

TRIAD HOSPITALS INC  
Form DEF 14A  
April 14, 2006  
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**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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Under Rule 14a-12

Confidential, for the Use of the Commission Only (as permitted by  
Rule 14a-6(e)(2))

**TRIAD HOSPITALS, INC.**

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(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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x 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:

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

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(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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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount Previously Paid:

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

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(3) Filing Party:

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(4) Date Filed:

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April 14, 2006

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Triad Hospitals, Inc. to be held at Triad's offices, 5800 Tennyson Parkway, Plano, Texas 75024 on Tuesday, May 23, 2006, beginning at 10:00 a.m., Central Daylight Time.

The attached Notice of Annual Meeting and Proxy Statement describes the formal business to be transacted at the meeting, which includes (i) the election of four Class I directors and one Class III director and (ii) the ratification of the selection of Ernst & Young LLP as Triad's registered independent accounting firm for fiscal 2006. Triad's Board of Directors believes that a favorable vote on each of the matters to be considered at the meeting is in the best interests of Triad and its stockholders and unanimously recommends a vote FOR each such matter.

Whether or not you plan to attend, you can ensure that your shares are represented at the meeting by promptly voting and submitting your proxy through the Internet or by telephone, or by completing, signing, dating and returning your proxy card in the enclosed envelope.

Sincerely,

James D. Shelton

*Chairman of the Board, President and*

*Chief Executive Officer*

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**TRIAD HOSPITALS, INC.**

**5800 Tennyson Parkway**

**Plano, Texas 75024**

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**MAY 23, 2006 AT 10:00 A.M., CENTRAL DAYLIGHT TIME**

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To our stockholders:

The 2006 Annual Meeting of Stockholders of Triad Hospitals, Inc. will be held at Triad's corporate headquarters, 5800 Tennyson Parkway, Plano, Texas 75024 on Tuesday, May 23, 2006, beginning at 10:00 a.m., Central Daylight Time. The meeting will be held for the following purposes:

1. To elect four Class I directors to serve until the 2009 annual meeting of stockholders and one Class III director to serve until the 2008 annual meeting of stockholders, or until their respective successors shall have been duly elected and qualified;
2. To ratify the selection of Ernst & Young LLP as Triad's registered independent accounting firm for fiscal year 2006; and
3. To transact such other business as may properly come before the meeting.

Stockholders of record at the close of business on March 27, 2006 are entitled to notice of, and to vote at, the meeting. A complete list of the stockholders entitled to vote at the meeting will be available for examination by any stockholder at Triad's corporate headquarters, during ordinary business hours, for a period of at least ten days prior to the meeting.

You are cordially invited to attend the meeting. Stockholders who do not expect to attend in person are requested to sign and return the enclosed proxy card in the envelope provided, or to 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,

Rebecca Hurley  
*Senior Vice President,  
General Counsel and Secretary*

April 14, 2006

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**TRIAD HOSPITALS, INC.**

**5800 Tennyson Parkway**

**Plano, Texas 75024**

**PROXY STATEMENT**

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**ANNUAL MEETING OF STOCKHOLDERS**

**To be held May 23, 2006**

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This Proxy 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 outstanding shares of Triad common stock, par value \$.01 per share, entitled to vote at the Company's 2006 Annual Meeting of Stockholders and any and all adjournments or postponements thereof (the 2006 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, March 27, 2006, are entitled to notice of and to vote at the 2006 Annual Meeting. This Proxy Statement and the accompanying proxy materials are first being mailed to stockholders on or about April 14, 2006.

Triad's common stock trades on the New York Stock Exchange under the ticker symbol TRI.

**GENERAL INFORMATION ABOUT THE MEETING**

The Company has one class of common stock outstanding. As of the record date, 87,468,608 shares of Triad common stock were outstanding and entitled to be voted at the 2006 Annual Meeting. Holders of outstanding shares of Triad common stock as of the record date are entitled to one vote per share on each matter presented at the 2006 Annual Meeting.

The presence at the meeting, in person or by proxy, of the holders of a majority of the outstanding shares of Triad common stock entitled to vote is necessary to constitute a quorum to transact business at the 2006 Annual Meeting. A stockholder who is present or represented by proxy at the 2006 Annual Meeting will be counted for purposes of determining if a quorum exists even if the stockholder abstains from voting. If a quorum should not be present, the meeting may be adjourned from time to time until a quorum is obtained.

Shares of Triad common stock represented by properly executed and timely received proxies will be voted at the 2006 Annual Meeting according to the instructions marked on the proxies unless they have been previously revoked. If no instructions are specified, the shares

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represented by such proxies will be voted in accordance with the recommendations of the Board of Directors.

The Board of Directors recommends a vote for each of the following matters:

the election of each of the five nominees named under Proposal I Election of Directors ; and

the proposal to ratify the selection of Ernst & Young LLP as the Company's registered independent accounting firm for fiscal 2006.

The Board of Directors knows of no other business to be presented at the 2006 Annual Meeting. If any other business is properly presented, the persons named in the enclosed proxy have authority to vote on such matters in their discretion.



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### **Voting on Matters to be Presented at the 2006 Annual Meeting**

*Submission of Proxies.* Stockholders can vote their shares in person at the 2006 Annual Meeting or by proxy in one of the following ways:

*through the Internet* at the website shown on the proxy card;

*by telephone* using the toll-free number shown on the proxy card; or

by returning the enclosed *proxy card*.

Votes submitted through the Internet or by telephone must be received by 6:00 a.m., Eastern Time, on May 23, 2006. Internet and telephone voting are available 24 hours a day.

*Revocation of Proxies.* A stockholder voting by proxy may change his or her voting instructions or revoke a proxy for any other reason at any time prior to exercise at the 2006 Annual Meeting. For shares held directly, a proxy may be revoked by delivery of written notice of revocation to the Secretary of the Company, by execution and delivery of a later proxy through the Internet, by telephone or in writing, or by voting the shares in person at the 2006 Annual Meeting. For shares 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.

*Shares held in the Triad Hospitals, Inc. Retirement Savings Plan.* Participants in the Triad Hospitals, Inc. Retirement Savings Plan may instruct U.S. Trust Company, N.A. ( U.S. Trust ), the plan trustee, how to vote the shares allocated to them under the plan by returning the U.S. Trust voting instruction card or as otherwise directed by U.S. Trust in the notice to plan participants. Voting instructions must be received by U.S. Trust by 11:59 p.m., Eastern Time, on May 17, 2006. Voting instructions may be changed or revoked by delivery of written notice of revocation to the Secretary of the Company, or by execution and delivery of a later voting instruction card. For participants who sign, date and return their voting instruction card but do not specifically instruct U.S. Trust how to vote, U.S. Trust will vote the shares in the same manner and proportion as those shares for which voting instructions were received.

*Shares held in the Triad Hospitals, Inc. or the HCA Inc. Employee Stock Purchase Plan.* Participants in the Triad Hospitals, Inc. Employee Stock Purchase Plan or the HCA Inc. Employee Stock Purchase Plan may instruct Computershare Trust Company ( Computershare ), the record keeper for each of the plans, how to vote the shares allocated to them under the plan by returning the Computershare voting instruction card. Voting instructions must be received by Computershare by 11:59 p.m., Eastern Time, on May 17, 2006. Voting instructions may be changed or revoked by delivery of written notice of revocation to the Secretary of the Company, or by execution and delivery of a later voting instruction card. For participants who sign, date and return their voting instruction card but do not specifically instruct Computershare how to vote, Computershare will vote the shares for Proposals I and II.

### **Broker Voting**

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Brokers holding shares of record for a customer have discretionary authority to vote on some matters if they do not receive timely instructions from the customer regarding how the customer wants the shares voted. There are also some matters with respect to which brokers do not have discretionary authority to vote if they do not receive timely instructions from the customer. If a broker does not receive timely voting instructions from the customer on a matter with respect to which it does not have discretionary authority to vote, a broker non-vote results. A broker non-vote is counted as present at the meeting for purposes of determining a quorum but is treated as not entitled to vote with respect to such matters. Accordingly, a broker non-vote is not counted in the number of votes cast for or against such matters and, therefore, will not affect the outcome of the vote.

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**PROPOSAL I**

**ELECTION OF DIRECTORS**

The Company's Restated Certificate of Incorporation provides for a Board of Directors divided into three classes of directors as nearly equal in number as possible, with the term of office of one class expiring each year at the Company's Annual Meeting of Stockholders. Each class of directors is elected for a term of three years, except in the case of elections to fill vacancies or newly created directorships.

Based on the recommendation of the Nominating and Corporate Governance Committee, the Board of Directors has nominated Barbara A. Durand, Ed.D., Donald B. Halverstadt, M.D., Dale V. Kesler and Harriet R. Michel for election as Class I directors at the 2006 Annual Meeting, each to serve for a term of three years until the 2009 Annual Meeting of Stockholders or until his or her successor is duly elected and qualified. In addition, based on the recommendation of the Nominating and Corporate Governance Committee, the Board of Directors has nominated William J. Hibbitt for election as a Class III director at the 2006 Annual Meeting in order to fill a vacancy on the Board of Directors. If elected, Mr. Hibbitt will serve as a Class III director until the Company's 2008 Annual Meeting of Stockholders, the date on which the term of a Class III director expires, or until his successor is duly elected and qualified. Mr. Hibbitt was recommended to the Nominating and Corporate Governance Committee by the Company's Chief Executive Officer.

Stockholders may vote at the 2006 Annual Meeting only for the nominees named above. All duly submitted and unrevoked proxies will be voted for such nominees, except where authorization to so vote is withheld. If, for any reason, any of the nominees becomes unavailable for election, the holders of the proxies may exercise discretion to vote for substitutes proposed by the Board of Directors. Each of the nominees has indicated his or her willingness to serve as a member of the Board of Directors if elected.

Information concerning each of the nominees named for election as a director, along with information concerning the Class II and Class III directors, whose terms of office will continue after the 2006 Annual Meeting, is set forth below.

**Required Vote**

The affirmative vote of a plurality of the shares of Triad common stock represented at the 2006 Annual Meeting, in person or by proxy, and entitled to vote on such proposal is necessary for the election of directors. Votes may be cast in favor of or withheld with respect to each nominee. Votes that are withheld will be counted toward a quorum but will be excluded from the tabulation of votes cast for such proposal and, therefore, will not affect the outcome of the vote on such proposal.

**The Board of Directors recommends a vote FOR the election of each of the nominees for Class I director and Class III director named below.**

The nominees for election as Class I directors are as follows:

**Class I Nominees Term Will Expire in 2009**

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

Director since 2000

Age 68

Barbara A. Durand, R.N., Ed.D. is Professor and Dean Emeritus of the Arizona State University College of Nursing ( ASUCN ). She served as Dean of ASUCN from 1993 to 2004. Prior to such time, she was Professor and Chairperson in the Department of Maternal-Child Nursing, Rush University, Rush-Presbyterian-St. Luke s Medical Center, and Professor in the School of Nursing, University of California San Francisco. Dr. Durand is a fellow of the American Academy of Nursing.

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DONALD B. HALVERSTADT, M.D.	Director since 2000	Age 71
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Donald B. Halverstadt, M.D. is the senior physician of the Pediatric Urology Service at the Children's Hospital of Oklahoma, University of Oklahoma Health Sciences Center. He served as Chief of the Pediatric Urology Service from 1967 to 2004. He is a Vice Chairman and a member of the Board of Governors of the OU Medical Center Hospital System. He is the former Chairman of the University of Oklahoma Board of Regents, of which he was a member from 1993 to 2001. He is the former Chairman (twice) of the Oklahoma State Regents for Higher Education, of which he was a member from 1988-1993. Dr. Halverstadt is a member of the corporate board of trustees of the Presbyterian Health Foundation and a director of BancFirst Corporation.

DALE V. KESLER	Director since 1999	Age 67
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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, ElkCorp, and Aleris International, Inc.

HARRIET R. MICHEL	Director since 2004	Age 63
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Harriet R. Michel is President of the National Minority Supplier Development Council (NMSDC), a private non-profit organization that expands business opportunities for minority-owned companies of all sizes. Before joining NMSDC in September 1988, she was a resident fellow at the Institute of Politics, Kennedy School of Government, Harvard University. Prior to that time, she was President and Chief Executive Officer of the New York Urban League.

The nominee for election as a Class III director is as follows:

**Class III Nominee Term Will Expire in 2008**

WILLIAM J. HIBBITT		Age 56
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William J. Hibbitt served as a partner in KPMG LLP from 1982 until his retirement in February 2006. Mr. Hibbitt served in various capacities with KPMG, most recently as partner in charge of expatriate services. Mr. Hibbitt also served as Vice Chairman of Tax Operations responsible for KPMG's U.S. tax practice from May 2002 through March 2004. KPMG LLP is a member of KPMG International, a Swiss Cooperative. KPMG provides audit, tax and advisory services.

The present directors whose terms are scheduled to expire after 2006 are as follows:

**Class II Directors Term Will Expire in 2007**

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NANCY-ANN DEPARLE

Director since 2001

Age 49

Nancy-Ann DeParle is a Senior Advisor to J.P. Morgan Partners, LLC and an Adjunct Professor at the Wharton School of the University of Pennsylvania. From November 1997 through October 2000, she served as the Administrator of the Health Care Financing Administration, now known as the Centers for Medicare and Medicaid Services. Prior to that time, she served as Associate Director of Health and Personnel at the White House Office of Management and Budget. Ms. DeParle is a director of Cerner Corporation, DaVita, Inc. and Guidant Corporation.

THOMAS F. FRIST III

Director since 1999

Age 38

Thomas F. Frist III is the managing member of Frist Capital, LLC, a private investment firm based in Nashville, Tennessee and the successor to FS Partners, LLC, which he co-founded in 1994. Prior to such time, he was a principal at Rainwater, Inc., a private investment firm.

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MICHAEL K. JHIN	Director since 2004	Age 56
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Michael K. Jhin is Chief Executive Officer Emeritus of St. Luke's Episcopal Health System (SLEHS), a healthcare system located in Houston, Texas. From 1997 through 2003, Mr. Jhin served as President and Chief Executive Officer of SLEHS; during this period, Mr. Jhin served five years as a commissioner on the board of the Joint Commission on Accreditation of Healthcare Organizations. From 1990 through 2000, he also served as President and Chief Executive Officer of SLEHS flagship hospital. Mr. Jhin is a director of EGL, Inc., an international freight company.

GALE E. SAYERS	Director since 1999	Age 62
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Gale E. Sayers is President and CEO of Sayers 40, Inc., a national provider of customized technology solutions to commercial and healthcare accounts that he co-founded in 1984. Mr. Sayers manages Sayers and Sayers Enterprises, a sports marketing and public relations firm. Mr. Sayers is a director of American Century Mutual Funds.

JAMES D. SHELTON	Director since 1999	Age 52
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James D. Shelton has served as Chairman of the Board, President and Chief Executive Officer of the Company since the date of the Company's spin-off from Columbia/HCA Healthcare Corporation, now known as HCA Inc. (HCA), on May 11, 1999. 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. Mr. Shelton is a member of the board of trustees of the American Hospital Association.

**Class III Directors Term Will Expire in 2008**

THOMAS G. LOEFFLER, ESQ.	Director since 1999	Age 59
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Thomas G. Loeffler, Esq. is the founder, chairman and senior partner of the law firm of Loeffler Tuggey Pauerstein Rosenthal LLP and The Loeffler Group, the government affairs practice of the firm, with offices in San Antonio and Austin, Texas and Washington, D.C. From May 2001 until November 2004, he served as a partner in the law firm of Loeffler, Jonas & Tuggey, LLP, and from June 1993 to April 30, 2001, Mr. Loeffler served as a partner at the law firm of Arter & Hadden LLP. Mr. Loeffler served as a member of the U.S. House of Representatives from 1979 to 1987. Mr. Loeffler is a Member of the Chancellor's Council of the University of Texas System and serves as a Trustee of the University of Texas School of Law Foundation. He is a former Chairman and Vice Chairman of the University of Texas System Board of Regents.

MICHAEL J. PARSONS	Director since 1999	Age 50
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Michael J. Parsons has served as Executive Vice President and Chief Operating Officer and a Director of the Company since the date of the Company's spin-off from HCA on 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. Mr. Parsons is the past

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chairman of the board of directors of the Federation of American Hospitals.

UWE E. REINHARDT, Ph.D.

Director since 1999

Age 68

Uwe E. Reinhardt, Ph.D. is the James Madison Professor of Political Economy and Professor of Economics and Public Affairs at Princeton University. Dr. Reinhardt is a Trustee of Duke University Health Center, H&Q



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Healthcare Investors and H&Q Life Sciences Investors, a Member of the Board of Boston Scientific Corporation and the Center for Healthcare Strategies, Inc., a Director of Amerigroup Corporation and a Member of the External Advisory Panel for Health, Nutrition and Population, the World Bank.

### **Compensation of Directors**

#### ***Annual Retainer***

Directors who are neither officers nor employees of the Company receive an annual retainer payable in cash for their membership on the Board of Directors. From January 1, 2005 through May 24, 2005, the annual retainer for membership on the Board of Directors was set at \$50,000. On May 24, 2005, based on the recommendation of an independent compensation consulting firm engaged by the Compensation Committee, the Board of Directors approved (i) an increase in the annual retainer for each outside director to \$55,000 and (ii) a \$5,000 annual stipend payable in cash to each outside director serving as a committee chairperson.

Outside directors have the option to elect to receive all or a portion (in 25% increments) of their annual retainer (excluding the annual stipend for the committee chairpersons) in deferred stock units ( DSUs ) that settle in shares of Triad common stock at the earlier of the fifth anniversary of the date of grant or the end of the director's service on the Board of Directors, at the director's election, pursuant to the terms of the Company's Outside Directors Stock and Incentive Compensation Plan. If such option is elected, the number of DSUs granted in payment of all or a portion of the annual retainer is calculated based on the closing price of a share of Triad common stock on the date of grant, which is the date of the Company's Annual Meeting of Stockholders. For the 2005 annual retainer, Messrs. Frist and Jhin elected to receive 100% of the annual retainer in DSUs (1,113 DSUs each); Mr. Kesler and Ms. Michel elected to receive 50% of the annual retainer in DSUs (556 DSUs each); Ms. DeParle elected to receive 25% of the annual retainer in DSUs (278 DSUs); and Messrs. Loeffler and Sayers and Drs. Durand, Halverstadt and Reinhardt did not elect to receive any portion of the annual retainer in DSUs. The DSUs were granted on May 24, 2005, based on the closing price of Triad common stock on that date of \$49.42.

#### ***Meeting Fees and Expenses***

In addition to the annual retainer, outside directors receive a fee of \$2,500 payable in cash for attendance at each Board meeting. From January 1, 2005 through May 24, 2005, committee members also received a fee of \$500 payable in cash for attendance at each applicable committee meeting if the meeting was not held in conjunction with a Board meeting. On May 24, 2005, the Board of Directors increased attendance fees to \$1,500 payable in cash for a committee member's attendance at each applicable committee meeting, without regard to whether the meeting was held in conjunction with a Board meeting. Outside directors also are reimbursed for expenses incurred relating to attendance at meetings.

#### ***Equity Compensation***

The Company's Outside Directors Stock and Incentive Compensation Plan provides for a grant of options upon initially joining the Board of Directors in an amount determined by the Board of Directors. The Board of Directors' practice has been to grant initial options covering 20,000 shares of Triad common stock. In addition to the initial options, the plan provides for an annual grant of options to acquire a number of shares of Triad common stock determined by the Board of Directors. Under the terms of the plan, initial options and annual options become exercisable as

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to 25% of the shares covered thereby annually beginning on the first anniversary of the date of grant. All options granted under the plan have a maximum term of ten years, are exercisable at the fair market value of the Triad common stock on the date of the grant and become immediately exercisable upon a change of control of the Company. On May 24, 2005, in lieu of an annual stock option grant and as permitted by the Outside Directors Stock and Incentive Compensation Plan, the Board of Directors granted to each outside director a restricted stock award covering 2,000 shares of Triad common stock under the Company's Amended and Restated Long-Term Incentive Plan. Each grant will vest as of May 24, 2006 or, if earlier, upon death, disability or a change in control of the Company.

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**CORPORATE GOVERNANCE**

**Corporate Governance Guidelines**

The Board of Directors has adopted Corporate Governance Guidelines to guide the Company and the Board of Directors in matters of corporate governance, including, among other matters, the role of the board, selection and composition of the board, board operation and structure, board committees, leadership development, conduct and ethics, and reliance on management and outside advisors. The Corporate Governance Guidelines are available on the Company's website at [www.triadhospitals.com](http://www.triadhospitals.com), and a printed copy will be furnished to any stockholder upon request addressed to Corporate Secretary, Triad Hospitals, Inc., 5800 Tennyson Parkway, Plano, Texas 75024.

**Code of Conduct and Conflicts of Interest Policy**

The Company has adopted a Code of Conduct that applies to the Board of Directors and all officers and employees of the Company and a supplemental Conflicts of Interest Policy that applies specifically to the Board of Directors and executive officers of the Company, including its chief executive officer, chief financial officer and controller (the Senior Financial Officers). The Company intends to disclose any amendment to, or waiver from, any of the provisions of the Code of Conduct or the Conflicts of Interest Policy applicable to the Board of Directors or any executive officer, including any Senior Financial Officer, on its website at [www.triadhospitals.com](http://www.triadhospitals.com). The Code of Conduct and the Conflicts of Interest Policy are available on the Company's website at [www.triadhospitals.com](http://www.triadhospitals.com), and a printed copy will be furnished to any stockholder upon request addressed to Corporate Secretary, Triad Hospitals, Inc., 5800 Tennyson Parkway, Plano, Texas 75024.

**Director Independence**

The Board of Directors has adopted Categorical Standards of Director Independence to assist it in making determinations of director independence. Pursuant to such standards, no director will be considered independent if:

- (i) the director is, or within the last three years was, an employee of the Company;
  
- (ii) an immediate family member of the director is, or within the last three years was, an executive officer of the Company;
  
- (iii) the director or an immediate family member received, during any twelve-month period within the last three years, more than \$100,000 per year in direct compensation from the Company (other than the Director and Committee fees and pension or other deferred compensation);
  
- (iv) the director is currently a partner or an employee of the Company's present or former internal or external auditing firm;

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(v) an immediate family member of the director is currently a partner of the Company's present or former internal or external auditing firm or an employee of such firm who participates in the firm's audit, assurance or tax compliance practice;

(vi) the director or an immediate family member was within the last three years a partner or employee of the Company's present or former internal or external auditing firm and personally worked on the Company's audit;

(vii) the director or an immediate family member is, or within the last three years was, an executive officer of another company, which has, or had at the same time, any executive officer of the Company serving on its compensation committee;

(viii) the director is currently an employee of a company that made payments to, or received payments from, the Company in an amount which, in any of the last three fiscal years, exceeded the greater of \$1 million or 2% of the other company's consolidated gross revenues; or

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(ix) an immediate family member of the director is currently an executive officer of a company that made payments to, or received payments from, the Company in an amount which, in any of the last three fiscal years, exceeded the greater of \$1 million or 2% of the other company's consolidated gross revenues.

The Board of Directors has affirmatively determined that 10 of its 12 members, Ms. DeParle, Dr. Durand, Mr. Frist, Dr. Halverstadt, Mr. Jhin, Mr. Kesler, Mr. Loeffler, Ms. Michel, Dr. Reinhardt and Mr. Sayers, meet the categorical standards set by the Board of Directors and are independent within the meaning of the applicable listing standards of the New York Stock Exchange. For purposes of this determination, references to the Company include any subsidiary of the Company. The Categorical Standards of Director Independence are also available on the Company's website at [www.triadhospitals.com](http://www.triadhospitals.com).

## **Executive Sessions and the Presiding Director**

The Company's Corporate Governance Guidelines provide for private sessions of the non-management directors, without any officer of the Company present, at least twice each year. Consistent with the New York Stock Exchange's corporate governance standards, a non-management director is a director who is not an executive officer of the Company. The non-management directors generally meet after the adjournment of each regularly scheduled meeting of the Board of Directors. In addition to the private sessions of the non-management directors, the Corporate Governance Guidelines provide for executive sessions of only the independent directors in the event that the group of non-management directors includes directors who are not independent within the meaning of the applicable corporate governance standards of the New York Stock Exchange. The Board of Directors has selected Mr. Loeffler as the presiding director at such meetings.

## **Communication with the Board of Directors**

Stockholders and other interested parties may communicate directly with (i) any director, including the presiding director of the non-management directors, (ii) the non-management directors as a group, (iii) the Board of Directors as a group, or (iv) any board committee by writing to Corporate Secretary, Triad Hospitals, Inc., 5800 Tennyson Parkway, Plano, Texas 75024. The Corporate Secretary will direct all correspondence that, in the opinion of the Corporate Secretary, deals with functions of the Board or committees thereof or that otherwise requires their attention, to each director and committee to whom it is addressed. Concerns relating to accounting, internal controls or auditing matters will be handled in accordance with the procedures established by the Audit Committee with respect to such matters. A toll-free Ethics and Compliance Hotline has been established at 1-800-345-8650 for reporting any suspected violations or concerns of this nature.

## **Meetings and Committees of the Board of Directors**

The Board of Directors meets on a regularly scheduled basis to review significant developments affecting the Company and to act on matters requiring approval by the Board of Directors. The Board of Directors held five meetings during the 2005 fiscal year. Each director attended at least 75% of the aggregate of (i) all meetings of the Board of Directors held during his or her tenure as a director and (ii) all meetings of the committees of the Board of Directors on which such director served, during the period when he or she served on such committees. In addition, each director is encouraged to attend the Company's Annual Meeting of Stockholders. Three directors attended the Company's 2005 Annual Meeting of Stockholders.

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The Board of Directors has a number of standing committees, including an Audit Committee, Compensation Committee, Development Committee, Ethics and Compliance Committee, Executive Committee, Nominating and Corporate Governance Committee, and Quality Committee. The functions of each of the committees and their members, as well as the number of meetings held by each of the committees and the number of times each committee acted by unanimous written consent during the 2005 fiscal year, if any, are described below. The Board of Directors has adopted written charters for each of its committees, which charters are available on the Company's website at [www.triadhospitals.com](http://www.triadhospitals.com) and are also available in print to any stockholder upon request addressed to Corporate Secretary, Triad Hospitals, Inc., 5800 Tennyson Parkway, Plano, Texas 75024.

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### ***Audit Committee***

The Audit Committee of the Board of Directors is responsible for (i) the appointment, retention, termination, compensation, terms of engagement, evaluation and oversight of the work of the Company's independent registered public accounting firm, (ii) evaluating the qualifications and independence of the independent registered public accounting firm, (iii) pre-approving all audit and non-audit services provided to the Company by the independent registered public accounting firm, (iv) reviewing and making reports and recommendations to the Board of Directors with respect to the internal audit activities, accounting controls and procedures for the Company's financial reporting, (v) reviewing and discussing with management the Company's annual consolidated financial statements, quarterly financial statements, earnings press releases, financial information and earnings guidance prior to their release by the Company, (vi) overseeing the accounting and financial reporting processes of the Company and the audits of the Company's financial statements, (vii) reviewing the Company's legal, regulatory and ethical compliance programs, (viii) establishing procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls or auditing matters and (ix) fulfilling the other responsibilities set forth in the Audit Committee charter. A copy of the charter, as amended in November 2005, is attached to this Proxy Statement as Appendix A. The Audit Committee met 11 times during the 2005 fiscal year.

The members of the Audit Committee are Mr. Frist, Mr. Kesler and Dr. Reinhardt, with Mr. Kesler serving as Chair. The Board of Directors has determined that each of the members of the Audit Committee is independent within the meaning of the applicable listing standards of the New York Stock Exchange and the Securities and Exchange Commission rules as discussed in more detail above under **Director Independence**. The Board of Directors also has determined that each of these directors is financially literate, as interpreted by the Board of Directors in its business judgment, and that Mr. Kesler further qualifies as an audit committee financial expert as defined in the applicable rules of the Securities and Exchange Commission. Under the listing standards of the New York Stock Exchange, if a member of the Audit Committee simultaneously serves on the audit committee of more than three public companies, the Board of Directors must determine that such simultaneous service would not impair the ability of such member to serve effectively on the listed company's audit committee. The Board of Directors has determined that Mr. Kesler's service on the audit committees of three other public companies does not impair his ability to serve effectively on Triad's Audit Committee.

The Audit Committee has established pre-approval policies and procedures with respect to audit and non-audit services by the Company's registered independent accounting firm, which are described below under **Proposal II Ratification of Selection of Registered Independent Accounting Firm Audit Committee Pre-Approval Policy**.

### ***Compensation Committee***

The Compensation Committee of the Board of Directors is responsible for, among other matters, (i) reviewing and approving compensation arrangements for the Chief Executive Officer and other executive officers and senior management of the Company, including incentive compensation, fringe benefit and retirement plans and other benefits and (ii) reviewing generally the Company's compensation policies and practices. The members of the Compensation Committee are Mr. Loeffler, Ms. Michel and Mr. Sayers, with Mr. Loeffler serving as Chair. The Board of Directors has determined that each of the members of the Compensation Committee is independent within the meaning of the applicable listing standards of the New York Stock Exchange. The Compensation Committee met four times and acted by unanimous written consent one time during the 2005 fiscal year.

### ***Development Committee***

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The Board of Directors established a Development Committee in November 2005. The primary functions of the Development Committee are to assist the Board of Directors in fulfilling its responsibility to oversee and monitor the Company's merger and acquisition, disposition and divestiture, joint venture, partnership, development and other investment transactions, as well as to assist management with its review and evaluation of



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such transactions. The members of the Development Committee are Dr. Halverstadt, Mr. Jhin, Mr. Kesler, Ms. Michel and Mr. Shelton, with Mr. Shelton serving as Chair. The Development Committee did not meet from the date of its establishment through the remainder of the 2005 fiscal year.

### ***Ethics and Compliance Committee***

The Ethics and Compliance Committee of the Board of Directors monitors adherence to the Company's regulatory compliance program, and monitors and oversees the Company's compliance with (i) all criminal, civil or administrative laws applicable to Triad's business, (ii) the provisions of the Corporate Integrity Agreement entered into as of November 1, 2001 between the Company and the Office of the Inspector General of the Department of Health and Human Services and (iii) the terms and provisions of codes of conduct adopted from time to time by the Company and its subsidiaries. The members of the Ethics and Compliance Committee are Ms. DeParle, Dr. Halverstadt and Mr. Kesler, with Dr. Halverstadt serving as chair. The Ethics and Compliance Committee met five times during the 2005 fiscal year.

### ***Executive Committee***

The Executive Committee of the Board of Directors 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. Kesler, Mr. Loeffler, and Mr. Shelton, with Mr. Shelton serving as Chair. The Executive Committee met one time and acted by unanimous written consent one time during the 2005 fiscal year.

### ***Nominating and Corporate Governance Committee***

The Nominating and Corporate Governance Committee of the Board of Directors is responsible for (i) screening candidates to be nominated for election to the Board of Directors by the stockholders or chosen to fill newly created directorships or vacancies on the Board of Directors, (ii) developing and recommending to the Board of Directors corporate governance principles applicable to the Company, (iii) reviewing and considering developments in corporate governance practices, and (iv) developing and overseeing an annual self-evaluation process for the Board of Directors and its committees. The members of the Nominating and Corporate Governance Committee are Ms. DeParle, Dr. Halverstadt and Mr. Sayers, with Mr. Sayers serving as Chair. The Board of Directors has determined that each of the members of the Nominating and Corporate Governance Committee is independent within the meaning of the applicable listing standards of the New York Stock Exchange. The Nominating and Corporate Governance Committee acted by unanimous written consent one time during the 2005 fiscal year.

The Nominating and Corporate Governance Committee will consider candidates recommended by stockholders of the Company to be nominated for election to the Board of Directors when properly submitted in accordance with the procedures described below under "Stockholder Nominations and Proposals." In addition to considering candidates recommended by stockholders, the Nominating and Corporate Governance Committee also considers candidates recommended by directors, officers, third party search firms and others. The Nominating and Corporate Governance Committee screens all potential candidates in the same manner regardless of the source of the recommendation. In identifying and recommending nominees for positions on the Board of Directors, the Nominating and Corporate Governance Committee places primary emphasis on diversity, experience, integrity, competence, dedication and skills, and the availability to the Board of Directors of an appropriate mix of skills in fields related to the current or future business directions of the Company, all in the context of the perceived needs of the Board of Directors at that point in time. The Nominating and Corporate Governance Committee will also consider a candidate's ability and willingness to spend the time needed to properly discharge the responsibilities of a director. Additionally, the Nominating and Corporate Governance

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Committee will consider director candidates in light of the Audit Committee's requirement that at least one member of the Audit Committee qualify as a financial expert as defined in the applicable rules of the Securities and Exchange Commission. The Company has retained a third party executive search firm to identify

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potential nominees for director from time to time upon request and to conduct research and prepare reports on potential nominees' backgrounds and experience.

### ***Quality Committee***

The Quality Committee of the Board of Directors is responsible for reviewing the quality of services provided to patients at various healthcare facilities operated by the Company's subsidiaries. The members of the Quality Committee are Dr. Durand, Mr. Jhin and Mr. Parsons, with Mr. Parsons serving as Chair. Dr. Rick Martin, M.D., immediate past president of the Company's National Physician Leadership Group, and Dr. Fred Rasp, M.D., current president of the Company's National Physician Leadership Group, serve on the Quality Committee in an *ex officio* capacity as discussed in more detail below under Non-Board Committee and *Ex Officio* Board Participation. The Quality Committee met four times during the 2005 fiscal year.

### ***Non-Board Committee and Ex Officio Board Participation***

*Disclosure Committee.* During 2005, the Chief Executive Officer and the interim Chief Financial Officer of the Company (the Senior Officers) formalized the functions and composition of its Disclosure Committee through the adoption of a written charter. The primary function of the Disclosure Committee is to assist the Senior Officers in fulfilling their responsibility for oversight of the accuracy, completeness and timeliness of the disclosures made by the Company by being responsible for various tasks, in each case subject to the supervision and oversight of the Senior Officers. Such tasks include reviewing and revising, as necessary, appropriate disclosure controls and procedures, monitoring the integrity and effectiveness of the Company's disclosure controls and procedures and reviewing and supervising the preparation of the final drafts of the Company's periodic and current reports, proxy statements, registration statements and any other information filed with the Commission, as well as certain press releases and correspondence broadly disseminated to stockholders. The initial members of the Disclosure Committee include the officers of the Company serving as Controller, General Counsel and Treasurer, as well as other officers of the Company.

*Ex Officio Board Participation.* The Board of Directors believes that an important aspect of the Company's business strategy is the creation and maintenance of close relations with the physicians practicing at the various facilities operated by the Company's affiliates and subsidiaries. In furtherance of such business strategy, the Company has established a National Physician Leadership Group (the National PLG), which comprises certain selected physicians practicing at such facilities. Pursuant to its bylaws, the National PLG elects each year from among such physicians a president, to serve as such for a one-year term, and such president serves as an *ex officio* member of the Board of Directors for two years, entitled to attend Board meetings, to participate in Board discussions and to make known to the Board of Directors the desires, concerns and opinions of physicians practicing at such facilities. *Ex officio* members participating in Board and Quality Committee meetings are not entitled to vote on any matters requiring Board or committee approval, as appropriate. Each year, the current National PLG president and the immediate past National PLG president serve concurrently as *ex officio* members of the Board of Directors. *Ex officio* members of the Board of Directors receive an annual stipend of \$24,000 payable in cash for their participation.

## **EXECUTIVE OFFICERS WHO ARE NOT DIRECTORS**

Set forth below is a description of the background of each of the executive officers of the Company who is not a member of the Board of Directors. The background of each of Messrs. Shelton and Parsons, who are members of the Board of Directors, is set forth above under Proposal I Election of Directors.

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WILLIAM L. ANDERSON, age 56, has served as a Division President of the Company since April 27, 2001. From October 1997 through April 27, 2001, he served as President, Midwest Region of Quorum Health Group, Inc. ( Quorum ), which merged into Triad on April 27, 2001. From September 1995 until October 1997, he served as Chief Executive Officer of Lutheran Hospital of Indiana, a general acute care hospital owned by Quorum and located in Fort Wayne, Indiana. From September 1987 until September 1995, he served as Chief Executive Officer of Medical Center of Baton Rouge, a general acute care hospital then owned by Healthtrust, Inc. and located in Baton Rouge, Louisiana.

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JAMES R. BEDENBAUGH, age 57, has served as Senior Vice President and Treasurer of the Company since July 9, 2001. From August 1984 until July 2001 Mr. Bedenbaugh held various treasury and finance positions at Magellan Health Services, Inc., including Senior Vice President of Finance, Treasurer and Assistant Secretary from March 1997 until July 2001, Vice President, Treasurer and Assistant Secretary from March 1995 until March 1997, Treasurer from December 1991 until March 1995, and various other treasury positions from August 1984 until December 1991. Prior to that time Mr. Bedenbaugh served in various financial positions at Maryland National Corporation and Martin Marietta Corporation.

THOMAS H. FRAZIER, JR., age 48, has served as Senior Vice President of Administration of the Company since April 27, 2001. From May 1999 through April 27, 2001, he served as Chief Financial Officer of Triad's East Division. From July 1, 1998 through May 11, 1999, he served as Chief Financial Officer of the East Division of the Pacific Group of HCA. From April 1998 through July 1, 1998, he served as interim chief executive officer of one of HCA's physician management groups. From January 1998 through April 1998, he served as interim chief executive officer for Douglas Community Medical Center, a general acute care hospital owned by HCA and located in Roseburg, Oregon. From May 1996 through December 1997, he served as chief executive officer for HCA's Mesquite Hospital development project, a project under which HCA intended to construct a general acute care hospital in Mesquite, Texas. From April 1995 through April 1996, Mr. Frazier served as chief operating officer at Plaza Medical Center, a general acute care hospital owned by HCA and located in Fort Worth, Texas.

CHRISTOPHER A. HOLDEN, age 42, has served as a Division President of the Company since May 29, 2001. From May 11, 1999 through May 29, 2001, he served as a Senior Vice President of the Company. From January 1, 1998 through May 11, 1999, he served as President West Division of the Central 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 to August 1994.

REBECCA HURLEY, age 51, has served as Senior Vice President, General Counsel and Secretary of the Company since June 1, 2005. From March 22, 2004 through June 1, 2005, she served as Senior Vice President, Associate General Counsel, Chief Compliance Officer and Assistant Secretary of the Company, and from March 18, 2002 through March 22, 2004, she served as Vice President of Compliance of the Company. Ms. Hurley was an attorney in private practice for nearly 20 years prior to joining the Company. Most recently, she was a shareholder in the Dallas, Texas office of the law firm of Patton Boggs LLP from 2000 to 2002, where she chaired the Business Transactions Practice Group.

WILLIAM R. HUSTON, age 51, 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. He served as Division Chief Financial Officer of various divisions of the Central Group of HCA from April 1995 to December 1998 and as Division Chief Financial Officer of Tenet Healthcare Corporation prior to April 1995.

W. STEPHEN LOVE, age 54, has served as Senior Vice President and Controller of the Company since May 11, 1999 and as interim Chief Financial Officer of the Company since November 18, 2005. Mr. Love also served as acting Chief Financial Officer of the Company from March 2005 through November 8, 2005. 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; as Senior Vice President/Corporate Chief Financial Officer of Charter Behavioral Health Systems, L.L.C. from June 1997 until December 1997; and as Vice President, Financial and Hospital Operations of Charter Medical System prior to June 1997.

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NICHOLAS J. MARZOCCO, age 51, has served as a Division President of the Company since May 29, 2001. From May 11, 1999 through May 29, 2001, he served as a Senior Vice President of the Company. From January 1, 1998 through May 11, 1999, he 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 as 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 to September 1996.

G. WAYNE MCALISTER, age 59, has served as a Division President of the Company since May 29, 2001. From May 11, 1999 through May 29, 2001, he served as a Senior Vice President of the Company. 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.

DANIEL J. MOEN, age 54, has served as Executive Vice President of Development of the Company since October 2001. From January 2001 to September 2001, he served as Co-Chief Executive Officer of HIP Health Plan of Florida. From January 2000 to December 2000, he served as Chief Executive Officer of Healthline Management Inc. of St. Louis, Missouri. From August 1998 to December 1999, he served as an independent healthcare consultant. From March 1996 until July 1998, he served as president of the Columbia/HCA Network Group and from March 1994 to February 1996, he served as president of the Columbia/HCA Florida Group.

MARSHA D. POWERS, age 52, has served as a Division President of the Company since April 27, 2001. From March 1996 through April 27, 2001, she served as President, Southwest Region, for Quorum. 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 located 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 10% of the outstanding common stock of the Company, to file reports of ownership and changes in ownership with the Securities and Exchange Commission 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 filed with the Securities and Exchange Commission 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 10% stockholders were complied with during fiscal 2005, except that each of Messrs. Anderson, Holden and Moen and Ms. Hurley reported late one acquisition of shares of common stock.

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**STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth information with respect to the beneficial ownership of Triad common stock by (i) each current director and each nominee for director, (ii) the Company's Chief Executive Officer and four other most highly compensated executive officers who were serving as such on December 31, 2005 (based on salary and bonus earned during fiscal 2005), who, for purposes of this Proxy Statement will be referred to as the named executive officers, (iii) all current directors and current executive officers of the Company as a group, and (iv) each person known by the Company to beneficially own more than 5% of the outstanding shares of Triad common stock. Except as otherwise noted, the persons named in the table have sole voting and investment power with respect to all shares beneficially owned by them.