitals throughout the United States and the Caribbean.

*John P. Bumpus* has served as E