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TRIAD HOSPITALS INC  
Form DEF 14A  
April 30, 2001

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  
(Amendment No. )

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 Under Rule 14a-12

TRIAD HOSPITALS, INC.

-----  
(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement)

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:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:

TRIAD HOSPITALS, INC.  
13455 Noel Road, 20th Floor  
Dallas, Texas 75240

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
MAY 29, 2001 AT 10:00 A.M., LOCAL TIME  
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To our stockholders:

The 2001 Annual Meeting of Stockholders of Triad Hospitals, Inc. will be held at the Sheraton Park Central Hotel, 7750 LBJ Freeway, Dallas, Texas 75251 on Tuesday, May 29, 2001, beginning at 10:00 a.m., local time. The meeting will be held for the following purposes:

1. To elect four directors to serve until the 2004 annual meeting of stockholders, or until their respective successors shall have been duly elected and qualified.
2. To ratify the appointment of Ernst & Young LLP as our independent auditors.
3. To consider and vote on an amendment to the Triad Hospitals, Inc. Outside Directors Stock and Incentive Compensation Plan to increase the number of authorized shares thereunder from 240,000 to 400,000.
4. To transact such other business as may properly come before the meeting.

Stockholders of record at the close of business on April 23, 2001 are entitled to notice of, and to vote at, the Annual Meeting. A complete list of the stockholders entitled to vote at the Annual Meeting will be available for examination by any stockholder at our executive offices, during ordinary business hours, for a period of at least ten days prior to the Annual Meeting.

You are cordially invited to be present. Stockholders who do not expect to attend in person are requested to sign and return the enclosed form of proxy in the envelope provided, or vote by telephone or Internet (instructions are on your proxy card). At any time prior to their being voted, proxies are revocable by written notice to the Secretary of the Company or by voting at the meeting in person.

By order of the Board of Directors

DONALD P. FAY  
Executive Vice President,

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General Counsel and Secretary

April 30, 2001

TRIAD HOSPITALS, INC.  
13455 Noel Road, 20th Floor  
Dallas, Texas 75240

## PROXY STATEMENT

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ANNUAL MEETING OF STOCKHOLDERS  
To be held May 29, 2001  
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This statement is furnished in connection with the solicitation of proxies by the Board of Directors of Triad Hospitals, Inc. ("Triad" or the "Company") from holders of the Company's outstanding shares of common stock entitled to vote at the 2001 Annual Meeting of Stockholders of the Company (and at any and all adjournments or postponements thereof) (the "2001 Annual Meeting") for the purposes referred to below and set forth in the accompanying Notice of Annual Meeting of Stockholders. Stockholders of record at the close of business on the record date, April 23, 2001, are entitled to notice of and to vote at the 2001 Annual Meeting. This Proxy Statement and the accompanying proxy materials are first being mailed to stockholders on or about April 30, 2001.

## RECENT DEVELOPMENTS

On October 18, 2000, Triad entered into an agreement and plan of merger with Quorum Health Group, Inc. ("Quorum") pursuant to which Quorum will merge with and into Triad and Triad will be the surviving corporation (the "Merger"). On April 26, 2001, the stockholders of both Triad and Quorum held special meetings at which each approved the Merger. Upon consummation of the Merger, Quorum stockholders will be entitled to receive \$3.50 in cash and 0.4107 shares of Triad common stock for each share of Quorum stock; Triad expects to issue approximately 36.3 million shares of Triad common stock to Quorum stockholders. Because these shares will be issued after the record date for the 2001 Annual Meeting, they will not be eligible to vote at the 2001 Annual Meeting. At the time this proxy statement was printed, the Merger was scheduled to close on or about April 27, 2001.

Triad common stock has been traded under the symbol "TRIH" on the Nasdaq National Market System since Triad became a publicly traded company. Triad has received approval for listing from the New York Stock Exchange, and expects that its common stock will commence trading under the symbol "TRI" on the New York Stock Exchange on or about April 30, 2001. At that time, Triad common stock will cease trading on the Nasdaq National Market System.

## GENERAL INFORMATION ABOUT THE MEETING

### Voting At The Annual Meeting

As of the record date, there were approximately 34,850,497 shares of the Company's common stock outstanding and entitled to vote. Each share of common stock entitles the holder to one vote on all matters presented at the 2001 Annual Meeting.

The presence at the meeting, in person or by proxy, of at least a majority of the outstanding shares of common stock entitled to vote is necessary to

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constitute a quorum to transact business at the 2001 Annual Meeting. The affirmative vote of a plurality of the shares of common stock represented at the 2001 Annual Meeting, in person or by proxy, is necessary for the election of directors. Stockholders will determine any other matters submitted to them by a majority of the votes present or represented by proxy and entitled to vote,

provided that, in the case of the proposal to increase the number of shares authorized under the Triad Hospitals, Inc. Outside Directors Stock and Incentive Compensation Plan, the total votes cast on the proposal represents at least a majority of the outstanding shares of common stock entitled to vote at the 2001 Annual Meeting.

A stockholder who is present or represented by proxy at the 2001 Annual Meeting will be counted for purposes of determining if a quorum exists even if the stockholder abstains from voting. Votes withheld from the election of any nominee for director and abstentions from any other proposal will not be counted in the number of votes cast on any matter. If a broker does not receive voting instructions from the beneficial owner of shares on a particular matter and indicates on the proxy that it does not have discretionary authority to vote on that matter, those shares will be considered as present and entitled to vote with respect to that matter, but will not be counted in the number of votes cast "for" or "against" the matter.

Shares of common stock represented by properly executed proxies will be voted at the 2001 Annual Meeting according to the directions marked on the proxies, unless they have previously been revoked. If the stockholders do not give directions on the proxies, the proxy holder will vote them for the election of each nominee named under "Election of Directors," for the ratification of Ernst & Young LLP as our independent auditors, and for the approval of the amendment to increase the number of shares authorized under the Triad Hospitals, Inc. Outside Directors Stock and Incentive Compensation Plan.

Stockholders can vote their shares:

- . through the Internet at the website shown on the proxy card;
- . by telephone using the toll-free number shown on the proxy card;
- . by returning the enclosed proxy card; or
- . in person at the 2001 Annual Meeting.

Votes submitted through the Internet or by telephone must be received by 11:59 P.M., Eastern Time, on May 28, 2001. Internet and telephone voting are available 24 hours a day, and a stockholder that uses one of these methods does not need to return a proxy card. Voting in person at the meeting supersedes any earlier voting instructions.

The beneficial owner of shares held in "street name" by a broker, bank or other nominee is entitled to instruct the broker, bank or nominee, as the record holder of the shares, how to vote those shares. The broker, bank or nominee should have enclosed a voting instruction card to use in directing it on how to vote such shares.

A stockholder may change his or her voting instructions at any time prior to the vote at the 2001 Annual Meeting. For shares held directly, a vote may be changed by granting a new proxy, through the Internet, by telephone or in writing, which bears a later date (thereby automatically revoking the earlier proxy) or by attending the 2001 Annual Meeting and voting in person. The proxy holder's powers will be suspended if you attend the meeting in person and so

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request, although attendance at the meeting will not by itself revoke a previously granted proxy. For shares beneficially owned by a stockholder, but held in "street name" by a broker, bank or other nominee, a vote may be changed by submitting new voting instructions to the broker, bank or nominee.

### Solicitation Expenses

Expenses in connection with the solicitation of proxies will be borne by Triad. Brokers, custodians and fiduciaries will be requested to transmit proxy material to the beneficial owners of common stock held of record by such persons, at Triad's expense. Triad has retained Georgeson Shareholder Communications Inc. to aid in the solicitation of proxies, and for its services expects to pay fees of approximately \$8,000 plus expenses.

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### Stock Ownership of Certain Beneficial Owners and Management

The following table sets forth information with respect to the ownership of Triad's common stock by persons known by Triad to own more than 5% of its outstanding common stock, Triad's directors and Triad's executive officers. The stock ownership information presented in the table for Triad's directors and executive officers is as of March 31, 2001. All other stock ownership information is based on filings with the Securities and Exchange Commission ("SEC") that report stock ownership information as of December 31, 2000. The table does not reflect the issuance of approximately 36.3 million shares of Triad common stock in the Merger. After giving effect to such issuance, Triad estimates that A I M Management Group, Inc., A I M Advisors, Inc. and A I M Capital Management, Inc. would beneficially own approximately 5.1% of the outstanding shares of Triad common stock. No other person listed below is expected to beneficially own more than 5% of the outstanding shares of Triad common stock after the Merger. In addition, Russell L. Carson, who is expected to become a director of Triad after the merger, will beneficially own approximately 12% of the outstanding shares of Triad common stock (including shares owned by Welsh, Carson, Anderson & Stowe VIII, L.P., which he is deemed to beneficially own pursuant to SEC rules and regulations).

Name of Beneficial Owner -----	Number of Shares (1) (2)	Percent of Class
-----	-----	-----
Triad Hospitals, Inc. Retirement Savings Plan .....	2,986,825	8.6%
A I M Management Group Inc., A I M Advisors, Inc., and A I M Capital Management, Inc. (3).....	3,599,800	10.3%
Barbara A Durand, R.N., Ed. D. (4).....	5,926	*
Thomas F. Frist III (4).....	328,263	*
Donald B. Halverstadt, M.D (4).....	5,463	*
Dale V. Kesler (4).....	8,246	*
Thomas G. Loeffler, Esq. (4).....	8,991	*
Michael J. Parsons (4) .....	217,020	*
Uwe E. Reinhardt, Ph.D (4).....	6,500	*
Marvin T. Runyon (4).....	8,991	*
Gale E. Sayers (4).....	8,426	*
James D. Shelton (4).....	730,210	2.1%
Nicholas J. Marzocco (4) .....	98,856	*
Wayne G. McAlister (4) .....	72,047	*
Burke W. Whitman (4) .....	294,413	*
All Directors and Executive Officers as a Group (17 persons) (4).....	2,155,538	6.2%

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\* Less than one percent.

- (1) Unless otherwise indicated, each stockholder shown on the table has sole voting and investment power with respect to the shares beneficially owned. The number of shares shown does not include the interest of certain persons in shares held by family members in their own right.
- (2) Each named person or group is deemed to be the beneficial owner of securities which may be acquired within 60 days through the exercise or conversion of options, warrants and rights, if any, and such securities are deemed to be outstanding for the purpose of computing the percentage beneficially owned by such person or group. Such securities are not deemed to be outstanding for the purpose of computing the percentage beneficially owned by any other person or group. Accordingly, the indicated number of shares includes shares issuable upon conversion of convertible securities or upon exercise of options (including employee stock options) held by such person or group.
- (3) The ownership given for A I M Management Group Inc., A I M Advisors, Inc., and A I M Capital Management, Inc. is based on information contained in the Schedule 13G/A dated March 9, 2001, filed with the Commission by AIM Management Group, Inc. in respect of its beneficial ownership of Triad Hospitals, Inc. common stock. The address of A I M Management Group, Inc. is 11 Greenway Plaza, Suite 100, and Houston, Texas 77046.

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- (4) Of the shares reported for Drs. Durand, Halverstadt and Reinhardt, and Messrs. Frist, Kesler, Loeffler, Parsons, Runyon, Sayers, Shelton, Marzocco, McAlister and Whitman 5,000; 5,000; 6,500; 6,500; 6,500; 6,500; 131,366; 6,500; 6,500; 328,555; 52,947; 34,096; and 120,864 shares, respectively, represent shares that are issuable pursuant to options that are exercisable within 60 days. Of the shares reported for all directors and executive officers as a group, 900,521 represent shares that are issuable pursuant to options exercisable within 60 days.

#### PROPOSAL 1--ELECTION OF DIRECTORS

The Company's certificate of incorporation provides that the Board of Directors is to be divided into three classes of directors, which are required to be as nearly equal in number as possible. At each annual meeting of stockholders, one class of directors is elected to a term of three years. Directors for Class II are to be elected at this 2001 Annual Meeting for three-year terms expiring in 2004.

Marvin T. Runyon, James D. Shelton, Thomas F. Frist III and Gale E. Sayers (the "Nominees") have been nominated by the Board of Directors for election as Class II directors at the 2001 Annual Meeting, each to serve for a term of three years, until the 2004 Annual Meeting of Stockholders or until his or her successor is duly elected and qualified.

The Board of Directors recommends a vote "FOR" the election of these nominees as directors.

Proxies in the enclosed form received from holders of common stock prior to the 2001 Annual Meeting will be voted for the election of the four nominees named above as directors of the Company unless stockholders indicate otherwise. If any of the foregoing nominees is unable to serve for any reason (which event is not anticipated), the shares represented by the enclosed proxy may be voted for such other person or persons as may be determined by the holders of such proxy unless stockholders indicate otherwise. Directors will be elected by the affirmative vote of a plurality of the shares of common stock present in person

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or represented by proxy and entitled to vote at the 2001 Annual Meeting. Thus, those nominees who receive the four highest numbers of votes for their election as directors will be elected, regardless of the number of shares that are not voted for the election of such nominees. Shares with respect to which authority to vote for any nominee or nominees is withheld will not be counted in the total number of shares voted for such nominee or nominees.

Information concerning each of the nominees named for election as directors along with information concerning the Class I and Class III directors, whose terms of office will continue after the 2001 Annual Meeting, is set forth below.

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### NOMINEES FOR ELECTION

#### CLASS II--TERM WILL EXPIRE IN 2004

MARVIN T. RUNYON                      Director since 1999                      Age 76

Marvin T. Runyon served as the 70th Postmaster General of the United States from 1992 through 1998. Mr. Runyon was Chairman of the Board of the Tennessee Valley Authority from 1988 to 1992 and President and Chief Executive Officer of Nissan Motor Manufacturing Corporation U.S.A. prior thereto. Mr. Runyon is a Director of Stamps.com and several private entities.

JAMES D. SHELTON                      Director since 1999                      Age 47

James D. Shelton has served as Chairman of the Board, President and Chief Executive Officer of Triad since the date of the Company's spin-off from HCA--The Healthcare Company("HCA"), then known as Columbia/HCA Healthcare Corporation, on May 11, 1999 (the "Spin-Off"). From January 1, 1998 through May 11, 1999, he served as the President of the Pacific Group of HCA. Prior to that time, Mr. Shelton served as President of the Central Group of HCA from June 1994 until January 1, 1998; Executive Vice President of the Central Division of National Medical Enterprises, Inc. (now known as Tenet Healthcare Corporation) from May 1993 to June 1994; and Senior Vice President of Operations of National Medical Enterprises, Inc. prior thereto.

THOMAS F. FRIST III                      Director since 1999                      Age 32

Thomas F. Frist III is the Co-founder of FS Partners, LLC, a private investment firm formed in 1994. Prior to such time, he was assistant to a principal at Rainwater, Inc., a private investment firm.

GALE E. SAYERS                      Director since 1999                      Age 57

Gale E. Sayers is President and CEO of Sayers, a valued-added technology provider, that he co-founded in 1984. Mr. Sayers manages Sayers and Sayers Enterprises, a sport marketing and public relations firm. Mr. Sayers is a director of American Century Mutual Funds.

### DIRECTORS CONTINUING IN OFFICE

#### CLASS I--TERM WILL EXPIRE IN 2003

DALE V. KESLER                      Director since 1999                      Age 62

Dale V. Kesler served as a partner at Arthur Andersen LLP until April 1996 and as Managing Partner of Arthur Andersen's Dallas/Fort Worth office from 1983 to 1994. Mr. Kesler is a director of CellStar Corporation, Elcor Corporation,

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New Millenium Homes and Resource Services, Inc.

BARBARA A. DURAND, R.N., Ed.D.

Director since 2000

Age 63

Barbara A. Durand, R.N. has served as Professor and Dean of the Arizona State University College of Nursing since 1993. Prior to such time, she was Professor and Chairperson in the Department of Maternal-Nursing, Rush University, Rush-Presbyterian-St. Luke's Medical Center. Dr. Durand is a fellow of the American Academy of Nursing.

DONALD B. HALVERSTADT, M.D.

Director since 1999

Age 66

Donald B. Halverstadt, M.D. has served as Chief, Pediatric Urology Service, Children's Hospital of Oklahoma, University of Oklahoma Health Science Center, since 1967. He is also the Chairman of the University Board of Regents. Dr. Halverstadt is a member of the corporate board of trustees of the Presbyterian Health Foundation and the board of directors of Lincoln National Bank.

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### CLASS III--TERM EXPIRES IN 2002

MICHAEL J. PARSONS

Director since 1999

Age 45

Michael J. Parsons has served as Executive Vice President and Chief Operating Officer and a Director of Triad since May 11, 1999. From January 1, 1998 through May 11, 1999, he served as the Chief Operating Officer of the Pacific Group of HCA. Prior to that time, Mr. Parsons served as Chief Financial Officer of the Central Group of HCA from July 1994 until January 1, 1998; and Chief Financial Officer of the Central Group of National Medical Enterprises, Inc. prior thereto.

THOMAS G. LOEFFLER, Esq. Director since 1999

Age 54

Thomas G. Loeffler, Esq. has served as a Partner at the law firm of Arter & Hadden LLP since June 1993; he was an attorney and a consultant prior thereto. Mr. Loeffler served as a member of the U.S. Congress from 1979 to 1987. Mr. Loeffler is a Director of New Century Equity Holdings Corp., is Chairman of the Board of Regents of the University of Texas System and serves as a member of the Board of Directors of the University of Texas School of Law Foundation.

UWE E. REINHARDT, PH.D. Director since 1999

Age 61

Uwe E. Reinhardt, Ph.D. is the James Madison Professor of Political Economy and Professor of Economics and Public Affairs at Princeton University. Mr. Reinhardt is a Trustee of Duke University Health Center, H&Q Healthcare Investors and H&Q Life Sciences Investors, a Member of the Board of the Center for Healthcare Strategies, Inc. and a Member of the External Advisory Panel for Health, Nutrition and Population, The World Bank.

### DIRECTORS TO BE APPOINTED UPON COMPLETION OF THE MERGER

The Merger was scheduled to close on or about April 27, 2001 at the time this proxy statement was printed. If the Merger is completed, the Company expects that Russell L. Carson and James E. Dalton will thereafter serve as directors. Mr. Carson will serve as a Class III director and Mr. Dalton will serve as a Class I director. Information concerning Messrs. Carson and Dalton is set forth below.



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RUSSELL L. CARSON

Age 57

Russell L. Carson was Chairman of the Board of Quorum from July 1989 until the Merger. Since 1979 he has been a general partner of Welsh, Carson, Anderson & Stowe, an investment firm that specializes in the acquisition of companies in the information services and health care industries. Mr. Carson serves on the Board of Directors of U.S. Oncology, Inc., a physician practice management company that focuses on cancer services, and several private companies.

JAMES E. DALTON, JR.

Age 58

James E. Dalton, Jr. was President, Chief Executive Officer and a director of Quorum from May 1, 1990 until the Merger. Prior to joining Quorum, he served as Regional Vice President, Southwest Region for HealthTrust, Inc., division Vice President of HCA, and Regional Vice President of HCA Management Company. Mr. Dalton is on the board of directors and is past chairman of the Nashville Health Care Council and the Federation of American Health Systems. He is a trustee of the American Hospital Association and Universal Health Realty Income Trust. He also serves on the board of directors of AmSouth Bancorporation, Select Medical Corporation, and U.S. Oncology, Inc. Mr. Dalton is a Fellow of the American College of Healthcare Executives.

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### MEETINGS AND COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors held 5 meetings in 2000. Each director attended at least seventy-five percent of the aggregate of (a) all meetings of the Board of Directors and (b) all meetings of the committees of the Board of Directors on which such director served.

The Board of Directors has a number of standing committees, including an Executive Committee, an Audit and Compliance Committee, a Quality Committee and a Compensation Committee. The Board of Directors does not have a standing nominating committee, but rather acts as a committee of the whole to screen candidates to be nominated for election thereto by the stockholders or chosen to fill newly created directorships or vacancies on the Board of Directors.

The Executive Committee may exercise certain powers of the Board of Directors regarding the management and direction of the business and affairs of the Company when the Board of Directors is not in session. All action taken by the Executive Committee is reported to and reviewed by the Board of Directors. The members of the Executive Committee are Mr. Loeffler, Mr. Kesler and Mr. Shelton, with Mr. Shelton serving as Chair. The Executive Committee held one meeting in 2000.

The Audit and Compliance Committee of the Board of Directors reviews and makes reports and recommendations to the Board of Directors with respect to the selection of the independent auditors of the Company and its subsidiaries, the arrangements for and the scope of the audits to be performed by them and the internal audit activities, accounting procedures and controls of the Company, and reviews the annual consolidated financial statements of the Company. The Committee also monitors adherence to the Company's regulatory compliance program. The members of the Audit and Compliance Committee are Dr. Reinhardt, Mr. Kesler and Mr. Runyon, with Mr. Kesler serving as Chair. The Audit and Compliance Committee held 13 meetings in 2000; certain of these meetings related principally to the committee's compliance function.

The Quality Committee of the Board of Directors is responsible for reviewing the quality of services provided to patients at various health care facilities operated by the Company's subsidiaries. The members of the Quality Committee

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are Mr. Parsons, Dr. Durand and Dr. James Magary, president of the Company's National Physician Leadership Group, in an ex officio capacity. The Quality Committee held 4 meetings in 2000.

The Compensation Committee of the Board of Directors is responsible for approving compensation arrangements for executive management of the Company, reviewing compensation plans relating to officers, grants of options and other benefits under the Company's employee benefit plans and reviewing generally the Company's employee compensation policy. The members of the Compensation Committee are Mr. Sayers, Mr. Frist, Dr. Halverstadt and Mr. Loeffler, with Mr. Loeffler serving as Chair. The Compensation Committee held 4 meetings in 2000.

### COMPENSATION OF DIRECTORS

The annual retainer for outside directors who are neither officers nor employees of the Company is \$18,000 and the Board meeting fee is \$1,500 per meeting. Committee members receive a fee of \$500 per meeting payable only for attendance at committee meetings not held in conjunction with a meeting of the Board of Directors. Directors also are reimbursed for expenses incurred relating to attendance at meetings. Outside directors may elect to receive deferred stock units convertible into common stock, in lieu of all or a portion, in multiples of 25%, of their annual retainer. The payout of deferred stock units may be deferred, at the outside director's election, for a period of five years or until the end of such director's term of office.

New outside directors are awarded an initial option to acquire a number of shares of common stock determined by the Board of Directors. In addition, each outside director receives an annual option to acquire a number of shares of common stock determined by the Board of Directors. Discretionary options may also be

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awarded by the Board of Directors to the outside directors. Initial options and annual options become exercisable as to 25% of the shares covered by the option on each of the four first anniversaries of the date of the grant. All options have a maximum term of 10 years, are exercisable at the fair market value of the common stock on the date of the grant, and become immediately exercisable upon a change of control of Triad. On May 23, 2000, each of the six continuing outside directors received an annual option grant covering 6,000 shares of Triad common stock, and Drs. Durand and Halverstadt, as new directors, each received an option grant covering 20,000 shares of Triad common stock, at an exercise price of \$19.4375 per share.

The Merger will constitute a "change of control" under the terms of the Triad Hospitals, Inc. Outside Directors Stock and Incentive Compensation Plan. Therefore, the outstanding and unvested stock options held by Triad directors will become fully vested and exercisable at the effective time of the Merger. The aggregate number of unvested options held by the non-employee directors of Triad that will become fully vested and exercisable as result of the Merger is approximately 166,000 shares, having a value of approximately \$2,070,520. The value is based on the closing price of a share of Triad common stock on the Nasdaq National Market System on April 20, 2001 (\$26.97), reduced by the per share exercise price of the options (and assumes that the Merger is consummated not later than May 23, 2001).

### EXECUTIVE OFFICERS WHO ARE NOT DIRECTORS

BURKE W. WHITMAN, age 45, has served as Executive Vice President, Chief Financial Officer and Treasurer of the Company since May 11, 1999. From February 1, 1999 through May 11, 1999, he served as Chief Financial Officer of

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the Pacific Group of HCA. From May 1994 until January 31, 1999, he served as President, Chief Financial Officer, Director and Co-founder of Deerfield Healthcare Corporation. Prior to such time, Mr. Whitman served as Vice President, Development and Finance of Almost Family, Inc., a wholly-owned subsidiary of Caretenders Healthcorp.

DONALD P. FAY, age 57, has served as Executive Vice President, Secretary and General Counsel of the Company since May 11, 1999. From January 1, 1998 through May 11, 1999, he served as Senior Vice President of the Pacific Group of HCA. Prior to that time, Mr. Fay served as Vice President--Legal of HCA from February 1994 through December 1997, and Senior Counsel of HCA prior thereto.

CHRISTOPHER A. HOLDEN, age 37, has served as a Senior Vice President of the Company since May 11, 1999. From January 1, 1998 through May 11, 1999, he served as President--West Division of the Pacific Group of HCA. Prior to such time, Mr. Holden was President of the West Texas Division of the Central Group of HCA from September 1997 until January 1, 1998; Vice President of Administration for the Central Group of HCA from August 1994 until September 1997; and Assistant Vice President--Administration of the Central Group of National Medical Enterprises, Inc. prior thereto.

NICHOLAS J. MARZOCCO, age 46, has served as a Senior Vice President of the Company since May 11, 1999. From January 1, 1998 through May 11, 1999, he has served as President--East Division of the Pacific Group of HCA. Prior to that time, Mr. Marzocco served as Chief Operating Officer of the Louisiana Division of HCA from September 1996 until January 1, 1998; and Chief Executive Officer of North Shore Regional Medical Center, a 310-bed hospital owned by National Medical Enterprises, Inc. and located in Slidell, Louisiana, prior thereto.

G. WAYNE MCALISTER, age 54, has served as a Senior Vice President of the Company since May 11, 1999. From March 15, 1999 through May 11, 1999, he served as President--Central Division of the Pacific Group of HCA. Prior to such time, Mr. McAlister was an independent senior hospital management consultant from June 1997 until March 15, 1999; Regional Vice President of Paracelsus Healthcare Corporation from June 1995 until May 1997; Vice President, Operations, of Tenet Healthcare Corporation from August 1993 until May 1995; and President/Chief Operating Officer and Vice President of Operations of Healthcare International from February 1988 until November 1992.

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W. STEPHEN LOVE, age 49, has served as Senior Vice President of Finance and the Controller of the Company since May 11, 1999. From March 1, 1999 through May 11, 1999, he served as Senior Vice President of Finance/Controller of the Pacific Group of HCA. Prior to that time he served as Senior Vice President/Corporate Chief Financial Officer--Operations of Charter Behavioral Health Systems, L.L.C. (formerly Charter Medical System) from December 1997 until March 1, 1999; Senior Vice President/Corporate Chief Financial Officer of Charter Behavioral Health Systems, L.L.C. from June 1997 until December 1997; and Vice President, Financial and Hospital Operations of Charter Medical System prior thereto.

WILLIAM R. HUSTON, age 46, has served as Senior Vice President of Finance of the Company since May 11, 1999. From January 1999 through May 11, 1999, he served as Senior Vice President of Finance of the Pacific Group of HCA. Prior to that time he served as Division Chief Financial Officer of various divisions of the Central Group of HCA from April 1995 to December 1998; and Division Chief Financial Officer of Tenet Healthcare Corporation prior thereto.

EXECUTIVE OFFICERS TO BE APPOINTED UPON COMPLETION OF THE MERGER

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The Merger was scheduled to close on or about April 27, 2001 at the time this proxy statement was printed. If the Merger is completed, the Company expects that William L. Anderson and Marcia D. Powers, who are currently officers of Quorum, will thereafter serve as executive officers of Triad.

WILLIAM L. ANDERSON, age 51, is presently President, Midwest Region of Quorum and, after the Merger, is expected to become a Division President of Triad. He has served as President, Midwest Region of Quorum since October 1997. From September 1995 until October 1997, he served as Chief Executive Officer of Lutheran Hospital of Indiana (a 437-bed hospital owned by Quorum and situated in Fort Wayne, Indiana). From September 1987 until September 1995, he served as Chief Executive Officer of Medical Center of Baton Rouge (a 371-bed hospital then owned by Healthtrust, Inc. and situated in Baton Rouge, Louisiana).

MARCIA D. POWERS, age 47, is presently President, Southwest Region, of Quorum and, after the Merger, is expected to become a Division President of Triad. She has served as President, Southwest Region, for Quorum since March 1996. From January 1994 through March 1996, she served as Vice President, Physician/Hospital Integration, of Quorum. From May 1989 through December 1993, she served as Chief Executive Officer of Fort Bend Hospital (a 65-bed hospital then owned by Epic Healthcare Group, Inc. and situated in Missouri City, Texas).

### SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires Triad's executive officers and directors, and persons who own more than ten percent of the outstanding common stock of the Company, to file reports of ownership and changes in ownership with the SEC and to provide Triad with copies of these reports. To the Company's knowledge, based solely on its review of the copies of such reports furnished to the Company and representations that no other reports were required, all Section 16(a) filing requirements applicable to all of its executive officers, directors and greater than ten-percent stockholders were complied with during fiscal 2000, except that certain executive officers inadvertently reported late de minimis sales of Triad common stock made on their behalf by a third party to satisfy certain income tax withholding obligations. Each of Messrs. Shelton, Parsons and Huston inadvertently reported three such transactions late, Mr. Marzocco reported two such transactions late and Mr. Fay reported one such transaction late.

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### EXECUTIVE COMPENSATION

The information under this heading relates to the chief executive officer and the four other most highly compensated executive officers of the Company serving as executive officers at the end of 2000, and reflects compensation paid by the Company or, prior to the Spin-Off on May 11, 1999, by HCA.

#### Summary Compensation Table

Name and Principal Position	Annual Compensation			Long-Term Compensation Awards			All Other Compensation
	Salary	Bonus	Other Annual Compensation	Restricted Stock Awards	Securities Underlying Options/SARS	All Other Compensation	
Year	(\$)	(\$)	(\$)	(\$)	(#)	(\$)	
(1)	(1)	(2)	(3)	(4)	(5)	(5)	

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James D. Shelton.....	2000	\$670,900	\$353,154	\$ --	\$ --	206,909	\$ --
Chairman, President and	1999	614,528	245,884	--	--	643,128	5,448
Chief Executive Officer	1998	529,125	--	--	124,490	--	9,448
Michael J. Parsons.....	2000	415,533	130,589	--	28,712	103,455	--
Executive Vice							
President and	1999	374,039	129,976	--	13,926	296,482	2,505
Chief Operating Officer	1998	309,375	--	--	37,493	--	7,561
Burke W. Whitman.....	2000	385,979	125,566	--	58,932	103,455	--
Executive Vice							
President,	1999	293,754	78,605	--	28,295	260,000	299
Chief Financial Officer							
and Treasurer (6)							
Nicholas J. Marzocco....	2000	321,601	76,410	--	29,538	41,832	
Senior Vice President	1999	303,026	87,281	--	16,216	113,431	4,846
	1998	271,688	--	34,488	51,745	--	7,224
G. Wayne McAlister.....	2000	312,979	98,888	--	19,028	41,382	--
Senior Vice President							
(7)	1999	237,661	63,366	124,330	26,116	72,500	--

- (1) 1998 salary amounts do not include the value of restricted stock awards granted in lieu of a portion of annual salary.
- (2) Reflects bonus earned during the fiscal year. In some instances, all or a portion of the bonus was paid during the following fiscal year. Each of the executive officers identified in the table had the option to take all or part of their 1998 bonus in shares of HCA restricted stock at a 25% discount from the fair market value at the time of grant, which is reflected in the Restricted Stock Awards column.
- (3) The amounts reported for Mr. McAlister in 1999 and Mr. Marzocco in 1998 include relocation expenses and amounts paid for reimbursement of taxes in respect of such amounts of \$124,330 and \$34,488, respectively.
- (4) 1998 amounts represent the average of the closing prices of HCA shares issued pursuant to HCA's amended and restated 1995 management stock purchase plan in lieu of a portion of annual salary on trading days during the deferral period. 1999 and 2000 amounts represent the dollar value of the difference between amounts paid by the executive officer to purchase shares of Triad common stock under Triad's Management Stock Purchase Plan and the value of the purchased Triad common stock on the date of purchase. As of December 31, 2000, Messrs. Shelton, Parsons, Whitman, Marzocco and McAlister held an aggregate of 400,000; 83,413; 167,067; 43,650 and 33,154 shares of restricted Triad common stock, respectively. Pursuant to Commission rules, after deducting the consideration paid therefor, the shares held by Messrs. Shelton, Parsons, Whitman, Marzocco and McAlister had a net pre-tax value of \$9,278,000; \$1,966,716; \$3,941,302; \$1,044,144 and \$796,680, respectively. Dividends will be payable on shares of restricted stock if and to the extent paid on Triad's common stock generally, regardless of whether or not the shares are vested. The Merger will constitute a "change of control" under the terms of the Triad Hospitals, Inc. Executive Stock Purchase Plan, pursuant to which these shares of restricted stock were purchased. Upon consummation of the Merger, the restrictions will lapse and these shares will be fully vested and transferable and no longer subject to forfeiture.
- (5) Consists of contributions to the savings and investment plan, money purchase plan and stock bonus plan.
- (6) On May 11, 1999, the Company named Mr. Whitman as Executive Vice President, Chief Financial Officer and Treasurer.

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(7) On May 11, 1999, the Company named Mr. McAlister as Senior Vice President.

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Option/SAR Grants in Last Fiscal Year

Individual Grants						
Name	Number of Securities Underlying SARS/Options (#) (1)	Percent of Total Options/ SARs Granted to Employees in Fiscal Year	Exercise or		Expiration Date	Potential Realizable Assumed Annual Rates Price Appreciation for Option Term (4)
			Base Price (\$/sh) (2)	(3)		
						5% (\$)
James D. Shelton.....	206,909	10.22%	\$17.07		4/28/10	\$ 2,221,216
Michael J. Parsons.....	103,455	5.11%	17.07		4/28/10	1,110,613
Burke W. Whitman.....	103,455	5.11%	17.07		4/28/10	1,110,613
Nicholas J. Marzocco....	41,382	2.04%	17.07		4/28/10	444,245
G. Wayne McAlister.....	41,382	2.04%	17.07		4/28/10	444,245

- (1) Options to acquire Triad common stock.
- (2) The option exercise price may be paid in shares of Triad common stock owned by the executive officer, in cash, or a combination thereof.
- (3) The options become exercisable with respect to 25% of the shares covered thereby on the first, second, third and fourth anniversary dates following the date of grant. The exercise price was equal to the fair market value of the Triad common stock on the date of the grant.
- (4) The potential realizable value portion of the foregoing table illustrates value that might be realized upon exercise of the options immediately prior to the expiration of their term, assuming the specified compounded rates of appreciation on the Triad common stock over the term of the options. These amounts do not take into account provisions of the options relating to termination of the option following termination of employment, non-transferability or vesting over periods of up to four years.

Aggregated Option/SAR Exercises in Last Fiscal Year and Fiscal Year-End Option/SAR Values

Name	Number of Securities Underlying Unexercised Options/SARs at Fiscal Year End (#)		Value of Unexercised In-the-Money Options/SARs at Fiscal Year-End(\$)	
	Exercisable	Unexercisable	Exercisable	Unexercisable(1)
James D. Shelton.....	276,828	573,209	\$6,121,095	\$11,238,048
Michael J. Parsons.....	105,502	294,435	2,274,384	5,688,307
Burke W. Whitman.....	95,000	268,455	2,128,200	5,204,918
Nicholas J. Marzocco....	42,601	112,212	925,502	2,163,624
G. Wayne McAlister.....	23,750	90,132	523,378	1,690,878

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(1) The closing price for the Triad common stock, as reported by the NASDAQ, on December 31, 2000 was \$32.56 per share. Value is calculated on the basis of the difference between the option exercise price and \$32.56 per share, multiplied by the number of shares of Triad common stock underlying the option. The Merger will constitute a "change of control" under the terms of the Triad Hospitals, Inc. 1999 Long-Term Incentive Plan, pursuant to which the options reflected in the table were granted. Upon consummation of the Merger, all of these options will become vested and exercisable. The vesting of certain of these options has been waived, which waiver will lapse upon receipt of a supplemental private letter ruling relating to private letter rulings previously issued to HCA; the previous letter rulings relate to the tax treatment of the spin-off of Triad and LifePoint Hospitals, Inc. from HCA and the restructuring transactions that preceded the spin-off.

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EMPLOYMENT CONTRACTS, TERMINATION OF EMPLOYMENT ARRANGEMENTS  
AND CHANGE IN CONTROL ARRANGEMENTS

None of the executive officers of the Company is subject to any employment contract. All employees of the Company participate in the Company's severance policy, under which, in certain circumstances, an employee whose employment with the Company is involuntarily terminated may receive as a severance benefit of up to 52 weeks of salary.

CERTAIN TRANSACTIONS

Triad made loans to certain executive officers in connection with such officers' initial purchases of Triad common stock under the Triad executive stock purchase plan, the principal balances as of the date hereof are as follows: Mr. Shelton, \$3,746,000; Mr. Parsons, \$749,200; Mr. Marzocco, \$377,100; Mr. Holden, \$377,100; Mr. Fay, \$377,100; Mr. Huston, \$377,100; Mr. Love, \$374,600; Mr. McAlister, \$282,825; and Mr. Whitman, \$1,498,400. Each loan matures at the earlier of (i) the fifth anniversary of the loan, (ii) the termination of the executive's employment with Triad, or (iii) the bankruptcy of the executive. Each loan bears interest at 5.15%, compounded semi-annually (equal to the applicable Federal rate in effect, under section 1274(d) of the Internal Revenue Code of 1986, as amended, as of the date the loan was made).

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

Decisions on compensation for the Company's executives are made by the Compensation Committee of the Board of Directors. Each member of the Compensation Committee is a non-employee director. No member of the Compensation Committee is a current or former employee or officer of the Company or any of its affiliates. The Compensation Committee is responsible for approving compensation arrangements for executive management of the Company, reviewing compensation plans relating to officers, grants of options and other benefits under the Company's employee benefit plans and reviewing generally the Company's employee compensation policy. Pursuant to certain rules of the Securities and Exchange Commission designed to enhance disclosure of corporate policies toward executive compensation, set forth below is a report submitted by the Compensation Committee.

Compensation Philosophy and Policies of Executive Officers

The Company believes that the most effective executive compensation program aligns the interests of stockholders and executives. The Company's primary objective is to provide quality health care services while enhancing the

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financial performance of the Company and long-term stockholder value. At the Company there is a strong link between strategic business goals and compensation and benefit goals.

### Cash Compensation

The base salaries of the named executive officers are listed in the Summary Compensation Table found under "Executive Compensation" in this Proxy Statement. These salaries and the salaries of other executive officers are evaluated annually. In determining appropriate salary levels and salary increases, several factors are considered, including individual performance, experience, level of responsibility and external pay practices.

The Triad Annual Incentive Plan provides for the payment of annual cash bonuses following the close of each plan year to eligible employees based upon the achievement of objective performance criteria. Annual incentive award opportunities at the Company are designed to focus management attention on key operational goals deemed important for the upcoming fiscal year, and to support the Company's strategic goal for consistent growth by highlighting corporate and business unit earnings as the main performance measure affecting incentive bonus payments. Bonus awards are contingent upon meeting or exceeding certain performance goals such as, for corporate office employees, attainment of the Company's budgeted earnings before interest, taxes, depreciation and amortization, and for hospital employees, additional attainment of budgeted facility cash flow and target patient and physician satisfaction goals for such plan year. The

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Compensation Committee determines the participants and sets the target bonus levels prior to the beginning of each year. The maximum award payable to any individual for any plan year is \$750,000.

### Equity-Based Compensation

Equity based compensation may be provided in the form of stock options, performance awards and restricted shares of common stock.

Stock option grants provide an incentive that focuses the executive's attention on managing the business of our company from the perspective of an owner with an equity stake in the business and helps ensure that operating decisions are based on long-term results that benefit the business and ultimately our stockholders. Specifically, the option grants to executive officers provide the right to purchase shares of common stock at the fair market value on the date of the grant. Usually, each stock option becomes vested and exercisable only over a period of time, generally one to five years. The number of shares covered by each grant reflects the executive's level of responsibility and past and anticipated contributions.

Triad has granted stock options to certain of its executive and other employees pursuant to its 1999 Long-Term Incentive Plan, as amended. The plan also provides for the granting of restricted stock awards and various other performance awards; however, Triad has not granted any of such other awards under the plan.

Finally, certain officers may elect to receive up to a specified percentage of their base salary (25% for senior vice presidents and above, and 10% for corporate vice presidents and hospital chief executive officers) in restricted shares of common stock. These restricted shares are granted at a 25% discount from the fair market value of the common stock on the date of the grant. The restricted period is generally three years from the date of grant. With certain



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exceptions, if employment is terminated during the restricted period, the employee receives a cash payment equal to the lesser of (a) the then-current fair market value of the restricted shares or (b) the aggregate salary foregone by the employee as a condition to receiving the restricted shares. Any additional value is forfeited.

### Chief Executive Officer Compensation

Mr. Shelton does not have an employment contract. During 2000 Mr. Shelton's salary totaled \$670,900. As Chief Executive Officer, Mr. Shelton's compensation during 2000 consisted of the same components as for other executive officers, namely base salary, Annual Incentive Plan bonus, and stock options. In establishing Mr. Shelton's compensation, the Committee applied the principles outlined above in the same manner as they were applied to other executives. The Committee believes that the base salary paid to Mr. Shelton in 2000 was appropriate in light of his significant critical contributions to the day-to-day business operations of the Company, including the continued improvement in the operations of the Company's "core" healthcare facilities, and Mr. Shelton's leadership in formulating the Merger transaction and in negotiating the definitive Merger agreements.

### Section 162(m) of the Internal Revenue Code of 1986

The Revenue Reconciliation Act of 1993 added Section 162(m) to the Internal Revenue Code of 1986, as amended. Section 162(m), which became effective for tax years beginning January 1, 1994, disallows a deduction to the Company for any compensation paid to a "covered employee" in excess of \$1 million per year, subject to certain exceptions. In general, "covered employees" include the chief executive officer and the four other most highly compensated executive officers of the Company who are in the employ of the Company and are officers at the end of the tax year. Among other exceptions, the deduction limit does not apply to compensation that meets the specified requirements for "performance-based compensation." Those requirements include the establishment of objective performance goals by a committee of the Board of

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Directors composed solely of two or more outside directors, stockholder approval of the material terms of the performance goals under which the compensation is to be paid prior to payment of such compensation, and certification by the committee that the performance goals have been achieved. While the Compensation Committee believes that the Company should seek to obtain maximum deductibility of compensation paid to executive officers, the Compensation Committee also believes that the interests of the Company and its stockholders are best served by assuring that appropriate compensation arrangements are established to retain and motivate executive officers.

Because the Company establishes individual compensation based primarily upon company performance and competitive considerations, executive officer compensation may exceed \$1 million in a given year. No executive officer whose compensation is subject to this limit on deductibility was considered to receive, for 2000 federal income tax purposes, base salary and other non performance-based compensation in excess of \$1 million.

Thomas G. Loeffler, Esq., Chairman  
Thomas F. Frist III  
Gale E. Sayers  
Donald B. Halverstadt, M.D.  
Members of the Compensation  
Committee

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## PERFORMANCE GRAPH

The following graph compares at the end of 2000 the cumulative total stockholder return on the Company's common stock, the cumulative total return of the companies on the Standard & Poor's Midcap 400 Index (the "S&P Midcap 400") and the cumulative total return on the Standard and Poor's Hospital Management Index (the "Hospital Index") over the same period.

[PERFORMANCE GRAPH]

COMPANY/INDEX/MARKET	FISCAL YEAR ENDING		
	5/07/1999	12/31/1999	12/29/2000
Triad Hospitals Inc	100.00	144.05	310.12
Health Care Hospital Mgmt	100.00	116.69	189.55
S&P MidCap Index	100.00	113.58	133.47

Note: Base price date is 05/07/1999

The foregoing performance graph assumes the investment of \$100 on May 11, 1999 (the first day of regular trading of the common stock of the Company on the NASDAQ), and the reinvestment of any cash dividend on the ex-dividend date in respect of such dividend.

## AUDIT COMMITTEE REPORT

The members of the Audit and Compliance Committee are independent as defined in the New York Stock Exchange's listing standards, which provide, among other things, that directors shall have no relationship with Triad that may interfere with the exercise of their independence from management and Triad. The Audit and Compliance Committee Charter is attached to this proxy statement as Exhibit A.

The Audit and Compliance Committee has reviewed and discussed with management Triad's audited financial statements as of December 31, 2000.

The Audit and Compliance Committee has discussed with Ernst & Young LLP, Triad's independent auditors, the matters required to be discussed by Statement on Auditing Standards No. 61, "Communication with Audit Committees," as amended, as issued by the Auditing Standards Board of the American Institute of Certified Public Accountants.

The Audit and Compliance Committee has received and reviewed the written disclosures and the letter from Ernst & Young LLP required by Independence Standard No. 1, as adopted by the Independence Standards Board, and has discussed with Ernst & Young LLP its independence.

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Based on the review and discussions referred to above, the Audit and Compliance Committee has recommended to the Board of Directors that the audited financial statements as of December 31, 2000 be included in Triad's Annual Report on Form 10-K.

Dale V. Kesler, Chairman  
Marvin T. Runyon

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Uwe E. Reinhardt, Ph.D  
Members of the Audit Committee

### PROPOSAL 2--RATIFICATION OF SELECTION OF INDEPENDENT AUDITORS

The Board of Directors has selected Ernst & Young LLP, independent certified public accountants, as independent auditors for the Company for the year 2001. A resolution will be submitted to stockholders at the meeting for ratification of such selection. Although ratification by stockholders is not a prerequisite to the ability of the Board of Directors to select Ernst & Young LLP as the Company's independent auditors, the Company believes such ratification to be desirable. If the stockholders do not ratify the selection of Ernst & Young LLP, the selection of independent auditors will be reconsidered by the Board of Directors; however, the Board of Directors may select Ernst & Young LLP notwithstanding the failure of the stockholders to ratify its selection.

Ernst & Young LLP have been the Company's independent auditors since it became a publicly traded company on May 11, 1999, except during the period from November 22, 1999 to November 17, 2000 when PricewaterhouseCoopers LLP served as the Company's independent auditors.

On November 17, 2000, Triad dismissed PricewaterhouseCoopers LLP and re-engaged Ernst & Young LLP as its independent auditors. The decision to change independent auditors was approved by the Audit and Compliance Committee of the Board of Directors. The report of PricewaterhouseCoopers LLP on the financial statements for the fiscal year ended December 31, 1999 did not contain an adverse opinion or disclaimer of opinion, and was not qualified or modified as to uncertainty, audit scope or accounting principles.

Effective as of November 22, 1999, the Company and Ernst & Young LLP agreed to the resignation of Ernst & Young LLP as the Company's independent auditors. The decision to change independent auditors was approved by the Board of Directors and the Audit and Compliance Committee. The report of Ernst & Young LLP for the fiscal year ended December 31, 1998 did not contain an adverse opinion or disclaimer of opinion, and was not qualified or modified as to uncertainty, audit scope or accounting principles.

During the fiscal years in the period from January 1, 1997 to December 31, 2000, there were no disagreements with either Ernst & Young LLP or PricewaterhouseCoopers LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which if not resolved to the satisfaction of such independent auditor, would have caused either of them to make reference to the subject matter of the disagreement(s) in their respective reports. In addition, during this period, there have been no "reportable events" as listed in Item 304(a)(1)(v)(A-D) of Regulation S-K.

It is expected that a representative of Ernst & Young LLP will be present at the meeting, will have an opportunity to make a statement if he or she desires to do so, and will be available to respond to appropriate questions.

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The following table summarizes the aggregate fees billed by Ernst & Young LLP for services rendered for the year ended December 31, 2000:

Audit fees.....	\$424,825
Financial information systems design and implementation fees.....	5,125
All other fees.....	199,914
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Total..... \$629,864  
=====

The amount shown for audit fees includes fees for professional services rendered for the audit by Ernst & Young LLP of Triad's annual financial statements for 2000 and for 1999 and the reviews by Ernst & Young LLP of Triad's financial statements included in its Quarterly Reports on Form 10-Q during 2000.

The Audit and Compliance Committee has considered whether the provision of information technology and non-audit services are compatible with maintaining the independence of Ernst & Young LLP.

The Board of Directors recommends a vote "FOR" this proposal.

### PROPOSAL 3--AMENDMENT TO THE OUTSIDE DIRECTORS STOCK AND INCENTIVE COMPENSATION PLAN

Set forth below is a description of the Triad Hospitals, Inc. Outside Directors Stock and Incentive Compensation Plan, as amended (the "Plan"). The Plan became effective on May 11, 1999, the date of the Spin-off. The Plan is designed to encourage ownership of stock in the Company by directors who are not also employees of the Company or any of its subsidiaries ("Outside Directors"), to provide an incentive to such directors to continue to serve the Company, and to aid the Company in attracting qualified director candidates in the future. On March 23, 2001, the Company's Board of Directors amended the Plan, subject to stockholder approval, to increase the number of shares of common stock authorized for issuance under the Plan to 400,000 from 240,000. In the event stockholder approval is not obtained, the Company will not increase the number of shares authorized for issuance under the Plan, but awards may continue to be made under the previously existing terms of the Plan. The Plan has a term of ten years. A brief description of the material features of the Plan is set forth below, but is qualified by reference to the full text of the Plan attached as Exhibit B to this proxy statement.

#### DESCRIPTION OF THE PLAN

##### Administration

The Plan is administered by the Board of Directors. The Board of Directors has broad authority in the administration of the Plan and is authorized, among other things, to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan, and to exercise all powers and authorities either specifically granted under the Plan or necessary or advisable in the administration of the Plan.

##### Reservation of Shares

On March 23, 2001, the Board of Directors amended the Plan, subject to stockholder approval, to increase the number of shares of Triad common stock authorized for issuance under the Plan to 400,000 from 240,000. The shares of Triad common stock to be issued under the Plan will be made available from authorized but unissued shares of Triad common stock or issued shares that have been reacquired by Triad. If an option or a deferred stock unit award under the Plan is canceled, terminates, expires unexercised or is exchanged for a different award without the issuance of shares of Triad common stock, the shares covered by the option or award will, to the extent of such termination or non-use, again be available for awards thereafter granted during

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the term of the Plan. In the event of a reorganization, recapitalization, or other specified corporate events affecting Triad or Triad common stock, the Board of Directors may make such adjustments or substitutions, as it may determine is appropriate, in the number and kind of shares that may be distributed in respect of options or deferred stock units under the Plan, as well as the number and kind of shares under or representing outstanding options or deferred stock units under the Plan.

### Types of Awards

Four types of awards may be granted to Outside Directors under the Plan: Initial Options, Annual Options, Discretionary Options and Deferred Stock Units.

**Options.** An "Initial Option" is a one-time grant of an option to acquire a number of shares of Triad common stock as is determined from time to time by the Board of Directors, and it is given to every new Outside Director who joins the Triad Board. An "Annual Option" is granted to each person who is an Outside Director on the first business day of each board term and covers a number of shares of Triad common stock as is determined from time to time by the Board of Directors. "Discretionary Options" may be granted to Outside Directors from time to time at the discretion of the Board of Directors.

The amount of each option is at the discretion of the Board of Directors. Initial Options and Annual Options become exercisable as to 25% of the shares covered by the option on each of the first four anniversaries of the date of the grant. All such options have a term of 10 years, are exercisable at the fair market value of the Triad common stock on the date of the grant, and become fully and immediately vested and exercisable upon a change of control of Triad (as defined in the Plan). Discretionary Options have such terms as to vesting, exercisability and exercise price as the Board of Directors may determine at the time of grant, provided that the term of the option may not exceed 10 years from the grant date and the exercise price of the option may not be less than the fair market value of Triad common stock on the grant date. All options granted under the Plan are nontransferable except for certain limited transfers to family members (as provided in the Plan) for estate planning, tax planning, donative purposes or pursuant to a domestic relations order.

Subject to certain terms and conditions, an option may be exercised in whole or in part at any time during the period permitted for the exercise thereof by written notice to Triad, together with payment of the exercise price for the number of shares with respect to which the option is being exercised. Vested options granted under the Plan will generally remain exercisable for 6 months after the death or disability of the Outside Director and for 90 days after any other termination of service as an Outside Director. Upon a change in control of Triad (as defined in the Plan), each outstanding option will become fully and immediately vested and exercisable.

**Deferred Stock Units.** Outside Directors may each elect to receive Deferred Stock Units, in lieu of all or a portion, in 25% increments, of their annual retainer. The number of Deferred Stock Units received is determined based on the fair market value of Triad common stock on the grant date. The grant date is the first business day of each Board term. Amounts equivalent to any dividends that would have been paid to Outside Directors in respect of a number of shares of Triad common stock equal to the number of Deferred Stock Units are credited under the Plan and converted into additional Deferred Stock Units. Deferred Stock Units are immediately and fully vested and are paid out, at the election of the Outside Director, on either the fifth anniversary of the grant date or on the date the Outside Director ceases to be a member of the Board. Payment is made in Triad common stock of a number of shares equal to the number

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of Deferred Stock Units.

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### FEDERAL INCOME TAX CONSEQUENCES

#### Stock Options

An Outside Director will not generally recognize taxable income upon the grant of a nonqualified stock option to purchase shares of Triad common stock. Upon exercise of the option, the Outside Director will generally recognize ordinary income for Federal income tax purposes equal to the excess of the fair market value for the shares over the exercise price. Triad will be entitled to a Federal income tax deduction equal to the amount of ordinary income recognized by the Outside Director. The deduction will be allowed at the same time as the Outside Director recognizes the income.

#### Deferred Stock Units

An Outside Director who receives Deferred Stock Units will not generally recognize taxable income upon the crediting or vesting of the units. Taxable ordinary income will be recognized upon the payment of the Deferred Stock Units, based on the fair market value at the time of payment of the shares of Triad common stock received by the Outside Director. Triad will be entitled to a Federal income tax deduction equal to the amount of ordinary income recognized by the Outside Director.

#### New Plan Benefits

The number of options or Deferred Stock Units to be granted in the future to Outside Directors is not determinable at this time. During 2000, stock options to purchase an aggregate of 76,000 shares of Triad common stock at an exercise price of \$19.4375 per share were granted under the Plan to Outside Directors, and Outside Directors elected to receive an aggregate of 5,556 Deferred Stock Units in lieu of their annual retainers.

The Merger will constitute a "change of control" under the terms of the Plan. Therefore, the outstanding and unvested stock options held by Outside Directors will become fully vested and exercisable at the effective time of the Merger. The aggregate number of unvested options held by Outside Directors that will become fully vested and exercisable as result of the Merger is approximately 166,000 shares, having a value of approximately \$2,070,520. The value is based on the closing price of a share of Triad common stock on the Nasdaq National Market System on April 20, 2001 (\$26.97), reduced by the per share exercise price of the options (and assumes that the Merger is consummated not later than May 23, 2001).

The Board of Directors recommends a vote "FOR" the approval of the amendment to the Triad Hospitals, Inc. Outside Directors Stock and Incentive Compensation Plan.

#### PROPOSAL 4--ALL OTHER MATTERS THAT MAY COME BEFORE THE MEETING

As of the date of this statement, the Board of Directors knows of no business that will be presented for consideration at the meeting other than that referred to above. As to other business, if any, that may come before the meeting, proxies in the enclosed form will be voted in accordance with the judgment of the person or persons voting the proxies.

#### STOCKHOLDER NOMINATIONS AND PROPOSALS

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The Board of Directors will receive at any time and will consider from time to time suggestions from stockholders as to persons to be nominated by the Board of Directors for election thereto by the stockholders or to be chosen by the Board of Directors to fill newly created directorships or vacancies on the Board of Directors.

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The Company's bylaws require that there be furnished to the Secretary of the Company at the Company's principal executive offices written notice with respect to the nomination of a person for election as a director (other than a person nominated by or at the direction of the Board of Directors), as well as the submission of a proposal (other than a proposal submitted by or at the direction of the Board of Directors), at an annual meeting of stockholders. In order for any such nomination or submission to be proper, the notice must contain certain information concerning the nominating or proposing stockholder and the nominee or the proposal, as the case may be, and must be delivered to the Secretary of the Company at the Company's principal executive offices not less than 90 days prior to the first anniversary of 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 more than 60 days after such anniversary date, notice by the stockholder to be timely must be delivered not later than the close of business on the later of the 90th day prior to such annual meeting or the tenth day following the day on which the public announcement of the date of such meeting is first made.

In the event that the number of directors to be elected to the Board of Directors is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by the Company at least 100 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by the Company's by-laws shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it is delivered not later than the close of business on the tenth day following the day on which such public announcement is first made by the Company.

Nominations by stockholders of persons for election to the Board of Directors 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 the 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.

A copy of the applicable by-law provisions may be obtained, without charge, upon written request to the Secretary of the Company at the Company's principal executive offices.

In accordance with the rules of the Securities and Exchange Commission, any proposal of a stockholder intended to be presented at the Company's 2002 Annual Meeting of Stockholders must be received by the Secretary of the Company before December 31, 2001 in order for the proposal to be considered for inclusion in the Company's notice of meeting, proxy statement and proxy relating to the 2002 Annual Meeting, scheduled for Tuesday, May 21, 2002.

By order of the Board of Directors

Donald P. Fay  
Executive Vice President, General  
Counsel and Secretary

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April 30, 2001

A copy of our Annual Report on Form 10-K for the year ended December 31, 2000, excluding certain of the exhibits thereto, is included with this proxy statement.

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EXHIBIT A

### TRIAD HOSPITALS, INC.

#### Charter

#### Audit & Compliance Committee of the Board of Directors

##### Purpose

The Audit & Compliance Committee is a committee of the Triad Hospitals, Inc. Board of Directors. Its function is to assist the Board in fulfilling its oversight responsibilities by:

- . Monitoring the integrity of financial information that will be provided to the shareholders and others.
- . Reviewing areas of potential significant financial risk to the Company including evaluation of the system of internal controls which management and the Board of Directors has established.
- . Monitoring the independence and performance of the Company's external auditors and internal auditing function.
- . Monitoring the effectiveness of the Company's legal compliance and ethics programs.
- . Reporting on all such matters to the Board of Directors.

##### Membership & Meetings

- . Committee members shall meet the requirements of the New York Stock Exchange.
- . The Committee shall consist of not less than three independent directors and will meet at least four times each year.
- . All members of the Committee shall be financially literate and able to read and understand fundamental financial statements. At least one member of the Committee shall have accounting or related financial management experience.
- . The Committee should meet privately in executive session at least annually with the Vice President of Audit Services, the Vice President of Compliance, and the independent auditors to discuss any matters that the Committee or each of these groups believes should be discussed.

##### Duties & Responsibilities

###### General



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- . Consider, in consultation with the external and internal auditors, the audit scope and plan for the Company.
- . Review with management and the external auditors the Company's annual and quarterly financial results prior to release of earnings. Discuss certain matters required to be communicated to audit committees in accordance with Statement of Auditing Standards (SAS) No. 61.
- . Review with management, the external auditors and the internal auditors, significant issues concerning litigation, contingencies, claims, or assessments and all material accounting issues that require disclosure in the financial statements. This review should include a discussion of recent FASB or other regulatory agency pronouncements that have a material impact on the organization.
- . Annually, prepare a report to the shareholders as required by the Securities and Exchange Commission. The report should be signed by the chair of the Committee and included in the Company's annual proxy statement.

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- . State in the annual proxy statement that the company's audit committee has adopted a written charter, and include a copy at least every three years.
- . Provide a report of Committee activities to the Board at regular intervals.
- . Review the Committee charter annually and recommend modifications to the Board as needed.

### Management

- . Review with management the "Management's Discussion and Analysis" section of the annual report to shareholders.
- . Monitor instances where management seeks second opinions on significant accounting matters.
- . Review management's evaluation of the adequacy of the organization's internal control structure and the extent to which significant recommendations made by the external auditors and the internal auditors have been implemented.

### Internal Auditors

- . Review the services provided by the internal auditing function, including:
  - . The planned scope for the internal audit program, its objectives, and the staff required to attain these objectives.
  - . Reports that detail the activities of the internal auditing function.
  - . The working relationship between the internal auditing department and the external auditors.
- . The appointment and termination of the Vice President of Audit Services

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(review and approve).

- . Provide for periodic quality assurance reviews to ensure that the internal auditing function is operating in accordance with The Institute of Internal Auditors, Inc. Standards for the Professional Practice of Internal Auditing.

### Corporate Compliance

- . Review the services provided by the Corporate Compliance function, including:
  - . The planned scope for the Company's compliance program, its objectives, and the staff required to attain these objectives.
  - . Reports that detail the activities of the corporate compliance function.
- . The appointment and termination of the Vice President of Compliance (review and approve).
- . Review the audit results of governmental and regulatory agencies, and internal and external auditors engaged for specific purposes.
- . Monitor compliance with the organization's Code of Conduct, including compliance by senior management and the Board.
- . Direct and supervise an investigation into any matter as deemed necessary to discharge its duties and responsibilities. In connection with any such investigation, the Committee shall have the authority to utilize the internal auditing staff and to employ outside counsel or consultants at organizational expense.

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### External Auditors

- . Recommend the external auditing firm for appointment by the Board.
- . Review and approve the annual audit fees of the external auditing firm.
- . Review the independence of the external auditing firm and management's evaluation of this independence.
- . Review and approve the scope of other professional services performed (or to be performed) by any independent public accountants as well as the related fees, and consider the possible effect that these services could have on the independence of such accountant.
- . Discuss with the external auditor the results of its audit from the preceding year, including:
  - . A review of the audited financial statements and the memorandum containing recommendations for improving accounting procedures and internal controls.
  - . The adequacy of the organization's internal control structure.
  - . Management's cooperation with the external auditor.
  - . The quality of the organization's accounting principles and policies

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and underlying estimates when compared to its industry in general.

- . A determination that the organization's financial statements constitute a full and meaningful report to its shareholders and creditors.
- . Ensure that the committee obtains from the external auditors a formal written statement delineating all relationships between the auditor and Triad, and its responsibility for discussing with the auditor any disclosed relationships or services that may impact auditor objectivity and independence (as set forth in Independence Standards Board No. 1).
- . External auditors' ultimate accountability is to the Board and the Audit & Compliance Committee, which have the ultimate authority and responsibility to select, evaluate, and, where appropriate, replace the external auditors.

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EXHIBIT B

TRIAD HOSPITALS, INC.

OUTSIDE DIRECTORS STOCK AND INCENTIVE COMPENSATION PLAN  
as amended through April 19, 2001

### 1. Introduction.

This Plan shall be known as the "Triad Hospitals, Inc. Outside Directors Stock and Incentive Compensation Plan" and is hereinafter referred to as the "Plan." The purposes of the Plan are to encourage ownership of stock in the Company by Outside Directors, through the granting of non-qualified stock options and deferred stock unit awards, to provide an incentive to such directors to continue to serve the Company and to aid the Company in attracting qualified director candidates in the future. Options granted under the Plan will not be incentive stock options within the meaning of section 422 of the Code.

The provisions of the Plan are intended to satisfy any applicable requirements of Section 16(b) of the Exchange Act, and shall be interpreted in a manner consistent with any such requirements thereof, as now or hereafter construed, interpreted and applied by regulation, rulings and cases.

The terms of the Plan shall be as set forth below, effective as of the date the Company's Common Stock is distributed to Columbia/HCA Healthcare Corporation stockholders.

### 2. Definitions.

As used in the Plan, the following words and phrases shall have the meanings indicated:

(a) "Agreement" shall mean a written agreement entered into between the Company and a Participant in connection with an Option granted under the Plan.

(b) "Annual Option" shall mean an Option granted pursuant to Section 5.1 hereof.

(c) "Annual Retainer" shall mean the annual fee earned by the Participant for his service on the Board.

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(d) "Black-Scholes Evaluation Method" shall mean the generally accepted option pricing model based on the Black-Scholes valuation model as adapted for use in valuing stock options and using such assumptions as are determined and adopted from time to time by the Board.

(e) "Board" shall mean the Board of Directors of the Company.

(f) "Board Term" shall mean each Board year beginning on the date of an annual meeting of the Company's shareholders and ending on the date immediately preceding the next annual meeting of the Company's shareholders.

(g) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(h) "Common Stock" shall mean the common stock of the Company.

(i) "Company" shall mean Triad Hospitals, Inc., a Delaware corporation, or any successor corporation.

(j) "Deferred Stock Unit" shall mean a bookkeeping unit entitling a Participant to a Share on the Realization Date applicable under the Plan (and shall include fractional units).

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(k) "Deferred Stock Unit Account" shall mean a bookkeeping account maintained by the Company reflecting the number of Deferred Stock Units credited to a Participant pursuant to Section 6.2 hereof as a result of the Participant's Stock Election.

(l) "Deferred Stock Unit Award" shall mean an award under Section 6.2 hereof of Deferred Stock Units as a result of a Participant's Stock Election for a Board Term.

(m) "Disability" shall mean a Participant's total and permanent inability to perform his or her duties with the Company or any Subsidiary by reason of any medically determinable physical or mental impairment, within the meaning of Code section 22(e)(3).

(n) "Discretionary Option" shall mean an Option granted pursuant to Section 5.3.

(o) "Election Notice" shall mean a written election, in such form as the Board shall prescribe, submitted by a Participant to the Company in connection with a Stock Election under the Plan.

(p) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time and as now or hereafter construed, interpreted and applied by regulations, rulings and cases.

(q) "Fair Market Value" per Share or per Deferred Stock Unit as of a given date shall mean the closing sales price of the Common Stock on the New York Stock Exchange on the trading day immediately preceding the date as of which the Fair Market Value is to be determined, or, in the absence of any reported sales of Shares on such date, on the first preceding date on which any such sale shall have been reported (in either case, as reported in the Two Star Edition of The Wall Street Journal). If the Shares are not listed on the New York Stock Exchange on the date as of which Fair Market Value is to be determined, the Committee shall in good faith

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determine the Fair Market Value in whatever manner it considers appropriate.

(r) "Initial Option" shall mean an Option granted pursuant to Section 5.2 hereof.

(s) "Option" shall mean an Annual Option, Initial Option or Discretionary Option, as the case may be.

(t) "Option Price" shall mean the price at which each Share subject to an Option may be purchased, determined in accordance with Section 5.4 hereof.

(u) "Outside Director" shall mean any member of the Board who is not also an employee of the Company (or any Subsidiary thereof).

(v) "Participant" shall mean any Outside Director who has received an Option or other award (or credit) hereunder that has not yet terminated.

(w) "Realization Date" shall mean, as elected by the Participant, with respect to any Deferred Stock Unit allocated to a Participant's Deferred Stock Unit Account, the first business day following (i) the fifth anniversary of the date such Deferred Stock Unit is credited to the Participant's Deferred Stock Unit Account, or (ii) the date the Participant ceases to be a member of the Board.

(x) "Shares" shall mean shares of Common Stock of the Company.

(y) "Stock Election" shall mean an election of the Participant to receive, in lieu of all or part (in multiples of 25%) of his Annual Retainer, a Deferred Stock Unit Award pursuant to Section 6.2 hereof.

(z) "Subsidiary" shall have the meaning set forth in Section 7.2.

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### 3. Administration of the Plan.

3.1 General Authority. The Plan shall be administered by the Board. The Board shall have plenary authority in its discretion, but subject to the express provisions of the Plan, to administer the Plan and to exercise all the powers and authorities either specifically granted to it under the Plan or necessary or advisable in the administration of the Plan, including, without limitation, to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan, to determine the details and provisions of the Election Notices and Agreements and to make all other determinations deemed necessary or advisable for the administration of the Plan. The Board's determinations on the foregoing matters shall be final and conclusive. No member of the Board shall be liable for any action taken or determination made in good faith with respect to the Plan or any grant hereunder.

### 4. Stock Subject to Plan.

4.1 Number of Shares. The maximum number of Shares which may be issued pursuant to Options and other awards under the Plan shall be 400,000 Shares, which number shall be subject to adjustment as provided in Section 8 hereof. Such Shares may be either authorized but unissued Shares, or Shares that shall have been or may be reacquired by the Company.

4.2 Reuse of Shares. If an Option or a Deferred Stock Unit Award under the Plan is canceled, terminates, expires unexercised or is exchanged for a

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different award without the issuance of Shares, the covered Shares shall, to the extent of such termination or non-use, again be available for awards thereafter granted during the term of the Plan.

### 5. Options.

5.1 Grant of Annual Options. Each person who is an Outside Director on the first business day of any Board Term shall be granted an Annual Option on such date as shall be selected by the Board which shall cover a number of Shares determined by the Board. Such Annual Option shall become exercisable in four cumulative installments, each of which shall relate to 25% of the Shares covered by the Annual Option, beginning on the first anniversary of the date of grant and the three next succeeding anniversary dates thereof, respectively.

5.2 Grant of Initial Options. In addition to Annual Options granted under Section 5.1, upon commencement of service as an Outside Director, each Outside Director shall be granted an Initial Option, as of such date as shall be selected by the Board, which shall cover a number of shares determined by the Board. Such Initial Option shall become exercisable in four cumulative installments, each of which shall relate to 25% of the Shares covered by the Initial Option, beginning on the first anniversary of the date of grant and the three next succeeding anniversary dates thereof, respectively.

5.3 Discretionary Options. The Board may, from time to time, in its sole discretion, designate Outside Directors who are to be granted Discretionary Options and determine the number of shares subject to such Discretionary Options. The Board, in its sole discretion, shall prescribe the time or times at which, or the conditions upon which, a Discretionary Option or portion thereof shall become vested and exercisable, and may accelerate the exercisability of any Discretionary Option at any time.

5.4 Option Price. The Option Price of each Share subject to an Annual Option or Initial Option shall be 100 percent of the Fair Market Value of a Share on the date of grant. The Option Price of each Share under a Discretionary Option shall be determined by the Board; provided, however, that the Option Price of each Share under such Discretionary Option shall not be less than 100 percent of the Fair Market Value of a Share on the date of grant.

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5.5 Term. The term of any Option issued pursuant to the Plan shall be ten years from the date of grant and may extend beyond the date of termination of the Plan; provided, however, that the Board may, in the case of a Discretionary Option, provide for a shorter exercise period in the Agreement.

5.6 Option Exercise. An Option may be exercised in whole or in part at any time, with respect to whole Shares only, within the period permitted thereunder for the exercise thereof, and shall be exercised by written notice of intent to exercise the Option with respect to a specified number of Shares, delivered to the Company at its principal office, and payment in full to the Company at said office of the amount of the Option Price for the number of Shares with respect to which the Option is then being exercised. Payment of the Option Price shall be made (i) in cash or cash equivalents, (ii) in whole Shares valued at the closing sales price of the Common Stock on the New York Stock Exchange on the date of exercise (or next succeeding trading date, if the date of exercise is not a trading date, in which case the exercise date shall instead be considered to be such next trading date) or (iii) by a combination of such cash (or cash equivalents) and such Stock; provided, however, that the optionee shall not be entitled to tender Shares pursuant to successive, substantially simultaneous exercises of an Option or any other stock option of the Company. Subject to

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applicable securities laws, an Option may also be exercised by delivering a notice of exercise of the Option and simultaneously selling the Shares thereby acquired pursuant to a brokerage or similar agreement approved in advance by proper officers of the Company, using the proceeds of such sale as payment of the exercise price. Subject to the provisions of Section 9 hereof, the Company shall issue a stock certificate for the Shares purchased by exercise of an Option, in the name of the optionee (or other person exercising the Option in accordance with the provisions of the Plan), as soon as practicable after due exercise and payment of the aggregate Option Price for such Shares.

5.7 Limited Transferability of Options. All Options shall be nontransferable except (i) upon the optionee's death, by the optionee's will or the laws of descent and distribution or (ii) on a case-by-case basis, as may be approved by the Board in its discretion, in accordance with the terms provided below. Each Agreement shall provide that the optionee may, during his or her lifetime and subject to the prior approval of the Board at the time of proposed transfer, transfer all or part of the Option to a Family Member (as defined below), provided that such transfer is made for estate planning, tax planning, donative purposes or pursuant to a domestic relations order, and no consideration (other than nominal consideration) is received by the Optionee. The transfer of an Option shall be subject to such other terms and conditions as the Board may in its discretion impose from time to time, including (without limitation) a condition that the portion of the Option to be transferred be vested and exercisable by the optionee at the time of the transfer and a requirement that the terms of such transfer be documented in a written agreement (in such form as the Board may prescribe). Subsequent transfers of an Option transferred under this Section 5.7 shall be prohibited, other than by will or the laws of descent and distribution upon the death of the transferee.

For purposes hereof, a "family member" shall mean any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the employee's household (other than a tenant or employee), a trust in which these persons have more than fifty percent of the beneficial interest, a foundation in which these persons (or the employee) control the management of assets, and any other entity in which these persons (or the employee) own more than fifty percent of the voting interests.

No transfer of an Option by the optionee by will or by laws of descent and distribution shall be effective to bind the Company unless the Company shall have been furnished with written notice thereof and an authenticated copy of the will and/or such other evidence as the Board may deem necessary to establish the validity of the transfer. During the lifetime of an optionee, except as provided above, the Option shall be exercisable only by the optionee, except that, in the case of an optionee who is legally incapacitated, the Option shall be exercisable by the optionee's guardian or legal representative. In the event of any transfer of an Option to a Family Member in accordance with the provisions of this Section 5.7, such Family Member shall thereafter have all rights that would otherwise be held by such optionee (or by such optionee's guardian, legal representative or beneficiary), except as otherwise provided herein. Any attempted assignment, transfer, pledge,

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hypothecation or other disposition of the Option contrary to the provisions hereof, and the levy of any execution, attachment or similar process upon the Option, shall be null and void and without effect.

5.8 Death of Optionee. If an optionee dies while he is an Outside Director, the executor or administrator of the estate of the decedent (or the person or

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persons to whom an Option shall have been validly transferred in accordance with Section 5.7) shall have the right, during the period ending six months after the date of the optionee's death (subject to the provisions of Section 5.5 hereof concerning the maximum term of an Option), to exercise the Option to the extent that it was exercisable at the date of such optionee's death and shall not have been previously exercised.

5.9 Disability. If an optionee's service as an Outside Director shall be terminated as a result of Disability, the optionee (or in the case of an optionee who is legally incapacitated, his guardian or legal representative) shall have the right, during a period ending six months after the date of his disability (subject to the provisions of Section 5.5 hereof concerning the maximum term of an Option), to exercise the Option to the extent that it was exercisable at the date of such optionee's Disability and shall not have been previously exercised.

5.10 Other Termination of Service. If an optionee's service as an Outside Director shall be terminated for any reason other than death or Disability, the optionee shall have the right, during the period ending ninety days after such termination (subject to the provisions of Section 5.5 hereof concerning the maximum term of an Option), to exercise the Option to the extent that it was exercisable on the date of such termination of service and shall not have been previously exercised.

### 6. Deferred Stock Unit Awards.

6.1 Stock Elections. For each Board Term during which the Plan is in effect, a Participant may elect to receive, in lieu of all or any portion (in multiples of 25%) of his Annual Retainer payable for such Board Term, a Deferred Stock Unit Award pursuant to Section 6.2 hereof. Such an election shall be made for a Board Term by filing an Election Notice with the Company, in accordance with procedures adopted by the Board, prior to the commencement of the Board Term for which such Annual Retainer is to be paid; provided, however, that in the case of the Board Term beginning in 1999, such Election Notice must be filed on or before May 31, 1999.

6.2 Deferred Stock Unit Awards. A Participant shall receive a Deferred Stock Unit Award for each Board Term in respect of which he makes a Stock Election. Such Deferred Stock Unit Award shall be granted as of the first business day of the Board Term (except that in the case of the Board Term beginning in 1999, such grant date shall be the twenty-first (21) trading date of the Company's Common Stock) and shall be for a number of Deferred Stock Units determined by dividing (A) the additional Annual Retainer amount that would have been payable to the Participant in cash in the absence of his Stock Election, by (B) the Fair Market Value of a Share on the date of grant.

6.3 Award Terms. Each Deferred Stock Unit Award granted under the Plan shall have the following terms:

(a) Vesting. All Deferred Stock Units credited to a Participant's Deferred Stock Unit Account shall immediately be 100% vested.

(b) Dividend Equivalents. A Participant shall be credited with dividend equivalents on all Deferred Stock Units credited to his Deferred Stock Unit Account at the time of any payment of dividends on Shares to stockholders. The amount of any such dividend equivalents shall equal the amount that would have been payable to the Participant as a stockholder in respect of a number of Shares equal to the number of Deferred Stock Units then credited to him. Any such dividend equivalent shall be credited to the Participant's Deferred Stock Unit Account as of the date on which such dividend would have been payable and shall be converted into additional Deferred Stock Units (which shall be immediately vested) based upon the Fair Market Value



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of a Share on the date of such crediting.

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(c) Payment of Awards. A Participant shall be entitled to payment, in respect of Deferred Stock Units credited to him, on the Realization Date for such Deferred Stock Units indicated by the Participant in the applicable Election Notice. Subject to the provisions of Section 9, such payment in respect of any Deferred Stock Units shall be made through the issuance to the Participant of a stock certificate for a number of Shares equal to the number of such Deferred Stock Units.

### 7. Change in Control.

7.1 Effect of Change in Control. Upon a "change in control" of the Company (as defined below), each outstanding Option, to the extent that it shall not otherwise have become exercisable, shall become fully and immediately exercisable (without regard to the otherwise applicable provisions of Sections 5.1, 5.2 and 5.3 hereof concerning exercisability).

7.2 Definition. For purposes of Section 7.1 hereof, "change in control" of the Company shall be deemed to have occurred upon the occurrence of any of the following after the date on which the Corporation becomes a publicly-held Corporation:

(a) An acquisition (other than directly from the Company) of any voting securities of the Company (the "Voting Securities") by any "Person" (as the term Person is used for purposes of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "1934 Act")) immediately after which such Person has "Beneficial Ownership" (within the meaning of Rule 13d-3 promulgated under the 1934 Act) of twenty percent (20%) or more of the combined voting power of the then outstanding Voting Securities; provided, however, that in determining whether a change in control has occurred, Voting Securities which are acquired in a "Non-Control Acquisition" (as hereinafter defined) shall not constitute an acquisition which would cause a change in control. A "Non-Control Acquisition" shall mean an acquisition by (i) an employee benefit plan (or a trust forming a part thereof) maintained by (A) the Company or (B) any corporation or other Person of which a majority of its voting power or its equity securities or equity interest is owned directly or indirectly by the Company (a "Subsidiary") or (ii) the Company or any Subsidiary.

(b) The individuals who, as of the date the Company issues any class of equity securities required to be registered under Section 12 of the 1934 Act, are members of the Board (the "Incumbent Board"), cease for any reason to constitute at least two-thirds of the Board; provided, however, that if the election, or nomination for election, by the Company's stockholders of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of this Agreement, be considered as a member of the Incumbent Board; provided, further, however, that no individual shall be considered a member of the Incumbent Board if (1) such individual initially assumed office as a result of either an actual or threatened "Election Contest" (as described in Rule 14a-11 promulgated under the 1934 Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board (a "Proxy Contest") including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest or (2) such individual was designated by a Person who has entered into an agreement with the Company to effect a transaction described in clause (a) or (c) of this Section 7.2; or

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(c) Consummation, after approval by stockholders of the Company, of:

(1) A merger, consolidation or reorganization involving the Company, unless,

(A) The stockholders of the Company, immediately before such merger, consolidation or reorganization, own, directly or indirectly immediately following such merger, consolidation or reorganization, at least seventy-five percent (75%) of the combined voting power of the outstanding Voting Securities of the corporation resulting from such merger or consolidation or reorganization or its parent corporation (the "Surviving Corporation") in substantially the same proportion as their ownership of the Voting Securities immediately before such merger, consolidation or reorganization;

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(B) The individuals who were members of the Incumbent Board immediately prior to the execution of the agreement providing for such merger, consolidation or reorganization constitute at least two-thirds of the members of the board of directors of the Surviving Corporation; and

(C) No Person (other than the Company, any Subsidiary, any employee benefit plan (or any trust forming a part thereof) maintained by the Company, the Surviving Corporation or any Subsidiary, or any Person who, immediately prior to such merger, consolidation or reorganization, had Beneficial Ownership of twenty percent (20%) or more of the then outstanding Voting Securities) has Beneficial Ownership of twenty percent (20%) or more of the combined voting power of the Surviving Corporation's then outstanding Voting Securities.

(2) A complete liquidation or dissolution of the Company; or

(3) An agreement for the sale or other disposition of all or substantially all of the assets of the Company to any Person (other than a transfer to a Subsidiary).

Notwithstanding the foregoing, a change in control shall not be deemed to occur solely because any Person (the "Subject Person") acquired Beneficial Ownership of more than the permitted amount of the outstanding Voting Securities as a result of the acquisition of Voting Securities by the Company which, by reducing the number of Voting Securities outstanding, increased the proportional number of shares Beneficially Owned by the Subject Person, provided that if a change in control would occur (but for the operation of this sentence) as a result of the acquisition of Voting Securities by the Company, and after such share acquisition by the Company, the Subject Person becomes the Beneficial Owner of any additional Voting Securities which increases the percentage of the then outstanding Voting Securities Beneficially Owned by the Subject Person, then a change in control shall occur.

### 8. Antidilution Adjustments.

In the event of a reorganization, recapitalization, stock split, stock dividend, combination of shares, merger or consolidation, or the sale, conveyance, lease or other transfer by the Company of all or substantially all of its property, or any other change in the corporate structure or shares of the Company, pursuant to any of which events the then outstanding Shares are split up or combined, or are changed into, become exchangeable at the holder's

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election for, or entitle the holder thereof to, other shares of stock, or in the case of any other transaction described in section 424(a) of the Code, the Board may make such adjustment or substitution (including by substitution of shares of another corporation) as it may determine to be appropriate, in its sole discretion, in (i) the aggregate number and kind of shares that may be distributed in respect of Option exercises and/or awards under the Plan, (ii) the number and kind of shares subject to outstanding Options and/or the Option Price of such shares and (iii) the number and kind of shares represented by Deferred Stock Units outstanding under the Plan.

### 9. Conditions of Issuance of Stock Certificates.

9.1 Applicable Conditions. The Company shall not be required to issue or deliver any certificate for Shares under the Plan prior to fulfillment of all of the following conditions:

(a) the completion of any registration or other qualification of such Shares, under any federal or state law, or under the rulings or regulations of the Securities and Exchange Commission or any other governmental regulatory body, that the Board shall, in its sole discretion, deem necessary or advisable;

(b) the obtaining of any approval or other clearance from any federal or state governmental agency that the Board shall, in its sole discretion, determine to be necessary or advisable;

(c) the lapse of such reasonable period of time following the event triggering the obligation to distribute shares as the Board from time to time may establish for reasons of administrative convenience; and

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(d) if required by the Board, in its sole discretion, the receipt by the Company from a Participant of (i) a representation in writing that the Shares received pursuant to the Plan are being acquired for investment and not with a view to distribution and (ii) such other representations and warranties as are deemed necessary by counsel to the Company.

9.2 Legends. The Company reserves the right to legend any certificate for Shares, conditioning sales of such shares upon compliance with applicable federal and state securities laws and regulations.

### 10. No Rights to Continued Service.

Nothing in the Plan, in any grant made, or in any Election Notice or Agreement entered into pursuant hereto shall confer upon any Participant the right to continue service as a member of the Board or to be entitled to any remuneration or benefits not set forth in the Plan, Election Notice or Agreement.

### 11. No Rights to Assets of the Company.

Nothing in the Plan, in any grant made, or in any Election Notice or Agreement entered into pursuant hereto shall confer upon any Participant any right to any particular assets of the Company. A Participant's rights under the Plan are limited to those rights of an unsecured creditor except to the extent Shares are actually issued to such Participant.

### 12. Amendment and Termination of the Plan.

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The Board, at any time and from time to time, may suspend, terminate, modify or amend the Plan; provided, however, that an amendment which requires stockholder approval for the Plan to continue to comply with any law, regulation or stock exchange requirement shall not be effective unless approved by the requisite vote of stockholders. No suspension, termination, modification or amendment of the Plan shall adversely affect any grants previously made, unless the written consent of the Participant is obtained.

### 13. Term of the Plan.

The Plan shall have a term of ten years. No grants or awards may be made after such termination, but termination of the Plan shall not, without the consent of any Participant who then holds Options or Deferred Stock Units, alter or impair any rights or obligations in respect of such Options or Deferred Stock Units.

### 14. Governing Law.

The Plan and the rights of all persons claiming hereunder shall be construed and determined in accordance with the laws of the State of Texas without giving effect to the choice of law principles thereof, except to the extent that such laws are preempted by Federal law.

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Vote by Telephone  
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Have your proxy card available when you call the Toll-Free number 1-800-250-9081 using a touch-tone telephone. You will be prompted to enter your Control Number. Please follow the simple prompts that will be presented to you to record your vote.

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Vote by Internet  
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Have your proxy card available when you access the website <http://www.voteast.com>. You will be prompted to enter your Control Number. Please follow the simple prompts that will be presented to you to record your vote.

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Vote by Mail  
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Please mark, sign and date your proxy card and return it in the postage-paid envelope provided or return it to: Stock Transfer Dept (TRIH) National City Bank, P.O. Box 92301 Cleveland OH 44193-0900.

Vote by Telephone  
Call Toll-Free using a  
touch-tone telephone:  
1-800-250-9081

Vote by Internet  
Access the Website and  
cast your vote:  
<http://www.voteast.com>

Vote by Mail  
Return your proxy  
in the Postage-Paid  
envelope provided

Vote 24 hours a day, 7 days a week!

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Your telephone or Internet vote must be received by 11:59 p.m. eastern daylight time on May 28, 2001 in order to be counted in the final tabulation.

If you vote by telephone or internet, please do not send your proxy by mail.

=====  
YOUR CONTROL NUMBER IS:  
=====

Please sign and date this proxy where indicated below before mailing.  
Please fold and detach card at perforation before mailing.

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PROXY TRIAD HOSPITALS, INC. PROXY

Proxy for Annual Meeting of Stockholders on May 29, 2001  
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS.

The undersigned hereby appoints Donald P. Fay and Burke W. Whitman proxies, each with the power to appoint his substitute and with authority in each to act in the absence of the other, to represent and to vote all shares of stock of Triad Hospitals, Inc. which the undersigned is entitled to vote at the 2001 Annual Meeting of Stockholders of Triad Hospitals, Inc. to be held at the Sheraton Park Central Hotel, 7750 LBJ Freeway, Dallas, Texas 75251 on May 29, 2001 at 10:00 a.m., local time, and any adjournments or postponements thereof, as indicated on the proposals described in the Proxy Statement, and all other matters properly coming before the 2001 Annual Meeting of Stockholders of Triad Hospitals, Inc., or any adjournment or postponement thereof. This proxy revokes all prior proxies given by the undersigned.

\_\_\_\_\_  
Signature(s)

\_\_\_\_\_  
Signature(s)

Date: \_\_\_\_\_, 2001

Please sign exactly as your name or names appear hereon. For joint accounts, both owners should sign. When signing as executor, administrator, attorney, trustee or guardian, etc., please give your full title.

PROXY TRIAD HOSPITALS, INC. PROXY

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Please fold and detach card at perforation before mailing.  
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The Board of Directors recommends a vote FOR Items 1 through 3. Please mark  
---  
vote in box in the following manner [X] using dark Ink only. This proxy will be voted in accordance with specifications made. If no choices are indicated, this proxy will be voted For Items 1 through 3.  
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1. ELECTION of Directors - NOMINEES are Marvin Runyon, James D. Shelton, Thomas F. Frist III and Gale Sayers.

[ ] FOR all nominees listed above [ ] WITHHOLD AUTHORITY  
(except as listed to the contrary to vote for all nominees listed

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below)

above.

To withhold authority to vote for any individual nominee, write that nominee's name on the line below.

2. RATIFICATION of Ernst & Young LLP as independent auditors.

FOR                     AGAINST                     ABSTAIN

3. APPROVAL of an amendment to the Triad Hospitals, Inc. Outside Directors Stock and Incentive Compensation Plan to increase the number of authorized shares thereunder from 240,000 to 400,000.

FOR                     AGAINST                     ABSTAIN

Mark here if you plan to attend the 2001 Annual Meeting.

Important--This Proxy must be signed and dated on the reverse side.

FOLD AND DETACH HERE

TRIAD HOSPITALS, INC.  
ANNUAL MEETING OF STOCKHOLDERS  
MAY 29, 2001

VOTING INSTRUCTION FORM  
Voting Instruction Solicited by the Trustee of  
Triad Hospitals Employee Stock Ownership Trust

The undersigned participant in the Triad Hospitals, Inc. Retirement Savings Plan (the "Plan") hereby instructs U.S. Trust Company, N.A., as Trustee of the Triad Hospitals, Inc. Employee Stock Ownership Trust, to vote at the Annual Meeting of Stockholders on May 29, 2001 or any adjournment thereof, all shares of Common Stock that have been allocated to the account of the undersigned on the Proposals more fully described in the enclosed Proxy Statement.

THIS FORM MUST BE PROPERLY COMPLETED, SIGNED, DATED AND RECEIVED BY THE TRUSTEE NO LATER THAN 5:00 P.M. EASTERN TIME ON WEDNESDAY, MAY 23, 2001. IF YOUR VOTING INSTRUCTIONS ARE NOT TIMELY RECEIVED, THE TRUSTEE WILL VOTE YOUR SHARES IN THE SAME MANNER AND PROPORTION AS THOSE SHARES FOR WHICH INSTRUCTIONS ARE TIMELY RECEIVED. YOUR VOTING INSTRUCTIONS TO THE TRUSTEE ARE CONFIDENTIAL, AS EXPLAINED IN THE ACCOMPANYING NOTICE TO PLAN PARTICIPANTS.

FOLD AND DETACH HERE

1. ELECTION of Directors Marvin Runyon, James D. Shelton, Thomas F. First III and Gale Sayers.

For All                     Withhold All                     For All Except

WITHHOLD AUTHORITY: to withhold authority to vote for an individual nominee, write that nominee's name in the following space:

2. RATIFICATION of Ernst & Young LLP as independent auditors.

FOR                     AGAINST                     ABSTAIN

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3. APPROVAL of an amendment to the Triad Hospitals, Inc. Outside Directors Stock and Incentive Compensation Plan to increase the number of authorized shares thereunder from 240,000 to 400,000.

FOR

AGAINST

ABSTAIN

As a Participant in the Plan, I hereby acknowledge receipt of the Notice to Participants and the accompanying Proxy Statement relating to the Annual Meeting of Stockholders of Triad Hospitals, Inc., and hereby instruct the Trustee to vote all shares credited to my Plan account as I have indicated above. If I sign, date and return this form but do not specifically instruct the Trustee how to vote, I understand that the Trustee will vote the shares credited to my account in the same manner and proportion as those Shares for which timely instructions from participants were received.

Dated: \_\_\_\_\_, 2001

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature if held jointly