TRIAD HOSPITALS INC
Form PREM14A
March 30, 2007
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

x Preliminary Proxy Statement
¨ Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to §240.14a-12

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

TRIAD HOSPITALS, INC.

(Name of Registrant as Specified in its Charter)

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

Payment of Filing Fee (Check the appropriate box):

¨ No fee required.

x 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:

Common Stock of Triad Hospitals, Inc., par value $0.01 per share (Common Stock)

(2) Aggregate number of securities to which transaction applies:
87,702,379 shares of common stock
1,415,031 restricted shares of common stock
6,765,062 options to purchase shares of common stock
24,883 deferred stock units relating to shares of common stock

(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):

The filing fee was determined based upon the sum of (A) the product of the sum of (i) 87,702,379 shares of common stock and (ii) 1,415,031 restricted shares of common stock multiplied by the merger consideration of $54.00 per share, plus (B) options to purchase 6,765,062 shares of Common Stock multiplied by $20.21 (which is the difference between $54.00 and the weighted average exercise price of $33.79 per share), plus (C) $1,343,682 expected to be paid out upon cancellation of deferred stock units. In accordance with Section 14(g) of the Securities Exchange Act of 1934, as amended, the filing fee was determined by multiplying 0.0000307 by the sum of the amounts calculated pursuant to clauses (A), (B) and (C) of the preceding sentence.

(4) Proposed maximum aggregate value of transaction: $4,950,405,725.02

(5) Total fee paid: $151,977.46

¨ Fee Paid Previously with preliminary materials.

x 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: $140,928.59

(2) Form, Schedule or Registration Statement No.: Schedule 14A, File No. 001-14695

(3) Filing Party: Triad Hospitals, Inc.

(4) Date Filed: March 16, 2007

Table of Contents

Triad Hospitals, Inc.

5800 Tennyson Parkway

Plano, Texas 75024

Special Meeting of Stockholders

[•], 2007

Dear Fellow Stockholder:

On March 19, 2007, Triad Hospitals, Inc., a Delaware corporation (Triad or the Company), entered into an Agreement and Plan of Merger (the merger agreement) with Community Health Systems, Inc., a Delaware corporation, (CHS) and FWCT-1 Acquisition Corporation, a Delaware corporation and a wholly owned subsidiary of CHS (Merger Sub). Under the terms of the merger agreement, Merger Sub will be merged with and into the Company, with the Company continuing as the surviving corporation (the merger). If the merger is completed, Triad will become a wholly owned subsidiary of CHS and you will be entitled to receive $54.00 in cash for each share of Triad common stock that you own at the time of the merger.

A special meeting of our stockholders will be held on **[•]**, 2007, at **[ ] [•]**.m., local time, to vote on a proposal to adopt the merger agreement. The special meeting will be held at Triad s executive offices located at 5800 Tennyson Parkway, Plano, Texas 75024. Notice of the special meeting and the related proxy statement are enclosed.

The accompanying proxy statement gives you detailed information about the special meeting, the background of and reasons for the merger, as well as the terms of the merger agreement, and includes the merger agreement as Annex A. We encourage you to read the proxy statement and the merger agreement carefully.

Our board of directors has unanimously determined (with James D. Shelton, Michael J. Parsons and Nancy-Ann DeParle not taking part in the vote) that the merger is advisable and that the terms of the merger are fair to and in the best interests of Triad and its stockholders, and approved the merger agreement and the transactions contemplated thereby, including the merger. The board s recommendation is based, in part, upon the unanimous recommendation of the special committee of the board of directors consisting of five independent and disinterested directors.

Your vote is very important. We cannot complete the merger unless holders of a majority of all outstanding shares of Triad common stock entitled to vote on the matter vote to adopt the merger agreement. Our board of directors recommends that you vote FOR the proposal to adopt the merger agreement. The failure of any stockholder to vote on the proposal to adopt the merger agreement will have the same effect as a vote against the adoption of the merger agreement.

Whether or not you plan to attend the special meeting, it is important that your shares be represented regardless of the number of shares you hold. Please sign and return, as promptly as possible, the enclosed proxy in the accompanying reply envelope, or submit your proxy by telephone or the Internet. Stockholders who attend the meeting may revoke their proxies and vote in person.

Our board of directors and management appreciate your continuing support of the Company, and we urge you to support this transaction.

Sincerely,

James D. Shelton

Chairman of the Board and Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the merger, passed upon the merits or fairness of the merger or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

The proxy statement is dated **[•]**, 2007, and is first being mailed to stockholders on or about **[•]**, 2007.

Table of Contents

Triad Hospitals, Inc.

5800 Tennyson Parkway

Plano, Texas 75024

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON [•], 2007

Dear Stockholder:

PLEASE TAKE NOTICE that a special meeting of stockholders of Triad Hospitals, Inc., a Delaware corporation (the Company), will be held on **[•]**, 2007, at **[ ] [•]**.m. local time, at the Company s executive offices located at 5800 Tennyson Parkway, Plano, Texas 75024, for the following purposes:

1. To consider and vote on a proposal to adopt the Agreement and Plan of Merger (the merger agreement), dated as of March 19, 2007, by and among the Company, Community Health Systems, Inc., a Delaware corporation (CHS), and FWCT-1 Acquisition Corporation, a Delaware corporation and a wholly owned subsidiary of CHS (Merger Sub), as the merger agreement may be amended from time to time.

2. To approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the meeting to adopt the merger agreement.

3. To act upon other business as may properly come before the special meeting and any and all adjourned or postponed sessions thereof.

The record date for the determination of stockholders entitled to notice of and to vote at the special meeting is **[•]**, 2007. Accordingly, only stockholders of record as of the close of business on that date will be entitled to notice of and to vote at the special meeting or any adjournment or postponement thereof. A list of our stockholders entitled to vote at the meeting will be available at our principal executive offices at 5800 Tennyson Parkway, Plano, Texas 75024, during ordinary business hours for a period of at least 10 days prior to the special meeting.

We urge you to read the accompanying proxy statement carefully as it sets forth a detailed discussion of the background of and reasons for the proposed merger as well as the terms of the merger agreement and other important information related to the merger.

Your vote is important, regardless of the number of shares of the Company s common stock you own. The adoption of the merger agreement requires the affirmative approval of the holders of a majority of the outstanding shares of the Company s common stock entitled to vote thereon. The adjournment proposal requires the affirmative vote of a majority of the shares of the Company s common stock present at the special meeting and entitled to vote thereon. Even if you plan to attend the special meeting in person, we request that you sign and return the enclosed proxy or submit your proxy by telephone or the Internet prior to the special meeting and thus ensure that your shares will be represented at the special meeting if you are unable to attend. If you fail to return your proxy card or fail to submit your proxy by phone or the Internet and do not attend the special meeting in person, your shares will not be counted for purposes of determining whether a quorum is present at the meeting and will have the same effect as a vote against the adoption of the merger agreement, but will not affect the outcome of the vote regarding the adjournment proposal.

Please note that space limitations make it necessary to limit attendance at the special meeting to stockholders. Registration will begin at **[ ] [•]**.m. local time. If you attend, please note that you may be asked to present valid picture identification. Street name holders will need to bring a copy of a brokerage statement reflecting stock ownership as of the record date. Cameras, recording devices and other electronic devices will not be permitted at the special meeting.

Table of Contents

Stockholders of the Company who do not vote in favor of the adoption of the merger agreement will have the right to seek appraisal of the fair value of their shares of the Company s common stock if they deliver a demand for appraisal before the vote is taken on the merger agreement and comply with all requirements of Delaware law, which are summarized in the accompanying proxy statement.

WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, PLEASE SIGN AND RETURN, AS PROMPTLY AS POSSIBLE, THE ENCLOSED PROXY IN THE ENVELOPE PROVIDED, OR SUBMIT YOUR PROXY BY TELEPHONE OR THE INTERNET. STOCKHOLDERS WHO ATTEND THE MEETING MAY REVOKE THEIR PROXIES AND VOTE IN PERSON.

By Order of the Board of Directors,

Rebecca Hurley

Senior Vice President, General Counsel and Secretary

Plano, Texas

[•], 2007

Table of Contents

TABLE OF CONTENTS

Table of Contents

Table of Contents

References to Triad, the Company, we, our or us in this proxy statement refer to Triad Hospitals, Inc. and its subsidiaries unless otherwise indicated by context.

SUMMARY

This summary, together with the Questions and Answers About the Merger and the Special Meeting, summarizes the material information in this proxy statement. You should carefully read this entire proxy statement and the other documents to which this proxy statement refers you for a more complete understanding of the matters being considered at the special meeting. See Where You Can Find More Information beginning on page 75.

The Parties to the Merger (see page 15)

Triad, a Delaware corporation, is one of the largest publicly owned hospital companies in the United States and provides healthcare services through hospitals and ambulatory surgery centers that it owns and operates in small cities and selected urban markets primarily in the southern, midwestern and western United States. Community Health Systems, Inc., a Delaware corporation (CHS), is a leading operator of general acute care hospitals in non-urban communities throughout the country. FWCT-1 Acquisition Corporation, a Delaware corporation and a direct wholly owned subsidiary of CHS (Merger Sub), was formed solely for the purpose of effecting the merger. Merger Sub has not engaged in any business except in furtherance of this purpose.

The Merger (see page 21)

The agreement and plan of merger (the merger agreement) provides that Merger Sub will merge with and into Triad (the merger). Triad will be the surviving corporation in the merger (the surviving corporation) and will change its name to Triad Healthcare Corporation following the merger. In the merger, each outstanding share of Triad common stock, par value $.01 per share (the Common Stock) (other than (i) shares of Common Stock held by the Company (or any subsidiary of the Company) as treasury stock or owned by CHS or Merger Sub, including any shares acquired by CHS or Merger Sub or any other subsidiary of CHS immediately prior to the effective time of the merger and (ii) shares of Common Stock held by stockholders, if any, who have properly demanded statutory appraisal rights), will be cancelled and converted into the right to receive $54.00 in cash (the merger consideration), without interest and less any applicable withholding taxes. See The Merger Agreement beginning on page 51 and The Merger Agreement Consideration to be Received in the Merger beginning on page 51.

Treatment of Outstanding Options, Restricted Shares and Deferred Stock Units in the Merger (see page 51)

Upon consummation of the merger, except as otherwise agreed by the holder and CHS, each outstanding option to acquire Common Stock will become fully vested (to the extent not already vested) and will be cancelled and converted into the right to receive a cash payment equal to the number of shares of Common Stock underlying the option multiplied by the amount (if any) by which $54.00 exceeds the option exercise price, without interest and less any applicable withholding taxes. Additionally, except as otherwise agreed by the holder and CHS, each outstanding share of restricted stock and each outstanding deferred stock unit will become fully vested, if applicable, and be cancelled and converted into the right to receive $54.00 in cash (together with the value of any deemed dividend equivalents accrued but unpaid in the case of a deferred stock unit), without interest and less any applicable withholding taxes. See The Merger Interests of the Company s Directors and Executive Officers in the Merger and The Merger Agreement Treatment of Options and Other Awards beginning on pages 42 and 51, respectively.

In addition, upon consummation of the merger, all salary amounts withheld on behalf of the participants in the Triad Hospitals, Inc. Amended and Restated Management Stock Purchase Plan and the Triad Hospitals, Inc.

Table of Contents

Employee Stock Purchase Plan through the closing date of the merger will be deemed to have been used to purchase Common Stock under the terms of these plans, using the closing date of the merger as the last date of the applicable salary reduction period under these plans, and each such share will be deemed to be cancelled and converted into the right to receive $54.00 per share, such that each participant will receive (i) a refund by Triad of all reductions made during the applicable salary reduction periods, if any, and (ii) cash equal to the excess (if any) of (A) the number of shares deemed purchased multiplied by $54.00 over (B) the aggregate purchase price deemed to have been paid in the deemed purchase.

Conditions to the Merger (see page 58)

The consummation of the merger depends on the satisfaction or waiver of a number of conditions, including, among others, the following:

- the merger agreement must have been adopted by the affirmative vote of the holders of a majority of the outstanding shares of Common Stock;
- no injunction, judgment, order or law which prohibits, restrains or renders illegal the consummation of the merger shall be in effect;
- the waiting period (and any extension thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act), must have expired or been terminated;
- Triad shall have obtained certain requisite consents;
- Triad s, CHS and Merger Sub s respective representations and warranties in the merger agreement must be true and correct as of the closing date in the manner described under the caption The Merger Agreement Conditions to the Merger beginning on page 58; and
- Triad, CHS and Merger Sub must have performed in all material respects all obligations that each is required to perform under the merger agreement.

Non-Solicitation Covenant (see page 59)

The merger agreement provides that, from the date thereof until the effective time of the merger or, if earlier, the termination of the merger agreement, we are generally not permitted to:

- initiate, solicit or knowingly encourage (including by way of providing information) any acquisition proposal or any offer or proposal that may reasonably be expected to lead to an acquisition proposal;
- engage in or knowingly facilitate any discussions or negotiations with respect to any acquisition proposal; or
- approve or recommend the entry into any agreement providing for or relating to any acquisition proposal or the termination or breach of the merger agreement, or publicly propose to do any of the foregoing.

Notwithstanding these restrictions, prior to obtaining our stockholders approval of the merger agreement, our board of directors (following the recommendation of the special committee if such committee still exists) may furnish information and participate in discussions or negotiations with respect to a written acquisition proposal if the following conditions are met:

our board of directors (following the recommendation of the special committee if such committee still exists) determines in good faith that the acquisition proposal is bona fide; and

our board of directors (following the recommendation of the special committee if such committee still exists) determines in good faith, after consultation with financial advisors and outside legal counsel, that such proposal could reasonably be expected to result in a superior proposal.

Table of Contents

We may provide confidential information to such third party only if (i) such party has entered into a confidentiality and standstill agreement that contains provisions that are no less favorable in the aggregate to us than those contained in the confidentiality agreement entered into with CHS and (ii) we promptly provide to CHS any non-public information concerning us or our subsidiaries provided to such other party which was not previously provided to CHS.

Our board of directors may also withdraw or adversely modify its recommendation of the merger with CHS or terminate the merger agreement and enter into an acquisition agreement with respect to a superior proposal if it determines in good faith that failure to take such action could violate its fiduciary duties, so long as we comply with certain terms of the merger agreement described under The Merger Agreement Recommendation Withdrawal/Termination in Connection with a Superior Proposal, including, if required, paying a termination fee and reimbursing certain other amounts to CHS. See page 61.

Termination of the Merger Agreement (see page 61)

The merger agreement may be terminated:

by mutual written consent of Triad (following the recommendation of the special committee, if such committee still exists), on the one hand, and CHS or Merger Sub, on the other hand;

by either Triad (following the recommendation of the special committee, if such committee still exists), on the one hand, or CHS or Merger Sub, on the other hand, if:

the merger is not completed on or before September 30, 2007 (or if the marketing period as defined below under The Merger Agreement Marketing Period has not ended on or before September 30, 2007, the merger is not completed by October 31, 2007), so long as the failure to complete the merger is not the result of, or caused by, the failure of the terminating party to comply with the terms of the merger agreement;

there shall be any final and nonappealable law that makes consummation of the merger illegal or otherwise prohibited; or

our stockholders do not adopt the merger agreement at the special meeting or any adjournment or postponement thereof; or

by CHS or Merger Sub, if:

our board of directors (following the recommendation of the special committee, if such committee still exists) withdraws or modifies in a manner adverse to CHS or Merger Sub its recommendation of the merger agreement, or takes action or makes any public statement in connection with the special meeting inconsistent with such recommendation, or approves or recommends any third party acquisition proposal; or

we have breached any of our representations, warranties, covenants or agreements under the merger agreement which would give rise to the failure to satisfy certain closing conditions and where that breach cannot be cured by September 30, 2007 (or October 31, 2007 if the termination date is extended as described above); or

by Triad (following the recommendation of the special committee, if such committee still exists), if:

prior to our stockholders voting to adopt the merger agreement, we terminate the merger agreement in order to enter into a definitive agreement with respect to a superior proposal in accordance with the terms of the merger agreement, including payment of the termination fee and other amounts owed to CHS and compliance with the non-solicitation covenant; see descriptions under The Merger Agreement Restrictions on Solicitations of Other Offers , The Merger Agreement Recommendation Withdrawal/Termination in Connection with a Superior Proposal and The Merger Agreement Termination Fees and Expenses beginning on pages 59, 61 and 62, respectively.

Table of Contents

CHS or Merger Sub has breached any of its representations, warranties, covenants or agreements under the merger agreement which would give rise to the failure to satisfy certain closing conditions and where that breach cannot be cured by September 30, 2007 (or October 31, 2007 if the termination date is extended as described above); or

the conditions to CHS s obligation to consummate the merger (including mutual conditions) have been satisfied and CHS has not consummated the merger within five calendar days after the final day of the marketing period.

Termination Fees and Expenses under the Merger Agreement (see page 62)

If the merger agreement is terminated,

under certain circumstances (including the termination of the merger agreement due to a superior proposal), we will be obligated to pay a termination fee of $130 million to CHS and reimburse the amount that CHS paid to us to fund the termination fee and expense reimbursement we paid in connection with the termination of the prior merger agreement as defined below (the prior agreement termination amount); and

under other circumstances, we will be obligated to reimburse CHS for (i) its out-of-pocket fees and expenses, up to a limit of $15 million (which, in limited circumstances, would be credited against the termination fee to the extent it subsequently becomes due); and (ii) the prior agreement termination amount (which would not be so credited against the termination fee).

Specific Performance; Remedies (see page 63)

The parties to the merger agreement will be entitled to specific performance of the terms and provisions of the merger agreement, in addition to any remedy to which they are entitled, including damages for any breach of the merger agreement by the other party.

Reimbursement of Prior Agreement Termination Amount (see page 62)

Prior to entering into the merger agreement with CHS, we terminated the Agreement and Plan of Merger, dated as of February 4, 2007 (the prior merger agreement), by and among Panthera Partners, LLC, Panthera Holdco Corp., Panthera Acquisition Corporation (collectively, Panthera) and the Company. Pursuant to the terms of the prior merger agreement, we paid the prior agreement termination amount consisting of a termination fee of $20 million and an advance of $20 million to cover Panthera s out-of-pocket expenses. CHS has reimbursed us for the prior agreement termination amount. We are obligated to repay such amounts in the event the merger agreement is terminated under certain circumstances in which CHS is entitled to expense reimbursement and/or a termination fee from us, as described under The Merger Agreement Termination Fees and Expenses beginning on page 62.

The Special Meeting (see page 17)

The special meeting will be held on [•], 2007, at [ ] [•].m. local time, at the Company s executive offices located at 5800 Tennyson Parkway, Plano, Texas 75024. At the special meeting, you will be asked to vote on the proposal to approve the merger agreement, and, if necessary, the proposal to adjourn the special meeting to solicit additional proxies. See Questions and Answers About the Merger and the Special Meeting beginning on page 8 and The Special Meeting beginning on page 17.

The Special Committee and its Recommendation (see page 30)

On December 15, 2006, our board of directors established a special committee composed of five independent and disinterested directors for the purpose of reviewing, evaluating and, as appropriate, negotiating a

Table of Contents

possible acquisition of the Company and any alternatives thereto and making a recommendation to the board of directors. Each member of the special committee received customary fees (that were not contingent on the special committee s recommendation of any transaction or the consummation of any transaction) for service on the committee. The special committee unanimously determined, and recommended to our board of directors:

(i) to terminate the prior merger agreement; and

(ii) that the merger agreement and the merger are advisable and fair to and in the best interests of the Company and its stockholders and that our board of directors recommend adoption of the merger agreement by our stockholders.

For a discussion of the material factors considered by the special committee in reaching its conclusions, see The Merger Reasons for the Merger; Recommendation of the Special Committee and of Our Board of Directors beginning on page 30.

Board Recommendation (see page 30)

Our board of directors, by unanimous vote (with James D. Shelton, Michael J. Parsons and Nancy-Ann DeParle not taking part in the vote), after considering factors including the unanimous recommendation of the special committee, (i) approved the termination of the prior merger agreement and (ii) determined that the merger agreement and the merger are advisable and fair to, and in the best interests of, the Company and its stockholders.

Our board of directors recommends that Triad s stockholders vote FOR the adoption of the merger agreement, and FOR the adjournment of the special meeting, if necessary, to solicit additional proxies. For a discussion of the material factors considered by the board of directors in reaching its conclusions, see The Merger Reasons for the Merger; Recommendation of the Special Committee and of Our Board of Directors beginning on page 30.

Share Ownership of Directors and Executive Officers (see page 70)

As of **[•]**, 2007, the record date, the directors and executive officers of Triad held and are entitled to vote, in the aggregate, shares of Common Stock representing approximately **[•]**% of the outstanding shares of the Common Stock. The directors and executive officers have informed Triad that they currently intend to vote all of their shares of Common Stock FOR the adoption of the merger agreement and FOR the adjournment proposal, if necessary. See The Special Meeting Voting Rights; Quorum; Vote Required for Approval beginning on page 17.

Interests of the Company s Directors and Executive Officers in the Merger (see page 42)

In considering the proposed merger, you should be aware that some of our directors and executive officers have interests in the merger that are different from, or in addition to, the interests of our stockholders generally. These interests include, among other things, the treatment of shares (including restricted shares), deferred stock units and options held by the directors and executive officers, as well as indemnification and insurance arrangements with executive officers and directors and change in control severance benefits that may become payable to certain executive officers.

Opinion of Lehman Brothers Inc. (see page 33)

In connection with the proposed merger, on March 19, 2007, the special committee s financial advisor, Lehman Brothers Inc. (Lehman Brothers), delivered an opinion to the special committee to the effect that, as of

Table of Contents

the date of the opinion, and based upon and subject to the matters described therein, the merger consideration to be received by holders of the Common Stock (other than CHS and its affiliates) was fair to such holders from a financial point of view.

The full text of the opinion of Lehman Brothers, which sets forth the procedures followed, assumptions made, matters considered and limitations on review undertaken by Lehman Brothers, in connection with its opinion, is attached as Annex B to this proxy statement. Lehman Brothers provided its opinion for the information and assistance of the special committee in connection with its consideration of the merger, and the opinion of Lehman Brothers is not a recommendation as to how any stockholder should vote or act with respect to any matter relating to the merger. We encourage you to read the opinion carefully and in its entirety. For a more complete description of the opinion and the review undertaken in connection with such opinion, together with the fees payable to Lehman Brothers, see The Merger Opinion of Financial Advisor beginning on page 33.

Financing (see page 40)

The merger agreement is not conditioned on the receipt of financing by CHS. Triad and CHS estimate that the total amount of funds necessary to consummate the merger and related transactions, including the new financing arrangements, the refinancing of certain existing indebtedness and the payment of customary fees and expenses in connection with the proposed merger and financing arrangements, will be approximately $9.065 billion, which is expected to be funded by new credit facilities, private and/or public offerings of debt securities and cash on hand. CHS has received a debt commitment letter from Credit Suisse Securities (USA) LLC, Credit Suisse, Wachovia Capital Markets, LLC, Wachovia Bank, National Association and Wachovia Investment Holdings, LLC to provide (i) up to $6.95 billion of senior secured credit facilities and (ii) up to approximately $3.37 billion of senior unsecured increasing rate loans under a senior unsecured bridge facility. Funding of the debt financing is subject to the satisfaction of the conditions set forth in the commitment letter pursuant to which the financing will be provided. See The Merger Financing of the Merger beginning on page 40.

Regulatory Approvals (see page 39)

Under the HSR Act, and the rules promulgated thereunder by the Federal Trade Commission (FTC), the merger may not be completed until notification and report forms have been filed with the FTC and the Antitrust Division of the Department of Justice (DOJ) and the applicable waiting period has expired or been terminated. Triad and CHS filed their respective notification and report forms under the HSR Act with the FTC and the Antitrust Division of the DOJ on March 23, 2007.

In addition, Federal and state laws and regulations may require that we or CHS obtain approvals, consents or certificates of need from, file new license and/or permit applications with, and/or provide notice to, applicable governmental authorities in connection with the merger.

U.S. Federal Income Tax Consequences (see page 48)

If you are a U.S. holder (as defined below), the merger will be a taxable transaction for U.S. federal income tax purposes. Your receipt of cash in exchange for your shares of Common Stock in the merger generally will cause you to recognize a gain or loss measured by the difference, if any, between the amount of cash you receive in the merger (determined before the deduction of any applicable withholding taxes) and your adjusted tax basis in your shares of Common Stock. If you are a non-U.S. holder (as defined below), the merger generally will not be a taxable transaction to you for U.S. federal income tax purposes unless you have certain connections to the United States or certain other conditions are met. Under U.S. federal income tax law, all holders will be subject to information reporting on cash received in the merger unless an exemption applies. Backup withholding may also apply with respect to cash you receive in the merger, unless you provide proof of an applicable exemption or a correct taxpayer identification number and otherwise comply with the applicable requirements of the backup

Table of Contents

withholding rules. You should consult your own tax advisor for a full understanding of how the merger will affect your federal, state and local and/or foreign taxes and, if applicable, the tax consequences of the receipt of cash in connection with the cancellation of your options to purchase shares of Common Stock, your shares of restricted stock and/or your deferred stock units, and the other transactions described in this proxy statement relating to our other equity compensation and benefit plans. See The Merger Material U.S. Federal Income Tax Consequences of the Merger to Our Stockholders beginning on page 48.

Appraisal Rights (see page 66)

Under Delaware law, holders of Common Stock who do not vote in favor of adopting the merger agreement will have the right to seek appraisal of the fair value of their shares as determined by the Delaware Court of Chancery if the merger is completed, but only if they comply with all requirements of Delaware law, which are summarized in this proxy statement. This appraisal amount could be more than, the same as or less than the amount a stockholder would be entitled to receive under the terms of the merger agreement. Any holder of Common Stock intending to exercise such holder s appraisal rights, among other things, must submit a written demand for an appraisal to us prior to the vote on the adoption of the merger agreement and must not vote or otherwise submit a proxy in favor of adoption of the merger agreement. Your failure to follow exactly the procedures specified under Delaware law could result in the loss of your appraisal rights. See The Special Meeting Rights of Stockholders Who Object to the Merger and Dissenters Rights of Appraisal beginning on pages 19 and 66, respectively, and the text of the Delaware appraisal rights statute reproduced in its entirety as Annex C to this proxy statement.

Market Price of Common Stock (see page 69)

On February 2, 2007, the last trading day prior to announcing execution of the prior merger agreement, the closing sale price of the Common Stock on the New York Stock Exchange (the NYSE) was $43.27 per share. On March 16, 2007, the last trading day prior to announcing execution of the merger agreement, the closing sale price of the Common Stock on the NYSE was $49.36 per share. The $54.00 per share to be paid for each share of Common Stock in the merger represents a premium of approximately 9.4% to the closing sale price on March 16, 2007 and a premium of approximately 24.8% to the closing sale price on February 2, 2007.

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING

The following questions and answers are intended to address briefly some commonly asked questions regarding the merger, the merger agreement and the special meeting. These questions and answers do not address all questions that may be important to you as a Triad stockholder. Please refer to the Summary and the more detailed information contained elsewhere in this proxy statement, the annexes to this proxy statement and the documents referred to in this proxy statement, which you should read carefully.

Q: What is the proposed transaction?

A: The proposed transaction is the acquisition of the Company by CHS pursuant to the merger agreement. Once the merger agreement has been adopted by the stockholders and the other closing conditions under the merger agreement have been satisfied or waived, Merger Sub, a wholly owned subsidiary of CHS, will merge with and into Triad. Triad will be the surviving corporation and a wholly owned subsidiary of CHS. The name of the surviving corporation will be Triad Healthcare Corporation.

Q: What will I receive in the merger?

A: Upon completion of the merger, you will be entitled to receive $54.00 in cash, without interest and less any applicable withholding tax, in exchange for each share of Common Stock that you own at the time of the merger, unless you have exercised your appraisal rights with respect to the merger. For example, if you own 100 shares of Common Stock, you will receive $5,400.00 in cash in exchange for your shares of Common Stock, less any applicable withholding tax. You will not own any shares in the surviving corporation.

Q: When and where is the special meeting?

A: The special meeting of stockholders of Triad will be held on **[•]**, 2007, at **[•]**.m. local time, at the Company s executive offices located at 5800 Tennyson Parkway, Plano, Texas 75024.

Q: What matters will be voted on at the special meeting?

A: You will be asked to consider and vote on the following proposals:

to adopt the merger agreement;

to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the meeting to adopt the merger agreement; and

to act upon other business that may properly come before the special meeting or any adjournment or postponement thereof.

Q: How does Triad s board of directors recommend that I vote on the proposals?

A: The board of directors recommends that you vote:

FOR the proposal to adopt the merger agreement; and

FOR the adjournment proposal, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to adopt the merger agreement. You should read The Merger Reasons for the Merger; Recommendation of the Special Committee and our Board of Directors ; beginning on page 30 for a discussion of the factors that the special committee and the board of directors considered in deciding to recommend the adoption of the merger agreement. In considering the proposed merger, you should be aware that some of our directors and executive officers have interests in the merger

Table of Contents

that are different from, or in addition to, the interests of our stockholders generally. See The Merger Interests of the Company s Directors and Executive Officers in the Merger .

Q: What happened to the proposed merger with Panthera?

A: On March 19, 2007, we terminated the prior merger agreement in accordance with its terms in order to execute the merger agreement with CHS and Merger Sub described in this proxy statement. Concurrent with the termination of the prior merger agreement and pursuant to its terms, we paid Panthera a termination fee of $20 million and advanced $20 million to Panthera to cover its out-of-pocket expenses. CHS has reimbursed us for these amounts pursuant to the merger agreement.

Q: What effects will the proposed merger have on Triad?

A: As a result of the proposed merger, Triad will cease to be an independent publicly-traded company and will become a wholly owned subsidiary of CHS. You will no longer have any interest as stockholders in our future earnings or growth. Following consummation of the merger, the registration of our Common Stock and our reporting obligations with respect to the Common Stock under the Securities Exchange Act of 1934, as amended (the Exchange Act), will be terminated upon application to the Securities and Exchange Commission (the SEC). In addition, upon completion of the proposed merger, shares of the Common Stock will no longer be listed on any stock exchange or quotation system, including the NYSE.

Q: What happens if the merger is not consummated?

A: If the merger agreement is not adopted by stockholders or if the merger is not completed for any other reason, stockholders will not receive any payment for their shares in connection with the merger. Instead, Triad will remain an independent public company and the Common Stock will continue to be listed and traded on the NYSE. Under specified circumstances, Triad may be required to pay CHS a termination fee, reimburse CHS for the prior agreement termination amount and/or reimburse CHS for its out-of-pocket expenses. See The Merger Agreement Termination Fees and Expenses.

Q: Who is entitled to vote at the special meeting?

A: All holders of Common Stock are entitled to notice, but only stockholders of record holding Common Stock as of the close of business on **[•]**, 2007, the record date for the special meeting, are entitled to vote at the special meeting. As of the record date, there were approximately **[•]** shares of Common Stock outstanding. Approximately **[•]** holders of record held such shares. Every holder of Common Stock is entitled to one vote for each such share the stockholder held as of the close of business on the record date.

Please note that space limitations make it necessary to limit attendance at the special meeting to stockholders. Registration will begin at **[ ] [•]**.m., local time. If you attend, please note that you may be asked to present valid picture identification. Street name holders will need to bring a copy of a brokerage statement reflecting stock ownership as of the record date. Street name holders wishing to vote in person at the meeting will also be required to present a legal proxy from their bank, broker or other custodian. Cameras, recording devices and other electronic devices are not permitted at the meeting.

Q: What vote is required for Triad s stockholders to adopt the merger agreement? How do Triad s directors and officers intend to vote?

A: An affirmative vote of the holders of a majority of all outstanding shares of Common Stock entitled to vote on the matter is required to adopt the merger agreement. Our directors and executive officers have informed us that they currently intend to vote all of their shares of Common Stock for the adoption of the merger agreement.

Table of Contents

Q: What vote is required for Triad s stockholders to approve the proposal to adjourn the special meeting, if necessary, to solicit additional proxies?

A: The proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies requires the affirmative vote of the holders of a majority of the shares of Common Stock present or represented by proxy at the meeting and entitled to vote on the matter.

Q: Who is soliciting my vote?

A: This proxy solicitation is being made and paid for by Triad. In addition, we have retained Innisfree M&A Incorporated (Innisfree) to assist in the solicitation. We will pay Innisfree approximately $[•], plus out-of-pocket expenses for its assistance. Our directors, officers and employees may also solicit proxies by personal interview, mail, e-mail, telephone, facsimile or by other means of communication. These persons will not be paid additional remuneration for their efforts. We will also request brokers and other fiduciaries to forward proxy solicitation material to the beneficial owners of shares of Common Stock that the brokers and fiduciaries hold of record. We will reimburse them for their reasonable out-of-pocket expenses.

Q: What do I need to do now?

A: Please carefully review the information contained in this proxy statement. Then, even if you plan to attend the special meeting, please vote promptly by telephone or the Internet, following the instructions on the enclosed proxy card, or by signing and returning the enclosed proxy card in the envelope provided. Please do NOT enclose or return your stock certificate(s) with your proxy.

Q: How do I cast my vote?

A: You may vote by signing and dating each proxy card you receive and returning it in the enclosed prepaid envelope or as described below if you hold your shares in street name. If you return your signed proxy card, but do not mark the boxes showing how you wish to vote, your shares will be voted FOR the proposal to adopt the merger agreement and FOR the adjournment proposal. You have the right to revoke your proxy at any time before the vote taken at the special meeting.

Q: Can I change my vote after I have delivered my proxy?

A: Yes. You have the right to revoke your proxy at any time before the vote taken at the special meeting. If you hold your shares in your name as a stockholder of record, you may change your vote in one of the following three ways:

by notifying our Senior Vice President, General Counsel and Secretary, Rebecca Hurley, at 5800 Tennyson Parkway, Plano, Texas 75024;

by attending the special meeting and voting in person (your attendance at the meeting will not, by itself, revoke your proxy; you must vote in person at the meeting); or

by submitting a later-dated proxy card.

If you have instructed a broker, bank or other nominee to vote your shares, you have to follow the directions received from your broker, bank or other nominee to change those instructions.

Q: Can I vote by telephone or electronically?

A: If you hold your shares in your name as a stockholder of record, you may vote by telephone or electronically through the Internet by following the instructions included with your proxy card.

If your shares are held by your broker, bank or other nominee, often referred to as held in street name, please check your proxy card or contact your broker, bank or nominee to determine whether you will be able to vote by telephone or electronically.

Table of Contents

Q: If my shares are held in street name by my broker, bank or other nominee, will my broker, bank or other nominee vote my shares for me?

A: Your broker, bank or other nominee will only be permitted to vote your shares if you instruct your broker, bank or other nominee how to vote. You should follow the procedures provided by your broker, bank or other nominee regarding the voting of your shares. If you do not instruct your broker, bank or other nominee to vote your shares, your shares will not be voted, which will have the same effect as a vote against the adoption of the merger agreement but will not have any effect on the proposal to adjourn the special meeting, if necessary to solicit additional proxies.

Q: What do I do if I participate in the Triad Hospitals, Inc. Retirement Savings Plan?

A: If you have money invested in the Triad Hospitals, Inc. Retirement Savings Plan (the Savings Plan), you do not actually own shares of Common Stock that are allocated to your account under the Savings Plan. The trustee of the trust established for the Savings Plan is the owner of record of the shares held in the Savings Plan and will vote those shares as described below.

The Administrative Committee of Triad s Savings Plan, which serves as the administrator of the Savings Plan and is composed of certain members of our management, has determined to engage United States Trust Company, National Association (U.S. Trust) as an independent fiduciary with respect to the Savings Plan, to manage the shares of Common Stock held in the Company Stock Fund and in the ESOP Fund of the Savings Plan in connection with the merger. Subject to the requirements of the Employee Retirement Income Security Act of 1974, as amended (ERISA), participants will be eligible to direct the voting of shares of Common Stock represented by their accounts investment in the Company Stock and in the ESOP Fund. You may direct the voting of shares allocated to your account only by completing and returning the voting instruction card provided by U.S. Trust for participants in the Savings Plan with this proxy statement in accordance with the procedures included with the voting instruction card before the applicable deadline noted below. If your voting instruction card is received by **[•] [•.**m.**]** on **[•]**, 2007, U.S. Trust will cause the shares allocated to your account to be voted in accordance with your instructions. If you submit voting instructions and wish to change them, you may do so by submitting new voting instructions. Your new voting instructions must be received by the applicable deadline specified above. U.S. Trust will consider your voting instructions with the latest date and disregard all earlier instructions. U.S. Trust will cause any allocated shares for which it does not receive voting instructions by the applicable deadline specified above to be voted in the same manner and proportion as allocated shares for which it did receive voting instructions by the applicable deadline. U.S. Trust will vote any unallocated shares of Common Stock held in the ESOP Fund as U.S. Trust determines in its sole discretion consistent with its fiduciary duties under ERISA. Your voting instructions will be kept confidential. You may not vote or direct the voting of shares in the Savings Plan in person at the special meeting.

Q: What do I do if I participate in the Triad Hospitals, Inc. Employee Stock Purchase Plan?

A: Shares held by you under the Triad Hospitals, Inc. Employee Stock Purchase Plan are held in street name through Computershare Trust Company (Computershare), the record keeper for such plan. Computershare will only be permitted to vote your shares on your behalf if you complete and return the Computershare voting instruction card in accordance with the procedures included therewith. If your voting instructions are not received by **[ ] [•]**.m. local time on **[•]**, 2007, your shares will not be voted, which will have the same effect as a vote against the adoption of the merger agreement but will not have any effect on the proposal to adjourn the special meeting, if necessary to solicit additional proxies.

Q: What do I do if I receive more than one proxy or set of voting instructions?

A: If you hold shares in street name, directly as a record holder or otherwise through the Company s stock purchase plans, or if you are a participant in the Triad Hospitals, Inc. Retirement Savings Plan, you may

11

Table of Contents

receive more than one proxy and/or set of voting instructions relating to the special meeting. Please be sure to vote using each proxy card and/or voting instruction form you receive by telephone or the Internet or by signing and returning each proxy card and/or voting instruction card separately in the envelopes provided, in order to ensure that *all* of your shares are voted.

Q: How are votes counted?

A: For the proposal to adopt the merger agreement, you may vote FOR, AGAINST or ABSTAIN. Abstentions will not be counted as votes cast or shares voting on the proposal to adopt the merger agreement, but will count for the purpose of determining whether a quorum is present. If you abstain, it will have the same effect as if you vote AGAINST the adoption of the merger agreement. In addition, if your shares are held in the name of a broker, bank or other nominee, including shares held by you under the Triad Hospitals, Inc. Employee Stock Purchase Plan, your broker, bank or other nominee will not be entitled to vote your shares in the absence of specific instructions. These non-voted shares, or broker non-votes, will be counted for purposes of determining a quorum, but will have the same effect as a vote AGAINST the adoption of the merger agreement.

For the proposal to adjourn the special meeting, if necessary, to solicit additional proxies, you may vote FOR, AGAINST or ABSTAIN. Abstentions and broker non-votes will count for the purpose of determining whether a quorum is present. Abstentions will be counted as shares present and entitled to vote on the proposal to adjourn the meeting and will have the same effect as a vote AGAINST the proposal to adjourn the meeting. Broker non-votes will not count as shares present and entitled to vote on the proposal to adjourn the meeting. As a result, broker non-votes will have no effect on the vote to adjourn the meeting, which requires the vote of the holders of a majority of the shares of Common Stock present or represented by proxy at the meeting and entitled to vote on the matter.

If you sign your proxy card without indicating your vote, your shares will be voted FOR the adoption of the merger agreement and FOR the adjournment of the special meeting, if necessary, to solicit additional proxies, and in accordance with the recommendations of our board of directors on any other matters properly brought before the special meeting for a vote.

Q: Who will count the votes?

A: A representative of our transfer agent, National City Bank, will count the votes and act as an inspector of election.

Q: What happens if I sell my shares before the special meeting?

A: The record date of the special meeting is earlier than the special meeting and the date that the merger is expected to be completed. If you sell or otherwise transfer your shares of Common Stock after the record date but before the special meeting, you will retain your right to vote at the special meeting, but will have transferred the right to receive $54.00 per share in cash to be received by our stockholders in the merger. In order to receive the $54.00 per share, you must hold your shares through completion of the merger.

Q: Am I entitled to exercise appraisal rights instead of receiving the merger consideration for my shares?

A: Yes. As a holder of Common Stock, you are entitled to appraisal rights under Delaware law in connection with the merger if you meet certain conditions. See Dissenters Rights of Appraisal beginning on page 66.

Q: Will the merger be taxable to me?

A: If you are a U.S. holder (as defined below), the merger will be a taxable transaction to you for U.S. federal income tax purposes. In general, a U.S. holder who receives cash in exchange for shares of Common Stock

Table of Contents

in the merger will recognize capital gain or loss for U.S. federal income tax purposes with respect to each such share equal to the difference, if any, between the amount of cash per share received for such share (determined before the deduction of any applicable withholding taxes) and the holder s adjusted tax basis in such share. Any such gain or loss would be long-term capital gain or loss if the holding period for the Common Stock exceeded one year. If you are a non-U.S. holder (as defined below), the merger generally will not be a taxable transaction to you for U.S. federal income tax purposes unless you have certain connections to the United States or certain other conditions are met. Under certain circumstances, a portion of the merger consideration received may be subject to withholding under applicable tax laws.

You should read The Merger Material U.S. Federal Income Tax Consequences of the Merger to Our Stockholders beginning on page 48 for a more complete discussion of the U.S. federal income tax consequences of the merger. Tax matters can be complicated, and the tax consequences of the merger to you will depend on your particular tax situation. We urge you to consult your tax advisor on the tax consequences of the merger to you.

Q: When is the merger expected to be completed? What is the marketing period ?

A: We are working toward completing the merger as quickly as possible, and we anticipate that it will be completed in the third quarter of 2007. In order to complete the merger, we must obtain stockholder approval and the other closing conditions under the merger agreement must be satisfied or waived (as permitted by law). In addition, CHS is not obligated to complete the merger until the expiration of a 20-business-day marketing period that it may use to complete its financing for the merger. The marketing period begins to run after we have obtained stockholder approval and satisfied other conditions under the merger agreement; provided that if the marketing period would not end on or before August 17, 2007, the marketing period will commence no earlier than September 4, 2007. See The Merger Agreement Marketing Period and The Merger Agreement Conditions to the Merger beginning on pages 57 and 58, respectively.

Q: Should I send in my stock certificates now?

A: No, please do not submit your stock certificates at this time. After the merger is completed, you will be sent a letter of transmittal with detailed written instructions for exchanging your Common Stock certificates for the merger consideration. If your shares are held in street name by your broker, bank or other nominee you will receive instructions from your broker, bank or other nominee as to how to effect the surrender of your street name shares in exchange for the merger consideration. Please do not send your certificates in now.

Q: How can I obtain additional information about Triad?

A: Our SEC filings may be accessed on-line at www.triadhospitals.com. Our website address is provided as an inactive textual reference only.

The information provided on our website is not part of this proxy statement, and therefore is not incorporated by reference. For a more detailed description of the information available, please refer to Where You Can Find More Information beginning on page 75.

Q: Whom should I contact if I have questions?

A: If you would like additional copies, without charge, of this proxy statement or if you have questions about the merger, including the procedures for voting your shares, you should contact Innisfree, which is assisting us in the solicitation of proxies, as follows:

Innisfree M&A Incorporated

501 Madison Avenue, 20th Floor

New York, New York 10022

Stockholders call toll-free: (877) 456-3463

Banks and Brokers call collect: (212) 750-5833

Table of Contents

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

This proxy statement, and the documents to which we refer you in this proxy statement, contain forward-looking statements within the meaning of the safe harbor provisions of Section 21E of the Exchange Act. Forward-looking statements include information concerning possible or assumed future results of operations of the Company, the expected completion and timing of the merger and other information relating to the merger. There are forward-looking statements throughout this proxy statement, including, without limitation, under the headings Summary, The Merger, and in statements containing the words believes, plans, expects, anticipates, intends, estimates or other similar expressions. You be aware that forward-looking statements are *based on estimates and assumptions* and involve known and unknown risks and uncertainties. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that the actual results or developments we anticipate will be realized, or even if realized, that they will have the expected effects on the business or operations of the Company. These forward-looking statements speak only as of the date on which the statements were made and we undertake no obligation to publicly update or revise any forward-looking statements made in this proxy statement or elsewhere as a result of new information, future events or otherwise. In addition to other factors and matters contained or incorporated in this document, we believe the following factors could cause actual results to differ materially from those discussed in the forward-looking statements:

- the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement;
- the outcome of any legal proceedings that have been or may be instituted against Triad and others relating to the prior merger agreement or the merger agreement;
- the inability to complete the merger due to the failure to obtain stockholder approval or the failure to satisfy other conditions to consummation of the merger, including the receipt of regulatory approvals;
- the failure to obtain the necessary debt financing arrangements set forth in the commitment letter received in connection with the merger;
- the failure of the merger to close for any other reason;
- the risk that the proposed transaction disrupts current plans and operations and the potential difficulties in employee retention as a result of the merger;
- the effect of the announcement of the merger on our patient, physician, partner and joint venture relationships, operating results and business generally;
- the ability to recognize the benefits of the merger;
- the amount of the costs, fees, expenses and charges related to the merger and the actual terms of certain financings that will be obtained for the merger;
- the impact of the substantial indebtedness incurred to finance the consummation of the merger;

and other risks detailed in our current filings with the SEC, including our most recent filing on Form 10-K. See Where You Can Find More Information beginning on page 75.

Many of the factors that will determine our future results are beyond our ability to control or predict. In light of the significant uncertainties inherent in the forward-looking statements contained herein, readers should not place undue reliance on forward-looking statements, which reflect management s views only as of the date hereof. We cannot guarantee any future results, levels of activity, performance or achievements. The statements made in this proxy statement represent our views as of the date of this proxy statement, and it should not be assumed that the statements made herein remain accurate as of any future date. Moreover, we assume no obligation to update forward-looking statements or update the reasons that actual results could differ materially from those anticipated in forward-looking statements, except as required by law.

Table of Contents

THE PARTIES TO THE MERGER

Triad

Triad is one of the largest publicly owned hospital companies in the United States and provides healthcare services through hospitals and ambulatory surgery centers that we own and operate in small cities and selected urban markets primarily in the southern, midwestern and western United States. Our domestic hospital facilities include 53 general acute care hospitals and 13 ambulatory surgery centers located in the states of Alabama, Alaska, Arizona, Arkansas, Georgia, Indiana, Louisiana, Mississippi, Nevada, New Mexico, Ohio, Oklahoma, Oregon, South Carolina, Tennessee, Texas and West Virginia. We also operate one general acute care hospital located in Dublin, Ireland. Included among our domestic hospital facilities is one hospital operated through a 50/50 joint venture that is not consolidated for financial reporting purposes and one hospital that is under construction. We are also a minority investor in three joint ventures that own seven general acute care hospitals in Georgia and Nevada. Through our wholly owned subsidiary, Quorum Health Resources, LLC, we also provide management and consulting services to independent general acute care hospitals located throughout the United States.

Our general acute care hospitals typically provide a full range of services commonly available in hospitals, such as internal medicine, general surgery, cardiology, oncology, neurosurgery, orthopedics, obstetrics, diagnostic and emergency services. These hospitals also generally provide outpatient and ancillary healthcare services such as outpatient surgery, laboratory, radiology, respiratory therapy, cardiology and physical therapy. Outpatient services also are provided by ambulatory surgery centers that we operate. In addition, some of our general acute care hospitals have a limited number of licensed psychiatric beds and provide psychiatric skilled nursing services.

In addition to providing capital resources and general management, we make available a variety of management services to our healthcare facilities. These services include ethics and compliance programs, national supply and equipment purchasing, national leasing contracts, accounting, insurance placement, financial and clinical systems, governmental reimbursement assistance, information systems, legal support, personnel management, internal audit, access to regional managed care networks, resource management, and strategic and business planning.

Triad is a Delaware corporation. Our principal executive offices are located at 5800 Tennyson Parkway, Plano, Texas 75024, and our telephone number is (214) 473-7000. For more information about Triad, please visit our website at www.triadhospitals.com. Our website address is provided as an inactive textual reference only. The information provided on our website is not part of this proxy statement, and is not incorporated by reference. Triad is publicly traded on the New York Stock Exchange (the NYSE) under the symbol TRI.

CHS

CHS is the largest non-urban provider of general hospital healthcare services in the United States in terms of number of facilities and net operating revenues. As of December 31, 2006, through its subsidiaries, CHS owned, leased or operated 77 hospitals in 22 states, with an aggregate of 9,117 licensed beds.

CHS hospitals provide a broad range of inpatient and outpatient medical and surgical services, including emergency room services, general surgery, critical care, internal medicine, obstetrics and diagnostic services. As part of providing these services, CHS also owns, outright or through partnerships with physicians, physician practices, imaging centers, home health agencies and ambulatory surgery centers.

CHS is a Delaware corporation. Its principal executive office is located at 4000 Meridian Boulevard, Franklin, Tennessee 37067, and its telephone number at the principal office is (615) 465-7000. For more information about CHS, please visit its website at www.chs.net. CHS website address is provided as an inactive

Table of Contents

textual reference only. The information provided on CHS website is not part of this proxy statement, and is not incorporated by reference. CHS common stock is publicly traded on the NYSE under the symbol CYH.

Merger Sub

FWCT-1 Acquisition Corporation, which we refer to as Merger Sub, is a Delaware corporation and wholly owned by CHS. Merger Sub was formed solely for the purpose of completing the proposed merger and upon the consummation of the proposed merger, Merger Sub will cease to exist and Triad will continue as the surviving corporation. Merger Sub has not engaged in any business except as contemplated by the merger agreement. The principal office address of Merger Sub is c/o Community Health Systems, Inc., 4000 Meridian Boulevard, Franklin, Tennessee 37067. The telephone number at the principal office is (615) 465-7000.

Table of Contents

THE SPECIAL MEETING

This proxy statement is furnished in connection with the solicitation of proxies by our board of directors in connection with the special meeting of our stockholders relating to the merger.

Date, Time and Place of the Special Meeting

The special meeting is scheduled to be held as follows:

Date: **[•]**, 2007

Time: **[ ] [•]**.m., local time

Place: 5800 Tennyson Parkway, Plano, Texas 75024

Proposals to be Considered at the Special Meeting

At the special meeting, you will be asked to vote on a proposal to adopt the merger agreement, and to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the meeting to adopt the merger agreement. A copy of the merger agreement is attached as Annex A to this proxy statement.

Record Date

We have fixed the close of business on **[•]**, 2007 as the record date for the special meeting, and only holders of record of voting Common Stock on the record date are entitled to vote at the special meeting. On the record date, there were [•] shares of Common Stock outstanding and entitled to vote.

Voting Rights; Quorum; Vote Required for Approval

Each share of voting Common Stock entitles its holder to one (1) vote on all matters properly coming before the special meeting. The presence in person or representation by proxy of stockholders entitled to cast a majority of the votes of all issued and outstanding shares entitled to vote, shall constitute a quorum for the purpose of considering the proposals. Shares of voting Common Stock represented at the special meeting but not voted, including shares of Common Stock for which proxies have been received but for which stockholders have abstained, will be treated as present at the special meeting for purposes of determining the presence or absence of a quorum for the transaction of all business. In the event that a quorum is not present at the special meeting, it is expected that the meeting will be adjourned or postponed to solicit additional proxies. Any adjournment may be made without notice (if the adjournment is not for more than 30 days) by an announcement made at the special meeting of the time, date and place of the adjourned meeting.

Adoption of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Common Stock entitled to vote on the matter. For the proposal to adopt the merger agreement, you may vote FOR, AGAINST or ABSTAIN. Abstentions will not be counted as votes cast or shares voting on the proposal to adopt the merger agreement, but will count for the purpose of determining whether a quorum is present. **If you abstain, it will have the same effect as if you vote AGAINST the adoption of the merger agreement.** In addition, if your shares are held in the name of a broker, bank or other nominee (including shares held by you under the Triad Hospitals, Inc. Employee Stock Purchase Plan), your broker, bank or other nominee will not be entitled to vote your shares in the absence of specific instructions. **These non-voted shares, or broker non-votes, will be counted for purposes of determining a quorum, but will have the same effect as a vote AGAINST the adoption of the merger agreement.** Your broker, bank or nominee will

Table of Contents

vote your shares only if you provide instructions on how to vote by following the instructions provided to you by your broker, bank or nominee.

The proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies requires the affirmative vote of the holders of a majority of the outstanding shares of Common Stock present or represented by proxy at the special meeting and entitled to vote on the matter. For the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies, you may vote FOR, AGAINST or ABSTAIN. Abstentions and broker non-votes will count for the purpose of determining whether a quorum is present. **Abstentions will be counted as shares present and entitled to vote on the proposal to adjourn the meeting and will have the same effect as a vote AGAINST the proposal to adjourn the meeting.** Broker non-votes will not count as shares present and entitled to vote on the proposal to adjourn the meeting. As a result, broker non-votes will have no effect on the vote to adjourn the special meeting, which requires the vote of the holders of a majority of the shares of Common Stock present or represented by proxy at the meeting and entitled to vote on the matter.

Shares Owned by Our Directors and Executive Officers

As of [•], 2007, the record date, the directors and executive officers of Triad held and are entitled to vote, in the aggregate, [•] shares of Common Stock, representing approximately [•]% of the outstanding voting Common Stock. The directors and executive officers have informed Triad that they currently intend to vote all of their shares of Common Stock FOR the adoption of the merger agreement and FOR the adjournment proposal.

Voting and Revocation of Proxies

Stockholders of record may submit proxies by mail, telephone or the Internet. You may vote by telephone or electronically through the Internet by following the instructions included with your proxy card. Stockholders who wish to submit a proxy by mail should sign and return the proxy card in the envelope furnished. Stockholders who hold shares beneficially through a nominee (such as a bank or broker) may be able to submit a proxy by mail, or by telephone or the Internet if those services are offered by the nominee.

Proxies received at any time before the special meeting, and not revoked or superseded before being voted, will be voted at the special meeting. Where a specification is indicated by the proxy, it will be voted in accordance with the specification. If you sign your proxy card without indicating your vote, your shares will be voted FOR the adoption of the merger agreement and FOR the adjournment of the special meeting, if necessary, to solicit additional proxies, and in accordance with the recommendations of our board of directors on any other matters properly brought before the special meeting for a vote.

You have the right to revoke your proxy at any time before the vote taken at the special meeting. If you hold your shares in your name as a stockholder of record, you may do so in one of the following three ways:

by notifying our Senior Vice President, General Counsel and Secretary, Rebecca Hurley, at 5800 Tennyson Parkway, Plano, Texas 75024;

by attending the special meeting and voting in person (your attendance at the meeting will not, by itself, revoke your proxy; you must vote in person at the meeting);

by submitting a later-dated proxy card; or

If you have instructed a broker, bank or other nominee to vote your shares, by following the directions received from your broker, bank or other nominee to change those instructions.

Please do not send in your stock certificates with your proxy card. When the merger is completed, a separate letter of transmittal will be mailed to you that will enable you to receive the merger consideration.

Table of Contents

If you participate in the Savings Plan, you will, subject to the requirements of ERISA, be eligible to direct the voting of shares of Common Stock represented by your accounts investment in the Common Stock and in the ESOP Fund. You may direct the voting of shares allocated to your account only by completing and returning the voting instruction card for participants in the Savings Plan you received with this proxy statement in accordance with the procedures included with the voting instruction card. If your voting instructions are received in a timely manner, U.S. Trust will cause the shares allocated to your account to be voted in accordance with your instructions. You may direct the voting of shares allocated to your account only by completing and returning the voting instruction card from U.S. Trust for participants in the Savings Plan you received with this proxy statement in accordance with the procedures included with the voting instruction card and before the applicable deadline noted below. If your voting instruction card is received by **[ ][•]**.m., **[•]** time, on **[•]**, **[•]**, 2007, or if you give voting instructions by telephone or the Internet by **[ ], [•]** time, on **[•]**, **[•]**, 2007, U.S. Trust will cause the shares allocated to your account to be voted in accordance with your instructions. If you submit voting instructions and wish to change them, you may do so by submitting new voting instructions by mail, telephone or Internet, regardless of how your prior voting instructions were submitted. Your new voting instructions must be received by the applicable deadline specified above. U.S. Trust will consider your voting instructions with the latest date and disregard all earlier instructions. U.S. Trust will cause any allocated shares for which it does not receive voting instructions by the applicable deadline specified above in the same manner and proportion as allocated shares for which it did receive voting instructions by the applicable deadline. U.S. Trust will vote any unallocated shares of the Common Stock held in the ESOP Fund as U.S. Trust determines in its sole discretion, consistent with its fiduciary duties under ERISA. Your voting instructions will be kept confidential. You may not vote or direct the voting of Savings Plan shares in person at the special meeting. You may not vote or direct the voting of your plan shares in person at the special meeting.

If you participate in the Triad Hospitals, Inc. Employee Stock Purchase Plan, shares held by you under such plan are held in street name through Computershare, the record keeper for such plan. Computershare will only be permitted to vote your shares on your behalf if you complete and return the Computershare voting instruction card in accordance with the procedures included therewith. If your voting instructions are not received by [ ][•].m. local time on [•], 2007, your shares will not be voted, which will have the same effect as a vote against the adoption of the merger agreement but will not have any effect on the proposal to adjourn the special meeting. You may not vote or direct the voting of your plan shares in person at the special meeting.

Rights of Stockholders Who Object to the Merger

Stockholders of Triad are entitled to appraisal rights under Delaware law in connection with the merger. This means that you are entitled to have the value of your shares determined by the Delaware Court of Chancery and to receive payment based on that valuation. The ultimate amount you receive as a dissenting stockholder in an appraisal proceeding may be more than, the same as or less than the amount you would have received under the merger agreement.

To exercise your appraisal rights, you must submit a written demand for appraisal to the Company before the vote is taken on the merger agreement and you must not vote in favor of the adoption of the merger agreement. Your failure to follow exactly the procedures specified under Delaware law will result in the loss of your appraisal rights. See Dissenters Rights of Appraisal beginning on page 66 and the text of the Delaware appraisal rights statute reproduced in its entirety as Annex C to this proxy statement.

Solicitation of Proxies

This proxy solicitation is being made and paid for by Triad on behalf of its board of directors. In addition, we have retained Innisfree to assist in the solicitation. We will pay Innisfree approximately $[•], plus out-of-pocket expenses for their assistance. Our directors, officers and employees may also solicit proxies by personal interview, mail, e-mail, telephone, facsimile or other means of communication. These persons will not be paid additional remuneration for their efforts. We will also request brokers and other fiduciaries to forward

Table of Contents

proxy solicitation material to the beneficial owners of shares of Common Stock that the brokers and fiduciaries hold of record. We will reimburse them for their reasonable out-of-pocket expenses. In addition, we will indemnify Innisfree against any losses arising out of that firm s proxy soliciting services on our behalf.

Other Business

We are not currently aware of any business to be acted upon at the special meeting other than the matters discussed in this proxy statement. Under our bylaws, business transacted at the special meeting is limited to the purposes stated in the notice of the special meeting, which is provided at the beginning of this proxy statement. If other matters do properly come before the special meeting, or at any adjournment or postponement of the special meeting, we intend that shares of voting Common Stock represented by properly submitted proxies will be voted in accordance with the recommendations of our board of directors.

Questions and Additional Information

If you have more questions about the merger or how to submit your proxy, or if you need additional copies of this proxy statement or the enclosed proxy card or voting instructions, please call our proxy solicitor, Innisfree, toll-free at (877) 456-3463 (banks and brokerage firms call collect at (212) 750-5833).

Availability of Documents

The reports, opinions or appraisals referenced in this proxy statement will be made available for inspection and copying at the principal executive offices of the Company during its regular business hours by any interested holder of Common Stock.

Table of Contents

THE MERGER

This discussion of the merger is qualified by reference to the merger agreement, which is attached to this proxy statement as Annex A. You should read the entire merger agreement carefully as it is the legal document that governs the merger.

Background of the Merger

Entry into the Prior Merger Agreement

Our board of directors periodically reviews and assesses strategic alternatives available to maximize value to our stockholders. As part of this ongoing review, at a board of directors retreat held on June 2 and 3, 2006, our chairman and chief executive officer, James D. Shelton, reviewed with the board recent trends in the healthcare industry and their impact on the Company s business and operating strategies. Mr. Shelton informed the board that during May 2006, he had received several unsolicited contacts from private equity firms inquiring about the Company s interest in a possible sale of the Company. He indicated that no specific proposals had been made, and that these contacts were limited to general inquiries. The board of directors discussed the Company s strategic alternatives, and determined to continue with the Company s existing growth strategy of internal and external development through investing in our existing facilities and selectively acquiring new facilities.

During the period from June through October 2006, Mr. Shelton periodically received additional unsolicited inquiries of a general nature from private equity groups. On August 4, 2006, on the Company s conference call to discuss its financial results for the quarter ended June 30, 2006, Mr. Shelton indicated that he was receiving inquiries from various private equity groups and that the Company would continue to evaluate all strategic options. In early August 2006, Nancy-Ann DeParle, a member of our board of directors and a managing director of CCMP, indicated to Mr. Shelton that CCMP had expressed an interest in meeting with the Company. On August 15, 2006, Mr. Shelton met with representatives of CCMP and discussed CCMP, the Company and their respective businesses generally. On October 3, 2006, Mr. Shelton met again with CCMP representatives at CCMP s request and continued general discussions regarding CCMP s business and the Company s business. There was no discussion regarding CCMP s or the Company s interest in a possible strategic transaction at either meeting with CCMP. Ms. DeParle did not participate in either of these meetings.

On October 16, 2006, we announced that our anticipated diluted earnings per share from continuing operations for the quarter ended September 30, 2006 would be lower than Wall Street expectations and withdrew previously issued guidance for diluted earnings per share from continuing operations for 2006 and subsequent periods. On October 18, 2006, entities affiliated with TPG-Axon Capital Management, L.P. notified us, pursuant to the premerger notification rules of the Federal Trade Commission under the HSR Act, that such entities intended to acquire voting securities of the Company and would therefore be making required filings under the HSR Act. At the time of this notification, these entities and their affiliates held approximately 6.1% of the outstanding Common Stock, based on the most recent Schedule 13G filing of such entities. By letter dated October 20, 2006, Blue Harbour Strategic Value Partners Offshore, Ltd. sent a similar notice to us of its intention to acquire voting securities of the Company and to make required HSR Act filings. On October 20, 2006, Stonebrook Fund Management sent a letter to our board of directors, stating that it controlled approximately 1% of the outstanding Common Stock, expressing concern regarding the Company s recent financial results, capital allocation plan and corporate governance, and suggesting that we explore the potential sale of the Company.

On October 30, 2006, on the Company s conference call to discuss its financial results for the quarter ended September 30, 2006, Mr. Shelton again indicated that the Company intended to continue to evaluate all of its strategic alternatives, including through conversations with various private equity groups, but that no decisions had been made as to which alternatives, if any, to pursue.

On November 1, 2006, TPG-Axon Capital Management, L.P. and affiliated entities and persons (collectively, TPG-Axon) reported to the Securities and Exchange Commission (the SEC) aggregate

Table of Contents

beneficial ownership of approximately 6.2% of the outstanding Common Stock. TPG-Axon made its filing on Schedule 13D, indicating that it held the Common Stock with a purpose or effect of influencing control of the Company. In its filing, TPG-Axon stated its belief that the Company should act to increase stockholder value, including, among other things, by reducing capital expenditures and acquisitions and focusing on margins, and indicated that it may take actions regarding matters including the Company s operations, plans, management, directors, governance or capital structure.

On November 2, 2006, at a regularly scheduled meeting, our board of directors discussed the recent correspondence and statements of certain of the Company s stockholders. The board also discussed recent activity in the public markets by hedge funds and private equity firms in general, and reviewed the Company s operating performance, competitive position, prospects and strategic options as well as the significant trends affecting the healthcare industry. Following this discussion, the board authorized a program to repurchase up to $250 million of outstanding Common Stock on the open market or otherwise. The board also discussed the advisability of change in control severance arrangements for the Company s executives, and agreed to delegate the responsibility to evaluate the need for, and terms of, such arrangements to the compensation committee.

On November 15, 2006, Mr. Shelton met with representatives of CCMP at CCMP s request, at which meeting CCMP expressed its interest in acquiring the Company. Mr. Shelton had no subsequent conversations with Ms. DeParle regarding a potential transaction except to inform her that CCMP had expressed such interest. Over the next two weeks, Mr. Shelton continued to informally discuss with CCMP its possible interest in acquiring the Company.

On November 17, 2006, TPG-Axon made a Schedule 13D filing attaching a letter addressed to Mr. Shelton. In the letter, TPG-Axon expressed, among other things, concern regarding the Company s recent stock performance and return on investment and criticized the Company s capital expenditure program and management controls.

During the week of November 20, 2006, Mr. Shelton and other members of management met with the Company s outside legal and other advisors regarding recent activist efforts undertaken by certain stockholders. Later in that week, Mr. Shelton spoke to each member of the board of directors (other than Ms. DeParle) to apprise them of his conversations with CCMP, and obtained the informal approval of each such director to pursue strategic alternatives, and in that connection to execute confidentiality agreements with one or more private equity groups to allow such groups to conduct due diligence on the Company. Mr. Shelton also discussed informally with the directors the most recent activist shareholder efforts, including management s earlier meetings with the Company s outside legal and other advisors. On November 27, 2006, the executive committee of the board of directors approved the execution of confidentiality agreements with one or more potentially interested private equity groups.

On December 1, 2006, TPG-Axon filed an amendment to its Schedule 13D reporting an increase in its ownership to approximately 7.4% of the outstanding Common Stock. On December 12, 2006, TPG-Axon made a Schedule 13D filing attaching a letter to our board of directors reiterating its concerns regarding the Company s financial controls, performance and management and requesting copies of the Company s stock ledger and a list of stockholders pursuant to Delaware corporate law for the purpose of communicating with other stockholders of the Company and facilitating a potential proxy solicitation of stockholders to elect nominees to the Company s board of directors. The Company complied with TPG-Axon s request for stockholder information.

On December 5, 2006, we entered into a confidentiality agreement with CCMP to enable us to share information regarding a possible transaction. The confidentiality agreement included a two-year standstill provision preventing CCMP and its representatives from acquiring beneficial ownership in excess of 1% of the outstanding Common Stock or participating in a proxy solicitation regarding the Common Stock without our consent. On December 6 and 7, 2006, Mr. Shelton and other members of our senior management met with CCMP and its representatives. During these meetings, CCMP discussed its views on the merits of a possible

Table of Contents

acquisition of the Company and indicated that GS had expressed interest in joining with CCMP to explore a possible transaction. CCMP did not make any proposals regarding the price or structure of a transaction. Our management discussed the Company s history, operations, strategies and prospects, but did not solicit any proposals from CCMP. Shortly thereafter, representatives of GS contacted Mr. Shelton to express interest in working with CCMP on a possible acquisition of the Company.

On December 10, 2006, we executed a confidentiality agreement with GS containing terms substantially similar to the agreement executed with CCMP. On December 14 and 15, 2006, members of our senior management met with representatives of GS to continue preliminary discussions regarding a possible transaction.

At a board of directors meeting held on December 15, 2006, the compensation committee of the board of directors reported that it had evaluated, with the assistance of outside legal advisors and a compensation consultant, the need for contractual change in control severance protection for the Company s executives (other than Mr. Shelton, who already had such protection in his employment agreement). The compensation committee recommended that the board of directors adopt this form of protection to assist in retaining the executive team and keeping the executives focused on operational matters and on the enhancement of stockholder value. After extensive discussion and consideration of an analysis of the potential costs of such protection, the board of directors approved the execution of change in control severance agreements with the Company s officers holding the title of vice president and above. Michael J. Parsons, executive vice president and chief operating officer and a director of the Company, recused himself from the discussion of and vote on this matter. The compensation committee also reported that it had approved a new employment contract for Mr. Shelton. Upon the recommendation of the compensation committee, the board also adopted amendments to the Company s supplemental executive retirement plan to make such plan consistent with the change in control severance agreements approved by the board.

In addition, at the December 15, 2006 meeting, the board of directors discussed the Company s strategic alternatives. Representatives of Dewey Ballantine LLP, the Company s outside corporate counsel, participated in this portion of the meeting. At the start of the discussion, Ms. DeParle stated that she had no involvement at CCMP in discussions regarding a possible transaction with the Company after being told that CCMP expressed preliminary interest in a transaction. Ms. DeParle further stated that, due to her employment with CCMP, she had determined to recuse herself from participation in all discussion, deliberation and votes regarding the Company s strategic alternatives, and left the meeting. A representative of Dewey Ballantine then reviewed with the directors the fiduciary duties associated with their review of the strategic alternatives of the Company, including the fiduciary duties of care and loyalty. Mr. Shelton updated the board on management s meetings with CCMP and GS.

The board reviewed at length the Company s recent financial results and business performance and its growth strategies, competitive position and prospects, as well as healthcare industry trends and outlook. The board discussed the risks and opportunities associated with the Company s strategic alternatives, including remaining an independent company, selling the Company, engaging in stock buy-backs, or engaging in a potential leveraged recapitalization. Messrs. Shelton and Parsons then recused themselves from the meeting. The board then further discussed the Company s strategic alternatives and the possibility that a potential acquiror could approach members of the Company s management during the course of negotiations and ask them to consider a role with the surviving company after a transaction, and could offer management an opportunity to invest in the surviving corporation following a transaction. After discussion, the board of directors established a special committee of independent, disinterested directors, consisting of Thomas G. Loeffler (appointed as chairman), Donald B. Halverstadt, M.D., William J. Hibbitt, Dale V. Kesler and Gale E. Sayers, and delegated to that committee the full power and authority to evaluate, negotiate and respond to a possible offer to acquire the Company and any alternatives thereto and, as appropriate, make recommendations to the board of directors. The special committee was given the authority to engage legal, financial and other advisors, as appropriate. The board of directors retained the final authority to make any decision as to a possible sale of the Company or any alternatives thereto.

Table of Contents

At a meeting held on December 20, 2006, the special committee discussed its duties and responsibilities as well as the retention of financial and legal advisors. After discussion and a presentation by representatives of Baker Botts L.L.P., the special committee retained Baker Botts as its legal advisor. The representatives of Baker Botts then discussed with the members of the special committee their legal duties and responsibilities under Delaware law, including their fiduciary duties of care and loyalty, and the engagement of financial advisors to the special committee.

Further discussions regarding financial advisors were held at a special committee meeting on December 22, 2006 at which the special committee decided to interview four investment banking firms to serve as potential financial advisors to the committee. The special committee interviewed the four investment banking firms on December 27, 2006, and after the interviews and discussion, agreed to hire Lehman Brothers Inc. as the committee s principal financial advisor, and agreed to make further efforts to engage a secondary financial advisor. The special committee held meetings on December 29, 2006 and January 4, 2007 to discuss the status of negotiations with potential financial advisors and to review certain discussions Mr. Loeffler planned to have on behalf of the special committee with Mr. Shelton.

At a meeting held on January 5, 2007, Mr. Loeffler informed the special committee that he had discussed with Mr. Shelton the protocol that the special committee expected management to follow in dealing with potential bidders, the roles of the special committee and management in the process, and the identity and responsibilities of potential financial advisors to the special committee, among other matters. In addition, the special committee determined that a telephonic meeting should be held with the Company s other outside directors (excluding Ms. DeParle) to brief such directors on the committee s activities.

At a meeting held on January 8, 2007, the special committee was advised by Baker Botts that management wished to schedule a meeting at which CCMP and GS would make a presentation to the special committee regarding a proposed transaction. After discussion, the special committee concluded that such a meeting should occur. Representatives of Baker Botts reported that negotiations with Lehman Brothers were substantially complete, but that they had not been able to reach mutually acceptable terms on which to engage another investment banking firm as co-financial advisor. After discussion, the special committee unanimously approved the engagement of Lehman Brothers as its sole financial advisor. Lehman Brothers began its due diligence review of the Company after the meeting. Also on January 8, 2007, the special committee held a telephonic meeting with the Company s other outside directors (excluding Ms. DeParle) to update them on the activities of the special committee.

During the last two weeks of December 2006 and first two weeks of January 2007, CCMP, GS and their representatives conducted a due diligence review of the Company including through access to physical and virtual data rooms. On January 5, 8 and 9, 2007, CCMP and GS and their representatives met with management to further discuss the Company s business, financial performance, strategies and prospects.

On January 12, 2007, the special committee, together with its advisors, met with management and with CCMP, GS and their representatives, at which meeting CCMP and GS presented a proposal to acquire the Company at a price of $45.00 per share in cash, and delivered equity and debt financing commitment letters, a draft merger agreement and a form of guarantee agreement to be entered into by the sponsors. The draft merger agreement included a 25-day go-shop period during which alternative proposals could be solicited, a $90 million (representing approximately 2.2% of the total equity value of the proposed transaction) termination fee payable if the Company pursued an alternative transaction with a party who submitted a competing proposal during the go-shop period, a $120 million (representing approximately 2.9% of the total equity value of the proposed transaction) termination fee payable under certain other circumstances and a right to match feature whereby the Company would be obligated to negotiate in good faith with Parent to make adjustments to the merger agreement so that the competing proposal would cease to be a superior proposal.

On January 15 and 16, 2007, the special committee and its advisors met to discuss the CCMP/GS proposal and possible alternatives thereto, including remaining an independent company. Lehman Brothers informed the

Table of Contents

special committee that it had received an unsolicited inquiry regarding a possible acquisition of the Company from a highly credible private equity group with ownership of a hospital company (Buyer A), thus creating the opportunity for operational synergies that could potentially lead to a proposal at a higher price than that proposed by CCMP/GS. The special committee and its advisors discussed the potential benefits and risks of opening up the process to two or more potential bidders. After concluding that the benefits (including principally the likelihood of optimizing value for the Company s stockholders) outweighed the risks, the special committee authorized Lehman Brothers to contact Buyer A. On January 16, 2007, Lehman Brothers contacted Buyer A. Buyer A responded favorably, executed a confidentiality agreement on January 17, 2007 (on terms substantially similar to the confidentiality agreements executed by CCMP and GS) and began a due diligence review of the Company, including through access to the same physical and virtual data rooms to which CCMP, GS and their representatives had access.

The special committee and its advisors continued to discuss the CCMP/GS proposal with representatives of CCMP and GS. On January 19, 2007, CCMP and GS revised their proposal to increase the purchase price to $46.75 per share in cash and in response to certain concerns expressed by the special committee regarding the terms of the go-shop provisions included in CCMP/GS initial proposal, proposed modifications to the length of the go-shop period (lengthening it to 30 days), other terms of the proposed go-shop provision (eliminating the right to match provision, among other modifications) and the amount of the go-shop termination fee in the draft merger agreement (decreasing it to $45 million or approximately 1.0% of the total equity value of the revised proposal).

On January 20, 2007, the special committee met with its advisors to review the revised acquisition proposal from CCMP/GS and to receive Lehman Brothers preliminary valuation analysis and its analysis of possible strategic alternatives for the Company. Representatives of Baker Botts reviewed with the special committee members their fiduciary duties in connection with the committee s evaluation of the revised acquisition proposal and the Company s other strategic alternatives. Representatives of Lehman Brothers reviewed with the special committee the revised CCMP/GS proposal, current healthcare industry trends and issues, Lehman Brothers preliminary valuation analysis of the Company and an assessment of potential strategic alternatives, namely continuing as an independent company, a leveraged recapitalization, a strategic merger or sale of the Company or a leveraged buyout. After extensive discussion, the special committee decided to defer any decision on the revised CCMP/GS proposal and the other strategic alternatives.

On January 21, 2007, the special committee s advisors provided Buyer A with a draft merger agreement. On January 23, 2007, the special committee received a preliminary, non-binding indication of interest letter from Buyer A indicating a potential cash purchase price for the Company in excess of $50.00 per share, subject to satisfactory completion of due diligence. Also on January 23, 2007, the special committee met with its advisors to discuss the indication of interest letter, and directed its advisors to request that Buyer A and CCMP/GS submit formal acquisition proposals by February 2, 2007. On January 25, 2007, CCMP and GS were provided with a markup of the draft merger agreement that they had provided reflecting the comments of the special committee and the Company.

For the remainder of January 2007, both interested groups and their representatives continued their respective due diligence investigations. Management met with Buyer A and its representatives on January 19, 26 and 27, 2007 to discuss the Company s operations, financial performance, strategies and prospects.

On January 30, 2007, TPG-Axon filed an amendment to its Schedule 13D indicating that it had increased its ownership to 8.87% of the outstanding Common Stock and stating that it expected to nominate an alternative slate of five candidates for election as directors at the Company s 2007 annual meeting of stockholders.

On February 2, 2007, the special committee received a proposal of $49.00 per share in cash from CCMP/GS and a proposal substantially below $49.00 per share in cash from Buyer A. Both bidders submitted proposed final merger agreements, and Buyer A submitted a debt financing commitment letter (CCMP/GS had previously submitted financing commitment documents). In addition, on February 2, 2007, Lehman Brothers received an

Table of Contents

unsolicited general inquiry from a highly credible private equity group with ownership of a hospital company (Buyer B). On February 3, 2007, representatives of Baker Botts, Lehman Brothers, the Company and Dewey Ballantine reviewed the proposed documentation submitted by the bidders and negotiated the terms of the merger agreement with representatives of CCMP/GS and their legal advisors.

On the evening of February 3, 2007, the special committee held a meeting with its legal and financial advisors in attendance. The special committee was advised that, through a series of negotiations, CCMP/GS had increased its proposed purchase price to $50.25 per share in cash, and that substantial progress had been made in negotiating the terms of the merger agreement with CCMP and GS. The special committee was also advised that the price per share offered by Buyer A was significantly less than $50.25. Lehman Brothers discussed with the special committee Buyer A s reasons in arriving at its proposed price, and Lehman Brothers views as to whether Buyer A would be willing to increase its proposed price to a level that would be competitive with the CCMP/GS proposal. Representatives of Baker Botts reviewed with the members of the special committee their fiduciary duties in connection with the evaluation of the submitted proposals and the Company s other strategic alternatives and reviewed in detail with the special committee the terms of the merger agreement negotiated with CCMP and GS. Lehman Brothers provided the special committee with a detailed review of the financial and structural terms of the revised CCMP/GS proposal, an updated valuation analysis of the Company and an updated assessment of other strategic alternatives, namely continuing as an independent company, a leveraged recapitalization, a strategic merger or sale of the Company or a leveraged buyout. Lehman Brothers reviewed with the special committee the Company s recent financial performance and current industry trends and discussed the unsolicited general inquiry received from Buyer B. The special committee discussed the proposals received, the inquiry by Buyer B and the Company s other strategic alternatives. The special committee reviewed in detail the revised provisions in the merger agreement with CCMP and GS that were designed to permit the Company to conduct an effective post-signing market check, including a revised go-shop provision allowing the Company to actively solicit alternative acquisition proposals, the lengthening of the go-shop period to 40 days, the elimination of a right to match in favor of CCMP and GS, the revised termination fee of $20 million plus up to $20 million in expense reimbursement payable by the Company in connection with any proposal made by an entity identified during the go-shop period (together, representing up to approximately 0.9% of the total equity value of the proposed transaction), and the $120 million termination fee (representing approximately 2.6% of the total equity value of the proposed transaction) payable if the board terminates the merger agreement to accept a superior proposal made by an entity other than an entity identified during the go-shop period in order to satisfy its fiduciary duties. The special committee also discussed the risks of delaying the current process to solicit Buyer B and other potentially interested parties to submit proposals prior to signing an agreement with the existing bidders, including the risk that the existing bidders might lower or withdraw their offers, leaving the Company with no firm transaction. The special committee also discussed the significant risk of leaks, distraction to management and disruption in Company operations that could result from delaying the process in order to contact multiple additional potential buyers.

The special committee met again on the morning of February 4, 2007 and continued its discussions. Prior to the meeting, each member of the special committee reviewed the draft merger agreement and a written summary of the material terms of the merger agreement. Representatives of Baker Botts reviewed with the special committee certain financial benefits that would accrue to the Company s management team under the Company s existing employee benefit plans and arrangements as a result of any change in control transaction, including the proposed merger. Lehman Brothers made a presentation on the financial aspects of the proposed merger and delivered its opinion to the special committee that, as of February 4, 2007 and based upon and subject to the matters described in the opinion, the merger consideration to be offered to holders of the Common Stock (other than Parent and its affiliates) was fair to such holders from a financial point of view. After extensive deliberation, the special committee unanimously determined that the CCMP/GS proposal was superior to the other strategic alternatives available to the Company, including remaining an independent company, and voted unanimously to recommend that the board of directors approve and declare advisable the merger agreement and the transactions contemplated thereby, including the merger, and that the board of directors recommend that the Company s stockholders adopt the merger agreement.

Table of Contents

Late in the morning on February 4, 2007, the board of directors held a meeting attended by all directors (other than Ms. DeParle) as well as Lehman Brothers, Baker Botts, Dewey Ballantine and members of the Company s senior management. The chairman of the special committee reviewed with the board the special committee s unanimous recommendation and its activities and analysis in that connection. Representatives of Baker Botts reviewed the legal advice given to the special committee, and reviewed a chronology of key events that had occurred since the formation of the special committee as well as the terms of the proposed merger agreement. Lehman Brothers made a presentation on the financial and structural terms of the proposed merger, and presented a valuation analysis of the Company and an analysis of the Company s strategic alternatives. Lehman Brothers then described the fairness opinion delivered to the special committee. Mr. Shelton discussed with the board the Company s recent financial performance and significant industry trends as well as his view that the proposed merger was advisable and in the best interests of the Company s stockholders. The board also discussed recent statements by activist stockholders.

After discussion, Messrs. Shelton and Parsons and the other members of management present, as well as the Dewey Ballantine representatives, left the meeting. The directors discussed the proposed merger, and reviewed information concerning certain financial benefits that would accrue to the Company s management team under the Company s existing benefit plans and arrangements as a result of any change in control transaction, including the proposed merger. The Company s general counsel and representatives of Dewey Ballantine rejoined the meeting. The directors further discussed the terms of the merger agreement, including the go-shop and termination fee provisions that would permit the Company, under the direction of the special committee, to actively solicit alternative acquisition proposals after the merger agreement was signed. After deliberation, the directors present unanimously approved the merger agreement and the merger and resolved to recommend to the Company s stockholders that they adopt the merger agreement. Messrs. Shelton and Parsons and Ms. DeParle did not take part in the vote or the deliberation preceding the vote.

Following the board meeting, on February 4, 2007, representatives of Baker Botts, the Company and Dewey Ballantine finalized the merger agreement, equity and debt commitment letters and guarantee agreements with representatives of CCMP and GS, the merger agreement was executed by all parties and Parent delivered the equity and debt commitment letters and guarantee agreements. Before the commencement of trading on the NYSE on February 5, 2007, we issued a press release announcing the merger. In addition, we issued a press release on February 5, 2007 previewing fourth quarter 2006 results which were below our previously issued earnings guidance and Wall Street consensus estimates.

Go-Shop Period Activities; Entry into the CHS Merger Agreement

Following the execution of the prior merger agreement, representatives of Lehman Brothers, under the direction of the special committee, contacted 28 potential acquirors and a number of investment banking firms that represent financial and strategic buyers of healthcare companies. On February 9, 2007, CHS executed a confidentiality agreement (on terms substantially similar to the confidentiality agreements signed by CCMP and GS) and began its preliminary due diligence review of the Company. Four other parties, including Buyer B, also executed confidentiality agreements (on terms substantially similar to the confidentiality agreements signed by CCMP and GS) and were given preliminary due diligence information. Thereafter, two such parties decided not to pursue a potential transaction. The remaining three parties, including Buyer B, CHS and one financial acquiror with ownership of a hospital company, gave preliminary indications of interest in a possible transaction at a price in excess of $50.25 per share and were given full access to the physical and virtual data rooms to conduct due diligence. Between February 22 and February 27, 2007, each of these parties also held meetings with the Company s management to discuss the Company s business, financial performance, strategies and prospects.

At a meeting held on March 5, 2007, Lehman Brothers updated the special committee on its activities during the go-shop period and developments with the solicited parties, including the fact that Buyer B had determined not to pursue a potential transaction. On March 6, 2007, Lehman Brothers, on behalf of the special committee, sent a letter to CHS outlining suggested procedures for the submission of any potential proposal.

Table of Contents

On March 15, 2007, the special committee received a letter from representatives of Kirkland & Ellis LLP, legal advisors to CHS, stating the intention of CHS to submit a full formal proposal the following day at a price in excess of $50.25 per share. The letter was accompanied by a proposed merger agreement from CHS and a redacted copy of a debt commitment letter from Credit Suisse and Wachovia Bank, National Association. The letter stated that CHS and its financing sources had completed their due diligence and that no additional diligence was required other than confirmatory review of an updated version of the Company disclosure letter. In addition, on March 15, 2007, Lehman Brothers contacted CCMP/GS to remind them of the end of the go-shop period at 11:59 p.m. on March 16, 2007.

At a meeting held on the morning of March 16, 2007, the special committee, with the exception of Mr. Loeffler, met via telephonic conference call. Representatives of Baker Botts reviewed with the special committee recent events occurring during the go-shop process, including the fact that all potential bidders except CHS had withdrawn from the process. The special committee was then briefed regarding the documents received from CHS on March 15, 2007 and was informed that a full formal proposal from CHS was expected later that day. The special committee and its legal advisors then reviewed and discussed the prior merger agreement and the requirements to be satisfied if CHS were to be an Excluded Party under that agreement (i.e., a party engaged in discussions with the Company as of the end of the go-shop period regarding a bona fide acquisition proposal). After further discussion regarding the ongoing discussions with CHS and its advisors, and the timing and substance of the expected CHS proposal, the special committee determined that CHS was an Excluded Party under the prior merger agreement. As a result of this determination, the Company was not required to keep CCMP/GS informed regarding any proposal from CHS.

In the afternoon of March 16, 2007, the special committee received a formal proposal from CHS whereby CHS proposed to acquire all of the outstanding shares of Common Stock for $54.00 per share in cash. In addition, on March 16, 2007, Lehman Brothers contacted CCMP/GS to ask them to submit any revised proposal prior to the end of the day.

From March 16, 2007 through March 18, 2007, the special committee s advisors negotiated the terms of the merger agreement with CHS advisors and representatives including negotiation of, among other issues, termination fees, reverse termination fees, liability for breaches of the merger agreement and the remedy of specific performance.

On March 17, 2007, Lehman Brothers contacted CCMP/GS to inquire whether they intended to submit a revised proposal. Representatives of CCMP/GS confirmed that they would not be submitting a revised proposal and that the $50.25 cash merger consideration contemplated in the prior merger agreement was their best and final offer.

On the evening of March 17, 2007, the special committee (with the exception of Mr. Sayers) held an in-person meeting with its financial and legal advisors. Representatives of Baker Botts reviewed with the members of the special committee their fiduciary duties in connection with the evaluation of the proposal submitted by CHS and the possible termination of the prior merger agreement and described the discussions and negotiations between the special committee s advisors and CHS advisors. Lehman Brothers then made its presentation to the special committee, discussing various matters including Lehman Brothers views as to the quality and certainty of the CHS financing as compared to that of the financing proposed by CCMP/GS and Lehman Brothers financial analysis of the price proposed by CHS. After additional discussion concerning the business philosophy and operating style of CHS, certainty of completion and other issues, the special committee met in executive session. At the conclusion of its deliberations, the special committee instructed its financial and legal advisors to meet with Company management to discuss certain topics, including the business philosophy and operating style of CHS, the impact of a transaction with CHS on various Company constituencies and certainty of completion issues, and to report back to the special committee the following day.

During the special committee meeting, the members of the special committee had an opportunity to review Lehman Brothers written materials, including its financial analysis of the CHS proposal and the draft merger

Table of Contents

agreement. On the morning of March 18, 2007, the special committee met with its financial and legal advisors. Mr. Loeffler first reviewed the previous days events with Mr. Sayers and copies of various written materials were provided to him. Baker Botts and Lehman Brothers then briefed the special committee on their meeting with Company management. Extensive discussion followed regarding alternative provisions that could be included in the merger agreement that would protect the Company in the event of a breach of the merger agreement by CHS. Representatives from Baker Botts left the meeting to call CHS legal advisors and discuss such alternatives and upon return, reported that CHS legal advisors had agreed in principle to unlimited actual damages in the event of a breach of the merger agreement by CHS and the right of the Company to seek specific performance of the merger agreement by CHS, in lieu of a reverse termination fee payable to the Company under certain circumstances. Lehman Brothers orally delivered its opinion to the special committee that the merger consideration to be received by our stockholders (other than CHS and its affiliates) pursuant to the CHS merger agreement was fair to such stockholders from a financial point of view. Baker Botts then reviewed the CHS merger agreement in detail with the members of the special committee. After extensive discussion, the special committee unanimously determined that the CHS proposal was superior to the CCMP/GS proposal, that the prior merger agreement should be terminated and the related termination fee and reimbursement amount should be paid to Panthera, and that the CHS merger agreement and the merger were advisable and fair to and in the best interests of the Company and our stockholders. The special committee voted unanimously to recommend to our board of directors that it terminate the prior merger agreement and approve and declare advisable the CHS merger agreement and the merger, and that our board of directors recommend that the Company s stockholders adopt the CHS merger agreement.

In the afternoon of March 18, 2007, the board of directors held a meeting attended by all directors, telephonically or in person (other than Ms. DeParle), as well as Lehman Brothers, Baker Botts, Dewey Ballantine and members of the Company s senior management. Mr. Loeffler reviewed with the board the CHS proposal as well as the special committee s unanimous recommendation and its activities and analysis in that regard. Representatives of Baker Botts reviewed the chronology of the events occurring during the go-shop period under the prior merger agreement and reviewed the terms of the CHS merger agreement. The board was also advised of its fiduciary duties. Lehman Brothers made a presentation to the board regarding, among other things, the financial and structural terms of the proposed transaction, and described the fairness opinion delivered to the special committee. Individual members of the special committee then made comments and reiterated their unanimous recommendation that the prior merger agreement be terminated and the CHS merger agreement be executed. The Company s chairman and chief executive officer expressed his view that termination of the prior merger agreement and approval of the CHS proposal was consistent with the fulfillment of the directors fiduciary obligations. After deliberation, the directors unanimously determined that the CHS proposal was superior to the CCMP/GS proposal, authorized the termination of the prior merger agreement, including the payment of the termination fee and reimbursement amount to Panthera, and approved and declared advisable the CHS merger agreement and the merger, and resolved to recommend to the Company s stockholders that they adopt the CHS merger agreement. Messrs. Shelton and Parsons and Ms. DeParle did not take part in the vote.

Following the board meeting, on March 18, 2007, the special committee s and the Company s advisors finalized the CHS merger agreement and the debt commitment letter with representatives of CHS and CHS delivered the executed debt commitment letter.

On March 19, 2007, in accordance with the terms of the prior merger agreement, the Company paid Panthera the $20 million termination fee and advanced $20 million to Panthera for its out-of-pocket expenses and terminated the prior merger agreement. After the prior merger agreement was terminated, CHS and the Company entered into the CHS merger agreement, and a press release announcing the transaction was issued. On that same date, Lehman Brothers delivered its written opinion to the special committee that, as of March 19, 2007, and based upon and subject to the matters described therein, the merger consideration to be received by the holders of the Common Stock (other than CHS and its affiliates) was fair to such holders from a financial point of view.

Table of Contents

Reasons for the Merger; Recommendation of the Special Committee and of Our Board of Directors

The Special Committee

The special committee unanimously determined that the CHS merger agreement was superior to the prior merger agreement, that the prior merger agreement should be terminated, that the required termination fee and expense reimbursement amount should be paid to Panthera, and that the CHS merger agreement and merger were advisable and fair to and in the best interests of the Company and our stockholders. The special committee unanimously recommended to our board of directors that it authorize and approve the termination of the prior merger agreement and payment of the amounts described above, that our board of directors approve and declare advisable the CHS merger agreement and the merger, and that our board of directors recommend that the Company s stockholders adopt the CHS merger agreement.

In the course of reaching its determinations, the special committee considered the following substantive factors and potential benefits of the merger, each of which the special committee believed supported its decision:

the fact that under the direction of the special committee, the Company and its advisors had actively solicited possible interested parties during the 40-day go-shop period provided for in the prior merger agreement;

the fact that during the 40-day go-shop period five parties executed confidentiality and standstill agreements and received limited diligence information on the Company, and the fact that three of those parties provided preliminary indications of interest, received extensive diligence information and participated in diligence meetings with the Company s management;

the fact that CHS was the only competing bidder to submit a company acquisition proposal (as such term is defined in the prior merger agreement) prior to the end of the 40-day go-shop period and the fact that no other competing bidder surfaced prior to the special committee s recommendation of the CHS merger agreement to our board of directors;

the fact that the CHS cash merger price of $54.00 per share was considerably higher (7.5%) than the CCMP/GS cash merger price of $50.25 per share;

the current and historical market prices of the Common Stock, including the market price of the Common Stock relative to a composite of other publicly held acute care hospital companies; the fact that the CHS cash merger price of $54.00 per share represented a premium of approximately 24.8% to the closing share price of the Common Stock on February 2, 2007, the last day of trading prior to the signing of the prior merger agreement, approximately 33.4% to the closing share price of the Common Stock on January 11, 2007, the last day of trading prior to the special committee s receipt of the initial CCMP/GS proposal, and approximately 18.2% and 48.2%, respectively, to the 52-week high and low sale prices of the Common Stock for the 52-week period ending on February 2, 2007;

the information contained in the financial presentations of Lehman Brothers, including the opinion of Lehman Brothers dated March 19, 2007 as to the fairness, from a financial point of view, to our stockholders (other than CHS and its affiliates), of the merger consideration to be received by such holders in the merger (see Opinion of Financial Advisor);

the efforts made by the special committee and its advisors to negotiate and execute a merger agreement containing financial and other terms that were favorable to the Company;

the financial and other terms and conditions of the merger agreement, including the fact that the merger was not subject to a financing condition and was not subject to a stand-alone material adverse effect closing contingency, and the fact that all terms and

conditions of the merger agreement were the product of arm s length negotiation between the parties;

the likelihood that the merger will be completed, including the fact that CHS had arranged committed financing for the transaction from reputable sources such that the special committee had a high degree of comfort that the necessary financing would be obtained by CHS;

Table of Contents

the significant level of efforts that CHS must use under the merger agreement to obtain governmental and regulatory approvals for the merger, including, if necessary, divestiture of relevant hospitals or other assets;

the special committee s belief that its process was designed to maximize value for the stockholders of the Company;

the fact that the merger consideration is all cash, so that the transaction allows the Company s stockholders to immediately realize a fair value, in cash, for their investment and provides such stockholders certainty of value for their shares;

the fact that, notwithstanding completion of the 40-day go-shop period under the prior merger agreement, the CHS merger agreement provides that, under certain circumstances and subject to certain conditions (including payment of a $130 million termination fee and the reimbursement of certain amounts), the Company can furnish information to and conduct negotiations with a third party, terminate the merger agreement, and enter into an agreement relating to a superior proposal (as such term is defined in the merger agreement) with a third party;

the special committee s belief that the termination fee of $130 million (representing approximately 2.6% of the total equity value of the proposed transaction) payable by the Company to CHS under the circumstances was reasonable;

the fact that our stockholders will have the opportunity to approve or disapprove of the merger at the meeting of stockholders called and held for that purpose;

if the merger is approved, the availability of appraisal rights to holders of the Common Stock who comply with all of the required procedures under Delaware law, which allows such holders to seek appraisal of the fair value of their shares as determined by the Delaware Court of Chancery;

the commitment made by CHS to treat the Company s employees in a fair and equitable manner, including to provide (until December 31, 2008) each employee of the Company with salary or hourly wage rates, commission structures and opportunities, and/or target cash bonus opportunities under annual programs (other than equity-based compensation or award opportunities) as well as employee severance, pension and welfare benefits (other than equity-based benefits) that are not less favorable in the aggregate than those provided to employees immediately prior to the merger;

the fact that the Company is contractually entitled to seek specific enforcement by a court of the performance of the terms and provisions of the merger agreement by CHS and Merger Sub; and

the fact that the Company is contractually entitled to pursue actual damages from CHS or Merger Sub, without a contractual limit or ceiling, in the event of a breach of the merger agreement by CHS or Merger Sub.

In addition to the factors set forth above, the special committee considered the following substantive factors, among others, in initially deciding to recommend a sale of the Company pursuant to the prior merger agreement. Such factors were equally relevant to the special committee s subsequent decision to recommend a sale of the Company pursuant to the CHS merger agreement.

its belief that a sale of the Company was more favorable to our stockholders than the alternative of remaining a stand-alone, independent company because of the uncertain returns to our stockholders if the Company remained independent in light of (i) the Company s business, operations, financial condition, strategy and prospects, (ii) recent and anticipated future operating results and the risks involved in achieving those results, (iii) industry trends and (iv) general industry, economic, market and regulatory conditions,

both on an historical and on a prospective basis;

its belief that a sale of the Company was more favorable to our stockholders than the potential value that might result from other alternatives available to the Company, including the alternatives of

Table of Contents

pursuing other strategic initiatives such as a leveraged recapitalization or stock repurchases, given the potential rewards, risks and uncertainties associated with those alternatives, as reviewed with Lehman Brothers;

the likely negative impact on the market price of the Common Stock from our anticipated fourth quarter 2006 earnings, which were expected to be below the Company s previously issued earnings guidance and Wall Street consensus estimates, and management s estimates of our future financial performance and earnings;

the competitive landscape of the markets in which the Company operates and its positions in such markets;

the reimbursement environment for health care providers generally and for acute care hospital companies in particular, as well as related trends in collection and bad debt levels and experience; and

the views expressed by the Company s chief executive officer regarding the risks associated with remaining independent, including trends expected to continue to confront the acute care hospital industry such as, among others, rising bad debt expense, and the recommendation of the Company s chief executive officer that a sale transaction be pursued.

The special committee also considered a variety of risks and other potentially negative factors concerning the CHS merger agreement and the merger, including the following:

the risks and costs to the Company if the merger is not completed, including the diversion of management and employee attention, potential employee attrition, the potential effect on the Company s business and facilities and its relationships with physicians, patients, joint venture partners, local communities and others, and the likely negative effect on the trading price of the Common Stock;

the fact that the Company s stockholders will not participate in any future earnings or growth of the Company and will not benefit from any appreciation in value of the Company, including any appreciation in value that could be realized as a result of improvements in the Company s operations;

the fact that some of the Company s executive officers and directors have interests in the merger that are different from, or in addition to, those of the Company s stockholders generally (see Interests of the Company s Directors and Executive Officers in the Merger);

the cost of terminating the prior merger agreement, including the payment to Panthera of a termination fee of $20 million and $20 million to cover expenses, which amounts were to be reimbursed to the Company by CHS, and the Company s obligation to repay such amounts to CHS if the CHS merger agreement is terminated under certain circumstances;

the restrictions on the conduct of the Company s business prior to completion of the merger, requiring the Company to conduct its business only in the ordinary course, subject to specific limitations, which may delay or prevent the Company from undertaking business opportunities that may arise pending completion of the merger;

the fact that the CHS merger agreement did not provide for a go-shop period or a reverse termination fee payable to the Company;

the fact that an all cash transaction would be taxable to the Company s stockholders that are U.S. persons for U.S. federal income tax purposes;

the fact that while the merger is expected to be completed, there is no assurance that all conditions to the parties obligations to complete the merger will be satisfied or waived, and as a result, it is possible that the merger might not be completed even if approved by the Company s stockholders; and

the fact that there is a risk that CHS will not be able to obtain all necessary financing to consummate the merger.

Table of Contents

The foregoing discussion summarizes the material factors considered by the special committee in its consideration of the CHS merger agreement and the merger. After considering these factors, the special committee concluded that the positive factors relating to the CHS merger agreement and the merger outweighed the potential negative factors. In view of the wide variety of factors considered by the special committee and the complexity of these matters, the special committee did not find it practicable to quantify or otherwise assign relative weights to any of the foregoing factors. In addition, individual members of the special committee may have assigned different weights to various factors. The special committee unanimously recommended to our board of directors that the board of directors terminate the prior merger agreement and approve the CHS merger agreement and the merger based upon the totality of the information presented to and considered by it.

Our Board of Directors

The board of directors, by unanimous action of all members (other than Messrs. Shelton and Parsons and Ms. DeParle, who did not take part in the vote) and following the unanimous recommendation of the special committee (i) approved the termination of the prior merger agreement, (ii) determined that the merger agreement and the merger are advisable and fair to, and in the best interests of, the Company and its stockholders, (iii) approved the merger agreement and the merger, and (iv) recommended that the Company s stockholders adopt the merger agreement.

In reaching these determinations, the board considered (i) a variety of business, financial and market factors, (ii) the financial presentation of Lehman Brothers, including the opinion of Lehman Brothers as to the fairness, from a financial point of view, to the holders of shares of Common Stock (other than CHS and its affiliates) of the merger consideration, (iii) each of the factors considered by the special committee in its unanimous recommendation, as described above and (iv) the unanimous recommendation of the special committee.

The foregoing discussion summarizes the material factors considered by the board of directors in its consideration of the merger. In view of the wide variety of factors considered by the board, and the complexity of these matters, the board did not find it practicable to quantify or otherwise assign relative weights to the foregoing factors. In addition, individual members of the board may have assigned different weights to various factors. The board of directors approved and recommends the merger agreement and the merger based upon the totality of the information presented to and considered by it.

Our board of directors recommends that you vote FOR the adoption of the merger agreement and FOR the adjournment of the special meeting, if necessary, to solicit additional proxies.

Opinion of Financial Advisor

In January 2007, the special committee of Triad s board of directors engaged Lehman Brothers to act as its financial advisor with respect to its evaluation of strategic alternatives for Triad. On March 19, 2007, Lehman Brothers rendered its opinion to the special committee that, as of such date, and based on and subject to the matters stated in its opinion, from a financial point of view, the consideration to be offered to Triad s stockholders (other than CHS and its affiliates) in the merger was fair to such stockholders.

The full text of Lehman Brothers written opinion, dated March 19, 2007, is attached as Annex B to this proxy statement. Stockholders are encouraged to read Lehman Brothers opinion carefully in its entirety for a description of the assumptions made, procedures followed, factors considered and limitations on the review undertaken by Lehman Brothers in rendering its opinion. The following is a summary of Lehman Brothers opinion and the methodology that Lehman Brothers used to render its opinion. This summary is qualified in its entirety by reference to the full text of the opinion.

Lehman Brothers advisory services and opinion were provided for the information and assistance of the special committee in connection with its consideration of the merger. Lehman Brothers opinion is not intended

Table of Contents

to be and does not constitute a recommendation to any Triad stockholder as to how such stockholder should vote in connection with the merger. Lehman Brothers was not requested to opine as to, and Lehman Brothers opinion does not address, Triad s underlying business decision to proceed with or effect the merger.

In arriving at its opinion, Lehman Brothers reviewed and analyzed, among other things:

- the merger agreement and the specific terms of the merger;
- publicly available information concerning Triad that Lehman Brothers believed to be relevant to its analysis, including Triad s Annual Report on Form 10-K for the fiscal year ended December 31, 2006;
- financial and operating information with respect to Triad s business, operations and prospects furnished to Lehman Brothers by Triad, including (i) financial projections of Triad prepared by Triad s management, referred to as the Projections, and (ii) financial projections of Triad adjusted by Triad s management to reflect the sensitivity of a range of potential bad debt expense levels, referred to as the Sensitivity Case Projections;
- independent equity research analysts estimates of Triad s future financial performance;
- a trading history of the Common Stock from February 2, 2006 through February 2, 2007 and a comparison of that trading history with those of other companies that Lehman Brothers deemed relevant;
- the results of Lehman Brothers efforts to solicit proposals from third parties with respect to an acquisition of Triad;
- a comparison of Triad s historical financial results and present financial condition with those of other companies that Lehman Brothers deemed relevant; and
- a comparison of the financial terms of the merger with the financial terms of other transactions that Lehman Brothers deemed relevant.

In addition, Lehman Brothers had discussions with Triad s management concerning its business, operations, assets, financial condition and prospects and undertook such other studies, analyses and investigations as Lehman Brothers deemed appropriate.

In arriving at its opinion, Lehman Brothers assumed and relied on the accuracy and completeness of the financial and other information used by Lehman Brothers without assuming any responsibility for independent verification of such information. Lehman Brothers further relied on the assurances of Triad s management that they were not aware of any facts or circumstances that would make such information inaccurate or misleading. With respect to the Projections, on Triad s advice, Lehman Brothers assumed that such projections were reasonably prepared on a basis reflecting the best currently available estimates and judgments of Triad s management as to Triad s future financial performance and that Triad would perform substantially in accordance with such projections. However, for the purpose of its analysis, Lehman Brothers also considered the Sensitivity Case Projections and, on Triad s advice, Lehman Brothers assumed that such projections were a reasonable basis on which to evaluate Triad s future financial performance, and Lehman Brothers also relied on such projections in performing its analysis. In arriving at its opinion, Lehman Brothers did not conduct a physical inspection of Triad s properties and facilities and did not conduct or obtain any evaluations or appraisals of Triad s assets or liabilities. Lehman Brothers opinion was necessarily based on market, economic and other conditions as they existed on, and could be evaluated as of, March 19, 2007. The special committee imposed no limitations on Lehman Brothers with respect to the scope of the investigations made or procedures followed in rendering its opinion.

The following is a summary of the material financial analyses used by Lehman Brothers in connection with providing its opinion to the special committee. **The financial analyses summarized below include information presented in tabular format. In order to fully understand the financial analyses used by Lehman Brothers,**

Table of Contents

the tables must be read together with the text of each summary. Considering any portion of such analyses and of the factors considered, without considering all analyses and factors, could create a misleading or incomplete view of the process underlying Lehman Brothers opinion.

Historical Share Price Analysis

Lehman Brothers considered historical data with regard to the trading prices of shares of Common Stock for the period from February 2, 2006 to February 2, 2007, the last trading day prior to the date that Triad entered into the prior merger agreement with Panthera, and the relative stock price performances during this same period of the Common Stock, the Standard & Poor s 500 Index and the common stocks of the selected companies listed under the caption Comparable Company Analysis below. The foregoing historical share price analysis was presented to the special committee to provide it with background information and perspective with respect to the relative historical share price of the Common Stock. Lehman Brothers noted that during this period, the closing share price of Common Stock ranged from a low of $36.44 to a high of $45.67, as compared to the per share merger consideration of $54.00.

Comparable Company Analysis

In order to assess how the public market values shares of similar publicly traded companies, Lehman Brothers, based on its experience with companies in the acute care facilities industry, reviewed and compared specific financial and operating data relating to Triad with selected companies that Lehman Brothers deemed comparable to Triad, consisting of Community Health Systems, Inc., Health Management Associates, Inc., LifePoint Hospitals, Inc., Tenet Healthcare Corp. and Universal Health Services, Inc.

As part of its comparable company analysis, Lehman Brothers calculated and analyzed Triad s and each of the comparable companies ratios of current stock price to estimated 2006 and 2007 earnings per share, commonly referred to as a price earnings ratio, or P/E. Lehman Brothers also calculated and analyzed the ratios implied by Triad s and each of the comparable companies enterprise values in relation to estimated 2006 and 2007 earnings before interest, taxes, depreciation and amortization, commonly referred to as EBITDA. The enterprise value of each company was obtained by adding its short and long term debt to the sum of the market value of its common equity and the book value of any minority interest, and subtracting its cash and cash equivalents. The expected earnings per share attributable to Triad and its components as well as Triad s EBITDA were determined using information provided by Triad s management, and ratios for the selected comparable companies were calculated based on publicly available financial data and estimates and closing prices as of March 16, 2007, the last trading day prior to the delivery of Lehman Brothers opinion. The ratios for Triad were calculated using the closing price on February 2, 2007, the last trading day prior to the date that Triad entered into the prior merger agreement with Panthera. The results of these analyses are summarized as follows and resulted in a range of $38.25-$44.00 per share, as compared to the per share merger consideration:

	Comparison of P/E Ratios		Comparison of Enterprise Value to EBITDA Ratios	
	2006	**2007**	**2006**	**2007**
Low of Selected Companies	15.2x	14.8x	8.4x	7.4x
High of Selected Companies	21.7x	18.9x	10.2x	9.6x
Triad as of February 2, 2007	17.3x	16.2x	8.0x	7.3x
Triad at Proposed Per Share Merger Consideration	22.6x	22.0x	9.8x	8.9x

Lehman Brothers selected the comparable companies above because their businesses and operating profiles are reasonably similar to those of Triad. However, because of the inherent differences between the business, operations and prospects of Triad and the businesses, operations and prospects of the selected comparable

Table of Contents

companies, no comparable company is exactly the same as Triad. Therefore, Lehman Brothers believed that it was inappropriate to, and therefore did not, rely solely on the quantitative results of the comparable company analysis. Accordingly, Lehman Brothers also made qualitative judgments concerning differences between the financial and operating characteristics and prospects of Triad and the companies included in the comparable company analysis that would affect the public trading values of each in order to provide a context in which to consider the results of the quantitative analysis. These qualitative judgments related primarily to the differing sizes, growth prospects, profitability levels and degree of operational risk between Triad and the companies included in the comparable company analysis.

Present Value of Research Analysts 12-Month Price Targets Analysis

Lehman Brothers evaluated the present value of equity research analysts projected 12-month price targets for the Common Stock and compared them to the Common Stock s current trading price as of February 2, 2007 and the proposed per share merger consideration. The present value of the research analysts price targets was obtained by dividing the current 12-month price target as of February 2, 2007 by one plus Triad s estimated cost of equity. The following table presents the results of this analysis, as compared to the per share merger consideration of $54.00:

	Period Prior to Announcement	
Research Analysts Price Targets	**12-Month Target Price**	**Present Value of 12-Month Target Price**
Average	$ 42.88	$ 39.33
Low	$ 28.00	$ 25.75
High	$ 51.00	$ 46.75

Discounted Cash Flow Analysis

As part of its analysis, and in order to estimate the present value of the Common Stock, Lehman Brothers prepared five-year and ten-year discounted cash flow analyses for Triad s after-tax unlevered free cash flows for fiscal years 2007 through 2011 and 2007 through 2016, respectively.

A discounted cash flow analysis is a traditional valuation methodology used to derive a valuation of an asset by calculating the present value of estimated future cash flows of the asset. Present value refers to the current value of future cash flows or amounts and is obtained by discounting those future cash flows or amounts by a discount rate that takes into account macro-economic assumptions and estimates of risk, the opportunity cost of capital, expected returns and other appropriate factors. Lehman Brothers performed a five-year discounted cash flow analysis for Triad by adding (1) the present value of Triad s projected after-tax unlevered free cash flows for fiscal years 2007 through 2011 to (2) the present value of Triad s terminal value as of 2011. In addition, Lehman Brothers performed a ten-year discounted cash flow analysis for Triad by adding (1) the present value of Triad s projected after-tax unlevered free cash flows for fiscal years 2007 through 2016 to (2) the present value of Triad s terminal value as of 2016. Terminal value refers to the value of all future cash flows from an asset at a particular point in time. The expected future cash flow attributable to Triad and its components was determined using information provided by Triad s management.

Lehman Brothers estimated, after taking into account ratios of selected comparable acute care facility companies enterprise values to their last 12 months, commonly referred to as LTM, EBITDA, a range of terminal values in 2011 calculated based on enterprise value to EBITDA ratios of 6.5x to 8.0x. Lehman Brothers further estimated a range of terminal values in 2016 based on a terminal growth rate of 3.75% to 4.25%. Lehman Brothers discounted the unlevered free cash flow streams and the estimated terminal value to present value using a range of discount rates from 7.25% to 7.75%. The discount rates used in this analysis were chosen by Lehman Brothers based on its expertise and experience with the acute care facilities industry and also on an analysis of the weighted average cost of capital of Triad and of comparable companies. Lehman Brothers calculated per-share equity values by first determining a range of enterprise values of Triad and adding the

Table of Contents

present values of the after-tax unlevered free cash flows and terminal values for each EBITDA terminal multiple and discount rate scenario, and then subtracting from the enterprise values the net debt (which is total debt minus cash) and book value of Triad s minority interest, and dividing those amounts by the number of diluted shares of Common Stock. The discounted cash flow analysis for Triad was performed for two scenarios: one based on the Projections, and the other based on a Sensitivity Case Projection. The following table presents the results of this analysis, as compared to the per share merger consideration of $54.00:

	Range		Midpoint Range	
Five-Year Discounted Cash Flow Analysis				
Projections	$42.19	$57.92	$47.62	$52.32
Sensitivity Case Projection	$45.30	$61.54	$50.90	$55.75
Ten-Year Discounted Cash Flow Analysis				
Projections	$35.29	$53.90	$43.27	
Sensitivity Case Projection	$42.22	$62.80	$51.05	

Comparable Transaction Analysis

Using publicly available information, Lehman Brothers reviewed and compared the purchase prices and financial multiples paid or proposed to be paid in eight completed or proposed acquisitions of companies that Lehman Brothers, based on its experience with merger and acquisition transactions, deemed relevant to arriving at its opinion. Lehman Brothers chose the transactions used in the comparable transaction analysis based on the similarity of the target companies in the transactions to Triad in the size, mix, margins and other characteristics of their businesses. Lehman Brothers reviewed the following transactions:

Date Announced	Acquiror	Target
February 5, 2007	CCMP Capital Advisors, LLC and Goldman, Sachs & Co	Triad Hospitals, Inc.
July 24, 2006	Bain Capital LLC, Kohlberg Kravis Roberts & Co., and Merrill Lynch & Co.	HCA Inc.
August 16, 2004	LifePoint Hospitals, Inc.	Province Healthcare Co.
July 23, 2004	The Blackstone Group	Vanguard Health Systems, Inc.
May 5, 2004	Investor group led by Texas Pacific Group	IASIS Healthcare Corp.
October 19, 2000	Triad Hospitals, Inc.	Quorum Health Group, Inc.
October 17, 1996	Tenet Healthcare Corp.	OrNda HealthCorp
June 10, 1996	Fortsmann Little & Co.	Community Health Systems, Inc.

Using publicly available information available for each of the selected transactions, Lehman Brothers calculated purchase price as a multiple of LTM EBITDA. The same analysis was conducted using LTM EBITDA of Triad for purposes of comparing the selected transactions to the proposed merger. The following table presents the results of this analysis and resulted in a range of $39.25-$52.00 per share, as compared to the per share merger consideration:

	Transaction Value/ LTM EBITDA
Low of Selected Transactions	7.8x
High of Selected Transactions	12.1x
Triad at Proposed Per Share Merger Consideration	9.8x

Table of Contents

Transaction Premium Analysis

Lehman Brothers reviewed the premiums paid in acquisitions of domestic public targets with values between $2.5 billion and $10.0 billion announced between January 1, 2004 and March 16, 2007 and in leveraged buyout transactions greater than $1.0 billion announced between January 1, 2004 and February 2, 2007. Lehman Brothers calculated the premium per share paid by the acquiror compared to the share price of the target company prevailing one day prior to the announcement of the transaction. This analysis produced average premiums of 20.8% and 16.8% for the domestic public target acquisitions and leveraged buyout transactions, respectively. Lehman Brothers noted that the proposed per share merger consideration represented a premium of 24.8% to the closing price of the Common Stock on February 2, 2007, the last trading day prior to the date that Triad entered into the prior merger agreement with Panthera, a premium of 33.4% to the closing price of the Common Stock on January 11, 2007, the last trading day prior to Panthera s initial proposal to acquire Triad, and a premium of 46.2% to the closing price of the Common Stock on November 1, 2006, the trading day on which the initial Schedule 13D filed by TPG-Axon to disclose its ownership interest in Triad was accepted by the SEC. This analysis resulted in a range of $42.00-$50.25 per share, as compared to the per share merger consideration.

Leveraged Acquisition Analysis

Additionally, Lehman Brothers performed a leveraged acquisition analysis in order to ascertain a range of prices that Lehman Brothers believed would be attractive to potential financial buyers based on current market conditions. Lehman Brothers assumed the following in its analysis: (i) a capital structure consisting of a total debt to EBITDA ratio of 7.9x, (ii) an equity investment that would achieve a five-year rate of return of approximately 18% to 22%, and (iii) a 2010 projected EBITDA exit multiple of 7.0x and 8.0x. The leveraged acquisition analysis for Triad was performed based on the Projections and a Sensitivity Case Projection. This analysis resulted in a range of $40.00-$52.50 per share, as compared to the per share merger consideration.

General

In connection with the review of the merger by the special committee, Lehman Brothers performed a variety of financial and comparative analyses for purposes of rendering its opinion. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. In arriving at its opinion, Lehman Brothers considered the results of all of its analyses as a whole and did not attribute any particular weight to any analysis or factor considered by it. Furthermore, Lehman Brothers believes that the summary provided and the analyses described above must be considered as a whole and that selecting any portion of its analyses, without considering all of them, would create an incomplete view of the process underlying its analyses and opinion. In addition, Lehman Brothers may have given various analyses and factors more or less weight than other analyses and factors and may have deemed various assumptions more or less probable than other assumptions, so that the ranges of valuations resulting from any particular analysis described above should not be taken to be Lehman Brothers view of the actual value of Triad.

In performing its analyses, Lehman Brothers made numerous assumptions with respect to industry risks associated with reserves, industry performance, general business and economic conditions and other matters, many of which are beyond Triad s control. Any estimates contained in Lehman Brothers analyses are not necessarily indicative of future results or actual values, which may be significantly more or less favorable than those suggested by such estimates. The analyses performed were prepared solely as part of Lehman Brothers

Table of Contents

analysis of the fairness from a financial point of view to Triad stockholders and were prepared in connection with the delivery by Lehman Brothers of its opinion, dated March 19, 2007, to the special committee. The analyses do not purport to be appraisals or to reflect the prices at which shares of Common Stock might trade following announcement of the merger.

The terms of the merger were determined through arm s length negotiations between the special committee and its advisors and CHS and its advisors and were unanimously approved by Triad s board of directors. Lehman Brothers did not recommend any specific amount or form of consideration to Triad or that any specific amount or form of consideration constituted the only appropriate consideration for the merger. Lehman Brothers opinion was provided to the special committee to assist it in its consideration of the proposed merger. Lehman Brothers opinion does not address any other aspect of the proposed merger and does not constitute a recommendation to any stockholder as to how to vote or to take any other action with respect to the merger. Lehman Brothers opinion was one of the many factors taken into consideration by the special committee and the board of directors in making their unanimous determinations to recommend approval of the merger agreement. Lehman Brothers analyses summarized above should not be viewed as determinative of the opinion of the special committee or Triad s board of directors with respect to the value of Triad or of whether the special committee or Triad s board of directors would have been willing to agree to a different amount or form of consideration.

Lehman Brothers is an internationally recognized investment banking firm and, as part of its investment banking activities, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. The special committee selected Lehman Brothers because of its expertise, reputation and familiarity with Triad and the acute care facilities industry generally and because its investment banking professionals have substantial experience in transactions comparable to the merger.

As compensation for its services in connection with the merger, Triad has agreed to pay Lehman Brothers a financial advisory fee of approximately $27 million, portions of which became payable on Lehman Brothers engagement and on the rendering of Lehman Brothers opinion to the special committee and a significant portion of which is contingent on the completion of the merger. In addition, Triad has agreed to reimburse Lehman Brothers for reasonable out-of-pocket expenses incurred in connection with the merger and to indemnify Lehman Brothers for certain liabilities that may arise out of its engagement by the special committee and the rendering of the Lehman Brothers opinion. Lehman Brothers in the past has rendered and expects in the future to render investment banking services to Triad, and has received, and expects to receive, customary fees for such services.

In the ordinary course of its business, Lehman Brothers actively trades in the debt or equity securities of Triad and of CHS for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities.

Delisting and Deregistration of Common Stock

If the merger is completed, the Common Stock will be delisted from the NYSE and deregistered under the Exchange Act and we will no longer file periodic reports with the SEC on account of the Common Stock.

Regulatory Approvals

Under the HSR Act and the rules promulgated thereunder by the FTC, the merger cannot be completed until Triad and CHS file a notification and report form under the HSR Act and the applicable waiting period has expired or been terminated. Triad and CHS filed their respective notification and report forms under the HSR Act with the FTC and the Antitrust Division of the DOJ on March 23, 2007. At any time before or after consummation of the merger, the Antitrust Division or the FTC could take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the consummation of the merger

Table of Contents

or seeking divestiture of substantial assets of Triad or CHS. At any time before or after the consummation of the merger, any state could take such action under the antitrust laws as it deems necessary or desirable in the public interest. Such action could include seeking to enjoin the consummation of the merger or seeking divestiture of substantial assets of Triad or CHS. Private parties may also seek to take legal action under the antitrust laws under certain circumstances.

Federal and state laws and regulations may require that Triad or CHS obtain approvals, consents or certificates of need from, file new license and/or permit applications with, and/or provide notice to, applicable governmental authorities in connection with the merger.

See The Merger Agreement Efforts to Complete the Merger for information on the obligations of the parties under the merger agreement to obtain the regulatory approvals required to consummate the merger.

Financing of the Merger

General

CHS estimates that the total amount of funds necessary to complete the proposed merger and the related transactions is approximately $9.065 billion, which includes approximately $5.0 billion to be paid to Triad s stockholders, with the remaining funds to be used to refinance certain existing indebtedness, including Triad s and CHS existing bank debt, Triad s 7% Senior Notes due 2012 and 7% Senior Subordinated Notes due 2013 and CHS 6½% Senior Subordinated Notes due 2012, and to pay customary fees and expenses in connection with the proposed merger, the financing arrangements and the related transactions.

Pursuant to the merger agreement, CHS and Merger Sub are obligated to use their reasonable best efforts to obtain the debt financing described below as promptly as practicable taking into account the expected timing of the marketing period and the September 30, 2007 (or if the marketing period is not completed by then, October 31, 2007) merger agreement end date. In the event that any portion of the debt financing becomes unavailable on the terms contemplated in the agreements in respect thereof, CHS is obligated to use its reasonable best efforts to arrange alternative financing from alternative sources on terms no less favorable to CHS (as determined in the reasonable judgment of CHS).

CHS has received a debt commitment letter, dated as of March 16, 2007, from Credit Suisse (CS), Credit Suisse Securities (USA) LLC (CS Securities and together with CS and their respective affiliates, Credit Suisse), Wachovia Bank, National Association (WBNA), Wachovia Investment Holdings, LLC (WIH) and Wachovia Capital Markets, LLC (WCM and, together with WBNA, WIH and their respective affiliates, Wachovia, with Credit Suisse and Wachovia together being referred to as the Initial Lenders) pursuant to which the Initial Lenders have agreed to commit to provide to CHS/Community Health Systems, Inc., a wholly owned subsidiary of CHS (the Borrower), the following facilities, subject to the conditions set forth therein:

- senior secured credit facilities (the Senior Facilities) in an aggregate principal amount of $6,950,000,000; and
- a senior unsecured bridge facility (the Bridge Facility) in an aggregate principal amount of up to $3,365,000,000.

The Senior Facilities and the Bridge Facility are collectively referred to herein as the Facilities.

The debt commitments expire on October 31, 2007 (or such earlier date on which the merger agreement terminates). The documentation governing the Facilities has not been finalized and, accordingly, the actual terms thereof may differ from those described in this proxy statement.

Table of Contents

Conditions Precedent to the Debt Commitments

The availability of the Senior Facilities and the Bridge Facility is subject to, among other things, consummation of the merger in accordance with the merger agreement (and no provision thereof being waived or amended in a manner materially adverse to the lenders without the consent of the arrangers), each of Triad s and CHS existing credit agreements having been paid in full, Triad s 7% Senior Notes due 2012 and 7% Senior Subordinated Notes due 2013 and CHS 6/2% Senior Subordinated Notes due 2012 having been purchased pursuant to tender offers (or, to the extent not purchased, amended pursuant to a consent solicitation in which consents are received from holders of a majority in outstanding principal amount of each issue) or funds having been deposited for the discharge of such notes, CHS and its subsidiaries having only specified indebtedness (after giving effect to the merger and other contemplated transactions), the execution of definitive credit documentation, the receipt of certain audited and unaudited financial statements of Triad and CHS, certain pro forma financial information and certain offering documentation and the receipt of customary closing documents and deliverables. Except for certain representations relating to, among other things, the authorization, enforceability, priority and security of the Facilities, the only representations which are a condition to the availability of the Facilities at the consummation of the merger are such of the representations made by Triad in the merger agreement that are material to the interests of the lenders (including, without limitation, there not having been between December 31, 2005 and the date of the merger agreement, any event, state of facts, circumstance, development, effect, change or occurrence that, individually or in the aggregate, would reasonably be expected to have a material adverse effect on the Company (as defined in the merger agreement)), without giving effect to any material waiver of the terms of the merger agreement effected without the consent of the arrangers, but only to the extent that CHS has the right to terminate its obligations under the merger agreement as a result of a breach of such representations and other specific representations.

Senior Secured Credit Facilities

The Senior Facilities will be composed of:

- a seven-year senior secured term loan facility in an aggregate principal amount of up to $5,700,000,000 (the Closing Date Term Facility), the proceeds of which will be used to finance, in part, the merger, the refinancing of existing indebtedness and related costs;

- a seven-year senior secured delayed draw term loan facility in an aggregate principal amount of $500,000,000 (the Delayed Draw Term Facility and together with the Closing Date Term Facility, the Term Facility), the proceeds of which will be used by Borrower from time to time for working capital and general corporate purposes; and

- a six-year senior secured revolving credit facility in an aggregate principal amount of $750,000,000 (the Revolving Facility), the proceeds of which will be used by Borrower from time to time for working capital and general corporate purposes.

The Revolving Facility will include sublimits for the issuance of letters of credit and swingline loans. No alternative financing arrangements or alternative financing plans have been made in the event that the senior secured credit facilities are not available as anticipated.

Securities Offering or Bridge Facility

The Borrower will either (i) issue not less than $3,365,000,000 in aggregate principal amount of its senior unsecured notes in a public offering or in a Rule 144A or other private placement or (ii) if the Borrower is unable

Table of Contents

to issue the senior unsecured notes on or prior to the merger closing date, borrow up to $3,365,000,000 in aggregate principal amount of senior unsecured increasing rate loans under the Bridge Facility. The bridge loans, if any, will be reduced by the amount of notes issued by the Borrower on or prior to the merger closing date.

Interests of the Company s Directors and Executive Officers in the Merger

In considering the recommendations of the board of directors, Triad s stockholders should be aware that certain of Triad s directors and executive officers have interests in the transaction that are different from, and/or in addition to, the interests of Triad s stockholders generally. The special committee and our board of directors were aware of these potential conflicts of interest and considered them, among other matters, in reaching their decisions to approve the merger agreement and to recommend that our stockholders vote in favor of adopting the merger agreement.

Treatment of Stock Options

As of March 19, 2007, there were approximately 3,025,539 shares of Common Stock issuable pursuant to stock options granted under our equity incentive plans to our current executive officers and directors. Except as otherwise agreed to by the holder and CHS, each outstanding option held by an executive officer or director as of the effective time of the merger will become fully vested (to the extent not already vested) and will be cancelled and converted into the right to receive a cash payment equal to the number of shares of Common Stock underlying the option multiplied by the amount (if any) by which $54.00 exceeds the option exercise price, without interest and less any applicable withholding taxes.

The following table identifies, for each person who has been a director or executive officer of the Company at any time since January 1, 2006, the aggregate number of shares of Common Stock subject to outstanding vested and unvested options as of March 19, 2007, the aggregate number of shares of Common Stock subject to outstanding unvested options that will become fully vested in connection with the merger, the weighted average exercise price and the value of such unvested options, and the weighted average exercise price and value of vested and unvested options. The information assumes that all such options remain outstanding on the closing date of the merger.

Name	Aggregate Number of Shares Subject to Vested and Unvested Options	Aggregate Number of Shares Subject to Unvested Options	Weighted Average Exercise Price of Unvested Options	Value of Unvested Options (1)	Weighted Average Exercise Price of Vested and Unvested Options	Value of Vested and Unvested Options (2)
Directors						
Nancy-Ann DeParle	43,000	5,875	$ 31.08	$ 134,646	$ 29.37	$ 1,059,205
Barbara A. Durand, R.N., Ed.D.	46,000	5,875	$ 31.08	$ 134,646	$ 28.48	$ 1,173,978
Thomas F. Frist III (3)				$	$	$
Donald B. Halverstadt, M.D.	41,000	5,875	$ 31.08	$ 134,646	$ 29.58	$ 1,001,165
William J. Hibbitt	20,000	20,000	$ 41.12	$ 257,600	$ 41.12	$ 257,600
Michael K. Jhin	20,000	10,000	$ 34.19	$ 198,100	$ 34.19	$ 396,200
Dale V. Kesler	53,000	5,875	$ 31.08	$ 134,646	$ 26.39	$ 1,463,540
Thomas G. Loeffler, Esq.	25,625	5,875	$ 31.08	$ 134,646	$ 32.38	$ 553,989
Harriet R. Michel	20,000	10,000	$ 34.19	$ 198,100	$ 34.19	$ 396,200
Michael J. Parsons	379,755	60,000	$ 39.60	$ 864,150	$ 32.79	$ 8,055,752
Uwe E. Reinhardt, Ph.D.	67,000	5,875	$ 31.08	$ 134,646	$ 23.28	$ 2,058,540
Gale E. Sayers	23,750	5,875	$ 31.08	$ 134,646	$ 30.42	$ 560,045
James D. Shelton	876,909	75,000	$ 35.52	$ 1,386,000	$ 31.05	$ 20,123,449

Table of Contents

Name	Aggregate Number of Shares Subject to Vested and Unvested Options	Aggregate Number of Shares Subject to Unvested Options	Weighted Average Exercise Price of Unvested Options	Value of Unvested Options (1)	Weighted Average Exercise Price of Vested and Unvested Options	Value of Vested and Unvested Options (2)
Executive Officers (who are not directors)						
William L. Anderson	88,000	23,000	$ 40.08	$ 320,190	$ 35.78	$ 1,603,520
James R. Bedenbaugh	60,500	15,000	$ 40.18	$ 207,300	$ 35.28	$ 1,132,668
Thomas H. Frazier, Jr.	148,000	23,000	$ 40.08	$ 320,190	$ 33.80	$ 2,989,770
Christopher A. Holden	135,000	23,000	$ 40.08	$ 320,190	$ 33.63	$ 3,219,020
Rebecca Hurley	52,000	16,500	$ 39.62	$ 237,330	$ 36.45	$ 912,795
William R. Huston	131,000	27,500	$ 39.97	$ 385,875	$ 35.19	$ 2,464,310
W. Stephen Love	111,000	27,500	$ 39.97	$ 385,875	$ 35.54	$ 2,048,810
Nicholas J. Marzocco	118,000	23,000	$ 40.08	$ 320,190	$ 34.86	$ 2,259,020
G. Wayne McAlister	158,000	23,000	$ 40.08	$ 320,190	$ 33.63	$ 3,219,020
Daniel J. Moen	295,000	55,000	$ 39.97	$ 771,750	$ 34.02	$ 5,895,400
Marsha D. Powers	90,000	23,000	$ 40.08	$ 320,190	$ 36.01	$ 1,619,040

(1) Illustrates the economic value of all unvested options that will become fully vested and cashed out in connection with the merger. Calculated for each individual by multiplying the number of shares underlying unvested options by the difference, if any, between $54.00 (the per share amount of merger consideration) and the weighted average exercise price of the unvested options.

(2) Illustrates the economic value of all options (whether vested or unvested) to be cancelled and cashed out in connection with the merger. Calculated for each individual by multiplying the aggregate number of shares subject to options by the difference between $54.00 (the per share amount of merger consideration) and the weighted average exercise price of all such options.

(3) Mr. Frist resigned from our board of directors effective as of October 31, 2006.

Treatment of Restricted Stock and Deferred Stock Units

As of March 19, 2007, there were approximately 467,525 shares of restricted stock and 24,883 deferred stock units granted under our equity incentive plans and stock purchase plans to our current executive officers and directors. Except as otherwise agreed to by the holder and CHS, each outstanding share of restricted stock and each outstanding deferred stock unit held by an executive officer or director as of the effective time of the merger will become fully vested, if applicable, and will be cancelled and converted into the right to receive $54.00 in cash (together with the value of any deemed dividend equivalents accrued but unpaid in the case of a restricted share unit), without interest and less any applicable withholding taxes.

Table of Contents

The following table identifies, for each person who has been a director or executive officer of the Company at any time since January 1, 2006, the aggregate number of shares of restricted stock and deferred stock units as of March 19, 2007 and the value of such restricted stock and deferred stock units that will become fully vested, if applicable, in connection with the merger. The information assumes that all such shares of restricted stock and deferred stock units remain outstanding on the closing date of the merger.

Name	Aggregate Shares of Restricted Stock	Aggregate Shares Subject to Deferred Stock Units	Value of Shares of Restricted Stock and Deferred Stock Units (1)
Directors			
Nancy-Ann DeParle	2,700	1,666	$ 235,764
Barbara A. Durand, R.N., Ed.D.	2,700	4,095	$ 366,930
Thomas F. Frist III (2)		6,079	$ 328,266
Donald B. Halverstadt, M.D.	2,700		$ 145,800
William J. Hibbitt	2,700	1,459	$ 224,586
Michael K. Jhin	2,700	4,034	$ 363,636
Dale V. Kesler	2,700	3,039	$ 309,906
Thomas G. Loeffler, Esq.	2,700	588	$ 177,552
Harriet R. Michel	2,700	2,747	$ 294,138
Michael J. Parsons	40,000		$ 2,160,000
Uwe E. Reinhardt, Ph.D.	2,700	588	$ 177,552
Gale E. Sayers	2,700	588	$ 177,552
James D. Shelton	137,500		$ 7,425,000
Executive Officers (who are not directors)			
William L. Anderson	19,950		$ 1,077,300
James R. Bedenbaugh	16,000		$ 864,000
Thomas H. Frazier, Jr.	21,500		$ 1,161,000
Christopher A. Holden	22,476		$ 1,213,704
Rebecca Hurley	21,690		$ 1,171,260
William R. Huston	23,000		$ 1,242,000
W. Stephen Love	26,093		$ 1,409,022
Nicholas J. Marzocco	19,500		$ 1,053,000
G. Wayne McAlister	21,361		$ 1,153,494
Daniel J. Moen	51,955		$ 2,805,570
Marsha D. Powers	19,500		$ 1,053,000

(1) Illustrates the economic value of all shares of restricted stock and deferred stock units that will become fully vested, if applicable, and cashed out in connection with the merger by multiplying (for each individual) the aggregate number of shares of restricted stock and deferred stock units by $54.00 (the per share amount of merger consideration).

(2) Mr. Frist resigned from our board of directors effective as of October 31, 2006.

Management Stock Purchase Plan

At the effective time of the merger, all salary amounts withheld on behalf of the participants in the Triad Hospitals, Inc. Amended and Restated Management Stock Purchase Plan through the closing date of the merger will be deemed to have been used to purchase shares of Common Stock under the terms of the plan, using the closing date of the merger as the last date of the applicable salary reduction period under the plan. Each such share will be deemed to be cancelled and converted into the right to receive $54.00 per share, such that each participant will receive (i) a refund by Triad of all reductions made during the applicable salary reduction periods, if any, and (ii) cash equal to the excess (if any) of (A) the number of shares deemed purchased multiplied by $54.00 over (B) the aggregate purchase price deemed to have been paid in the deemed purchase.

Table of Contents

The following table identifies, for each of our executive officers that participates in the Triad Hospitals, Inc. Amended and Restated Management Stock Purchase Plan, an estimate of the net payment to be received with respect to salary amounts withheld for such person through the closing date of the merger under the plan. The total amount of purchase assumes payroll deductions from January 1, 2007 through June 30, 2007. The assumed purchase price of $35.98 was determined using the average of the stock price at the beginning of the withholding period of $41.94 and the $54.00 per share merger consideration, at a 25% discount (the discount provided for in the plan). The number of assumed shares purchased was determined by dividing the total payroll deductions by the assumed purchase price.

Name of Executive Officer	Estimated Net Stock Purchase Payment
Daniel J. Moen	$ 31,160

Change in Control Severance Agreements

Each of our current executive officers (other than Mr. Shelton) is party to a change in control severance agreement (CIC Agreement) with Triad. The CIC Agreements provide certain compensation and benefits in the event a covered executive officer s employment is terminated during the one-year period following a change in control (which term includes the merger) either (i) by Triad other than as a result of the executive officer s death or disability or (ii) by the executive officer upon the occurrence of certain events including, among other things, (A) a failure to elect, reelect or maintain the executive officer in the office(s) held prior to the merger, (B) a material adverse change in the authorities, powers, functions, responsibilities or duties of the executive officer, (C) a reduction in the executive officer s base or incentive pay, (D) certain changes in the executive officer s principal location of work, or (E) a change in business circumstances which materially hinders the executive officer s performance of, or materially reduces, his responsibilities or duties.

Compensation and benefits payable under the CIC Agreements include a lump sum payment equal to the sum of (i) unpaid base pay, (ii) accrued but unused vacation and sick pay and any unreimbursed business expenses, (iii) other compensation or benefits payable in accordance with the terms of Triad s existing plans and programs, (iv) a pro rata portion of the target incentive bonus applicable to the year of termination, and (v) three times the sum of base salary and the higher of (A) the highest incentive bonus earned during any of the three fiscal years prior to the fiscal year in which the change in control occurs and (B) the target incentive bonus for the fiscal year in which the change in control occurs. In addition, such executive officers will be entitled to the continuation of medical benefits for a three-year period following the date of termination and reimbursement of up to $25,000 for outplacement counseling and related benefits.

Covered executive officers will also be entitled to receive certain gross up payments to offset any excise tax, interest or penalties imposed pursuant to Section 4999 of the Internal Revenue Code of 1986, as amended (the Code), on any payment or distribution by the Company to or for the benefit of the executive officers, including under any stock option, restricted stock or other agreement, plan or program, by reason of such payment or distribution being made in connection with a change in ownership or control of the Company.

Table of Contents

The following table sets forth an estimate of the potential cash severance payment (including any applicable gross up payment) that could be payable to each of our executive officers pursuant to the CIC Agreements in the event such executive becomes entitled to payment following the merger. The table does not include the value of accrued vacation and sick pay, continued medical benefits or outplacement counseling and related benefits that could be received by the executive officers.

Name	Potential Estimated Cash Severance Benefits
William L. Anderson	$ 2,736,993
James R. Bedenbaugh	$ 2,591,183
Thomas H. Frazier, Jr.	$ 2,738,029
Christopher A. Holden	$ 1,699,275
Rebecca Hurley	$ 2,856,303
William R. Huston	$ 1,861,215
W. Stephen Love	$ 3,103,995
Nicholas J. Marzocco	$ 2,918,207
G. Wayne McAlister	$ 2,729,230
Daniel J. Moen	$ 4,675,109
Michael J. Parsons	$ 2,667,869
Marsha D. Powers	$ 3,058,992

James D. Shelton Employment Agreement

Mr. Shelton s employment agreement with the Company provides, in the event of termination of Mr. Shelton s employment (i) by the Company as a result of non renewal of the term of the agreement, (ii) by the Company on 30 days written notice, (iii) by Mr. Shelton at any time for good reason (defined to include (A) a material reduction in Mr. Shelton s duties, responsibilities, or effective authority, (B) a material decrease in Mr. Shelton s base salary or bonus potential, (C) the Company s failure to perform under the terms of the agreement, (D) non-assumption of the agreement by a successor entity, or (E) purported termination of Mr. Shelton s employment for cause other than in accordance with the terms of the agreement), (iv) by the Company for cause prior to a change in control (which term includes the merger) and Mr. Shelton reasonably demonstrates that such termination occurred at the request of a third party that has taken steps reasonably calculated to effect a change in control or otherwise arose in connection with the anticipation of a change in control or (v) by Mr. Shelton within 18 months after a change in control, Mr. Shelton will be entitled to:

A lump sum payment equal to, in the case of termination pursuant to clauses (i), (ii), (iii) and (iv) above, three times Mr. Shelton s Aggregate Compensation (as defined below) for the calendar year preceding the calendar year in which the date of termination occurs or, in the case of termination pursuant to clause (v) above, three times Mr. Shelton s Change in Control Aggregate Compensation (as defined below), and, in each case, any earned but unpaid base salary or incentive bonus, any accrued but unused vacation and sick pay, any unreimbursed business expenses and any deferred compensation provided by existing plans or arrangements, to the extent the latter is permitted by Section 409A of the Code;

Any other benefits provided by the Company s existing plans and programs; and

Continuation of medical benefits for three years following the date of termination.

Aggregate Compensation is defined in the employment agreement as base salary and target incentive bonus. Change in Control Aggregate Compensation is defined in the employment agreement as base salary (based on the highest rate in effect for any period prior to the date of termination) and the higher of (A) the highest incentive bonus earned during any of the three calendar years prior to the calendar year in which the change in control occurs and (b) the target incentive bonus for the calendar year in which the change in control occurs.

In addition, if Mr. Shelton is terminated other than (1) for cause or (2) due to Mr. Shelton giving a notice of termination upon expiration of the employment term, his vested equity-based compensation awards will be exercisable for two years following the date of termination, subject to applicable legal and regulatory requirements (including Section 409A of the Code or requirements of any stock exchange on which any of the Company s securities may be traded).

46

Table of Contents

Mr. Shelton also will be entitled to receive certain gross up payments to offset any excise tax, interest, or penalties imposed by Section 4999 of the Code on any payment or distribution by the Company to or for Mr. Shelton s benefit, including under any stock option, restricted stock or other agreement, plan or program, by reason of such payment or distribution being made in connection with a change in ownership or control of the Company.

Pursuant to the employment agreement, assuming Mr. Shelton terminates his employment immediately following the merger, he would be entitled to receive an estimated lump sum payment of $9,103,015, any other benefits described by the Company s existing plans and programs, accrued vacation and sick pay and continued medical benefits for three years.

Supplemental Executive Retirement Plan

The Triad Hospitals, Inc. Supplemental Executive Retirement Plan, as amended (the SERP), requires that a participant (i) has reached age 60, (ii) has had three years of service following the effective date of the SERP, and (iii) has had twelve years of service in order to be eligible to receive benefits thereunder. Upon a change in control (which term includes the merger), these requirements will be deemed to have been satisfied and benefits will be accelerated and paid immediately in a lump sum. The following table quantifies, for each executive officer, the benefit payable following the proposed merger:

Name	Value of SERP Benefit
William L. Anderson	$ 1,438,558
James R. Bedenbaugh	$ 1,202,120
Thomas H. Frazier, Jr.	$ 1,075,842
Christopher A. Holden	$ 882,515
Rebecca Hurley	$ 1,199,409
William R. Huston	$ 1,361,819
W. Stephen Love	$ 1,466,871
Nicholas J. Marzocco	$ 1,368,813
G. Wayne McAlister	$ 1,357,974
Daniel J. Moen	$ 2,093,262
Michael J. Parsons	$ 2,014,591
Marsha D. Powers	$ 1,502,050
James D. Shelton	$ 7,104,499

Indemnification and Insurance

CHS and the surviving corporation have agreed to jointly and severally indemnify, to the greatest extent permitted by law, each of our present and former officers, directors and employees against all expenses, losses and liabilities (and comply with all of the Company s and its subsidiaries existing obligations to advance funds for expenses) incurred in connection with any claim, action, suit, proceeding or investigation arising out of, relating to, or in connection with, any acts or omission in their capacity as an officer, director or employee occurring on or before the effective time of the merger and against all expenses, losses and liabilities in connection with such persons serving as an officer, director or other fiduciary in any entity if such service was at the request of or for the benefit of the Company and its subsidiaries.

The merger agreement requires that we purchase, and that following the effective time of the merger the surviving corporation maintain, a tail policy to the current policy of directors and officers liability insurance maintained on the date hereof by the Company (the current policy) containing the same coverage and in the same amount as the current policy and with a claims period of at least six years after the closing date with respect to claims arising from facts or events that existed or occurred prior to or at the effective time; provided, however, that in no event shall the surviving corporation be required to expend annually in excess of 300% of the annual premium currently paid by the Company (the insurance amount) under the current policy; provided, however, that if the premium of such insurance coverage exceeds the insurance amount, the Company shall be obligated to obtain, and the surviving corporation shall be obligated to maintain, a policy with the greatest coverage available for a cost not exceeding the insurance amount.

Table of Contents

Continued Benefits

To the extent that any of our executive officers remain employed by the surviving corporation, they will be entitled to receive compensation and benefits following the merger. Until December 31, 2008, the surviving corporation will maintain for those employees employed at the effective time who continue as employees of the surviving corporation, compensation and severance, pension and welfare benefits (other than equity-based compensation and benefits) that are not less favorable in the aggregate than those provided prior to the effective time. *See* The Merger Agreement Employee Benefits.

Material U.S. Federal Income Tax Consequences of the Merger to Our Stockholders

The following is a summary of the material U.S. federal income tax consequences of the merger to holders of Common Stock whose shares of Common Stock are converted into the right to receive cash in the merger. This summary does not purport to consider all aspects of U.S. federal income taxation that might be relevant to our stockholders. For purposes of this discussion, we use the term U.S. holder to mean a beneficial owner of shares of Common Stock that is, for U.S. federal income tax purposes:

- a citizen or resident of the United States;
- a corporation (including any entity or arrangement treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States or any of its political subdivisions;
- a trust that (i) is subject to the supervision of a court within the United States and the control of one or more U.S. persons or (ii) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person; or
- an estate that is subject to U.S. federal income tax on its income regardless of its source.

A non-U.S. holder is a person other than a partnership (including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) that is not a U.S. holder.

If a partnership (including any entity or arrangement treated as partnership for U.S. federal income tax purposes) holds Common Stock, the tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. A partner of a partnership holding Common Stock should consult its tax advisor.

This discussion is based on current law, which is subject to change, possibly with retroactive effect. It applies only to beneficial owners that hold shares of Common Stock as capital assets, and may not apply to beneficial owners that hold shares of Common Stock received in connection with the exercise of employee stock options or otherwise as compensation, beneficial owners that hold an equity interest, directly or indirectly, in CHS or the surviving corporation after the merger, or certain types of beneficial owners that may be subject to special rules (such as insurance companies, banks, tax-exempt organizations, financial institutions, broker-dealers, partnerships, S corporations or other pass-through entities, mutual funds, traders in securities who elect the mark-to-market method of accounting, stockholders subject to the alternative minimum tax, stockholders that have a functional currency other than the U.S. dollar, or stockholders that hold Common Stock as part of a hedge, straddle or a constructive sale or conversion transaction). This discussion does not address the receipt of cash in connection with the cancellation of shares of restricted stock, deferred stock units or options to purchase shares of Common Stock, or any other matters relating to equity compensation or benefit plans. This discussion also does not address any aspect of state, local or foreign tax laws.

U.S. Holders

The exchange of shares of Common Stock for cash in the merger will be a taxable transaction to U.S. holders for U.S. federal income tax purposes. In general, a U.S. holder whose shares of Common Stock are converted into the right to receive cash in the merger will recognize capital gain or loss for U.S. federal income

48

Table of Contents

tax purposes equal to the difference, if any, between the amount of cash received with respect to such shares (determined before the deduction of any applicable withholding taxes) and the stockholder s adjusted tax basis in such shares. Gain or loss will be determined separately for each block of shares (i.e., shares acquired at the same cost in a single transaction). Such gain or loss will be long-term capital gain or loss if a stockholder s holding period for such shares is more than one year at the time of the consummation of the merger. Long-term capital gains of U.S. holders who are individuals are eligible for reduced rates of taxation. There are limitations on the deductibility of capital losses.

Backup withholding of tax may apply to cash payments received by a non-corporate U.S. holder in the merger, unless the holder or other payee provides a taxpayer identification number (social security number, in the case of individuals, or employer identification number, in the case of other holders), certifies that such number is correct, and otherwise complies with the backup withholding rules. Each U.S. holder should complete and sign the Substitute Form W-9 included as part of the letter of transmittal and return it to the paying agent, in order to provide the information and certification necessary to avoid backup withholding.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowable as a refund or a credit against a U.S. holder s federal income tax liability if the required information is timely furnished to the Internal Revenue Service.

Cash received by U.S. holders in the merger will also be subject to information reporting unless an exemption applies.

Non-U.S. Holders

Any gain realized on the receipt of cash in the merger by a non-U.S. holder generally will not be subject to U.S. federal income tax unless:

- the gain is effectively connected with a trade or business of the non-U.S. holder in the United States (and, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment of the non-U.S. holder);
- the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met; or
- at any time during the five-year period ending on the date of the merger (i) we are or have been a United States real property holding corporation for U.S. federal income tax purposes and (ii) the non-U.S. holder owned, directly, indirectly, or by attribution, more than 5% of our Common Stock, and certain other conditions are met.

An individual non-U.S. holder described in the first bullet point immediately above will be subject to tax on the net gain derived from the merger under regular graduated U.S. federal income tax rates. If a non-U.S. holder that is a foreign corporation falls under the first bullet point immediately above, it generally will be subject to tax on its net gain in the same manner as if it were a U.S. person as defined under the Code and, in addition, may be subject to the branch profits tax equal to 30% of its effectively connected earnings and profits or such lower rate as may be specified by an applicable income tax treaty. An individual non-U.S. holder described in the second bullet point immediately above will be subject to a flat 30% tax on the gain derived from the merger, which may be offset by U.S. source capital losses, even though the individual is not considered a resident of the United States.

We believe that we are not and will not have been during the 5-year period ending on the date of the merger a United States real property holding corporation for U.S. federal income tax purposes.

Backup withholding of tax may apply to cash payments received by a non-corporate non-U.S. holder in the merger, unless the holder or other payee certifies under penalty of perjury that it is a non-U.S. holder in the manner described in the letter of transmittal or otherwise establishes an exemption in a manner satisfactory to the paying agent.

Table of Contents

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowable as a refund or credit against a non-U.S. holder s U.S. federal income tax liability, if any, if the required information is timely furnished to the Internal Revenue Service.

Cash received by non-U.S. holders in the merger will also be subject to information reporting, unless an exemption applies.

The U.S. federal income tax consequences set forth above are not intended to constitute a complete description of all tax consequences relating to the merger. Because individual circumstances may differ, each stockholder should consult the stockholder s tax advisor regarding the applicability of the rules discussed above to the stockholder and the particular tax effects to the stockholder of the merger in light of such stockholder s particular circumstances, the application of state, local and foreign tax laws, and, if applicable, the tax consequences of the receipt of cash in connection with the cancellation of restricted shares, deferred stock units or options to purchase shares of Common Stock, and the other transactions described in this proxy statement relating to our other equity compensation and benefit plans.

Litigation Related to the Prior Merger Agreement

Between February 5, 2007 and March 2, 2007, five purported class actions were filed by stockholders of the Company in the District Courts of Collin County, Texas, following the announcement of the proposed merger between the Company and Panthera Partners, LLC, Panthera Holdco Corp. and Panthera Acquisition Corporation. The petitions in all five actions contain similar allegations and name the Company and members of the Company s board of directors, among others, as defendants. All of the complaints seek to enjoin the proposed merger with Panthera (which has since been terminated and replaced with the proposed merger with CHS). The petitions allege that the process employed by the board of directors of the Company was flawed and that in agreeing to enter into the proposed merger with Panthera, the Company and its board of directors breached their fiduciary duties to shareholders. On March 26, 2007, an order was entered consolidating all five actions in the 296th District Court of Collin County, Texas. Under the terms of the order, the plaintiffs have 30 days to file an amended consolidated pleading. The Company believes that the claims asserted in the consolidated actions are without merit and intends to defend against them vigorously.

Table of Contents

THE MERGER AGREEMENT

(PROPOSAL NO. 1)

This section of the proxy statement describes the material provisions of the merger agreement but does not purport to describe all of the terms of the merger agreement. The following summary is qualified in its entirety by reference to the complete text of the merger agreement, which is attached as Annex A to this proxy statement and incorporated into this proxy statement by reference. We urge you to read the full text of the merger agreement because it is the legal document that governs the merger. This section is not intended to provide you with any other factual information about us. Such information can be found elsewhere in this proxy statement and in the public filings we make with the SEC, as described in the section entitled Where You Can Find More Information below.

The Merger

The merger agreement provides for the merger of Merger Sub, a newly-formed, wholly owned subsidiary of CHS, with and into Triad upon the terms, and subject to the conditions, of the merger agreement. The merger will be effective at the time the certificate of merger is filed with the Secretary of State of the State of Delaware (or at a later time, if agreed upon by the parties and specified in the certificate of merger). We expect to complete the merger as promptly as practicable after our stockholders adopt the merger agreement and, if necessary, the expiration of the marketing period described below. See Marketing Period.

Triad will be the surviving corporation in the merger and will change its name to Triad Healthcare Corporation. Upon consummation of the merger, the directors and officers of Merger Sub will be the directors and officers, respectively, of the surviving corporation until their successors are duly elected and qualified or until the earlier of their resignation or removal.

Consideration to be Received in the Merger

At the time of the merger, each share of Common Stock issued and outstanding immediately before the merger will automatically be cancelled and will cease to exist and will be converted into the right to receive $54.00 in cash, without interest and less any required withholding tax, other than:

- shares held by the Company (or any subsidiary of the Company) in treasury or owned directly or indirectly by CHS or Merger Sub (including shares acquired by CHS or Merger Sub or any other subsidiary of CHS immediately prior to the effective time of the merger) which will be cancelled; and

- shares held by holders who have properly demanded and perfected their appraisal rights.

After the merger is effective, each holder of a certificate representing any shares of Common Stock (other than shares for which appraisal rights have been properly demanded and perfected) will no longer have any rights with respect to the shares, except for the right to receive the merger consideration. If any of our stockholders exercise and perfect dissenters rights with respect to any of our shares, then we will treat those shares as described under Dissenters Rights of Appraisal.

Treatment of Options and Other Awards

Upon the consummation of the merger, except as otherwise agreed by the holder and CHS, each outstanding option to acquire Common Stock under Triad s equity incentive plans will become fully vested (to the extent not already vested) and will be cancelled and converted into the right to receive a cash payment equal to the number of shares of Common Stock underlying the option multiplied by the amount (if any) by which $54.00 exceeds the option exercise price, without interest and less any applicable withholding taxes. Additionally, except as otherwise agreed by the holder and CHS, each outstanding share of restricted stock and each outstanding deferred

Table of Contents

stock unit will, upon the consummation of the merger, become fully vested, if applicable, and be cancelled and converted into the right to receive $54.00 in cash (together with the value of any deemed dividend equivalents accrued but unpaid in the case of a deferred stock unit), without interest and less any applicable withholding taxes.

The effect of the merger upon our stock purchase and certain other employee benefit plans is described below under Employee Benefits.

Payment for the Shares; Lost Certificates

Before the merger, we will designate a paying agent reasonably satisfactory to CHS to make payment of the merger consideration as described above. Immediately after the effective time of the merger, CHS and/or the surviving corporation will deposit, or CHS shall cause the surviving corporation to deposit, in trust with the paying agent the funds appropriate to pay the merger consideration to the stockholders.

Upon the consummation of the merger and the settlement of transfers that occurred prior to the effective time, we will close our stock ledger. After that time, there will be no further transfer of shares of Common Stock.

As promptly as practicable after the consummation of the merger, the surviving corporation will send, or cause the paying agent to send, you a letter of transmittal and instructions advising you how to surrender your certificates in exchange for the merger consideration. The paying agent will pay you your merger consideration after you have (1) surrendered your certificates to the paying agent and (2) provided to the paying agent your signed letter of transmittal and any other items specified by the letter of transmittal. Interest will not be paid or accrue in respect of the merger consideration. The surviving corporation will reduce the amount of any merger consideration paid to you by any applicable withholding taxes. YOU SHOULD NOT FORWARD YOUR STOCK CERTIFICATES TO THE PAYING AGENT WITHOUT A LETTER OF TRANSMITTAL, AND YOU SHOULD NOT RETURN YOUR STOCK CERTIFICATES WITH THE ENCLOSED PROXY.

If any cash deposited with the paying agent is not claimed within twelve (12) months following the effective time of the merger, such cash will be returned to the surviving corporation upon demand subject to any applicable unclaimed property laws. Any unclaimed amounts remaining immediately prior to when such amounts would escheat to or become property of any governmental authority will be returned to the surviving corporation free and clear of any prior claims or interest thereto.

If the paying agent is to pay some or all of your merger consideration to a person other than you, as the registered owner of a stock certificate, you must have your certificates properly endorsed or otherwise in proper form for transfer, and you must pay any transfer or other taxes payable by reason of the transfer or establish to the paying agent s reasonable satisfaction that the taxes have been paid or are not required to be paid.

The transmittal instructions will tell you what to do if you have lost your certificate, or if it has been stolen or destroyed. You will have to provide an affidavit to that effect and, if required by the paying agent or surviving corporation, post a bond in an amount that the surviving corporation or the paying agent reasonably directs as indemnity against any claim that may be made against it in respect of the certificate.

Representations and Warranties

The merger agreement contains representations and warranties made by us to CHS and Merger Sub and representations and warranties made by CHS and Merger Sub to us as of specific dates. The assertions embodied in those representations and warranties were made solely for purposes of the merger agreement and may be subject to important qualifications and limitations agreed by the parties in connection with negotiating its terms. Moreover, some of those representations and warranties may not be accurate or complete as of any particular date because they are subject to a contractual standard of materiality or material adverse effect different from that

Table of Contents

generally applicable to public disclosures to stockholders or may have been used for the purpose of allocating risk between the parties to the merger agreement rather than establishing matters of fact. For the foregoing reasons, you should not rely on the representations and warranties contained in the merger agreement as statements of factual information.

In the merger agreement, Triad, CHS and Merger Sub each made representations and warranties relating to, among other things:

- corporate organization and existence;
- corporate power and authority to enter into and perform its obligations under, and enforceability of, the merger agreement;
- required regulatory filings and consents and approvals of governmental entities required as a result of the parties execution and performance of the merger agreement;
- the absence of conflicts with or defaults under organizational documents, other contracts and applicable laws and judgments;
- litigation;
- finder s fees; and
- information supplied for inclusion in this proxy statement.

In the merger agreement, CHS and Merger Sub also each made representations and warranties relating to the availability of the funds necessary to perform its obligations under the merger agreement, debt financing commitment conditions, solvency and operations of Merger Sub.

Triad also made representations and warranties relating to, among other things:

- capital structure;
- reports and other documents filed with the SEC, compliance of such reports and documents with applicable requirements of federal securities laws and regulations, and the accuracy and completeness of such reports and documents;
- absence of undisclosed liabilities;
- absence of certain changes or events since December 31, 2005;
- material contracts;
- tax matters;

compliance with the Employee Retirement Income Security Act of 1974, as amended, and other employee benefit matters;

real property;

compliance with applicable laws;

receipt of a fairness opinion from Lehman Brothers;

transactions with affiliates;

the inapplicability of state takeover statutes and Triad s rights plan to the merger; and

the termination of the prior merger agreement.

Many of Triad s representations and warranties are qualified by a material adverse effect standard. For purposes of the merger agreement, material adverse effect for Triad is defined to mean any event, state of facts,

Table of Contents

circumstance, development, change, effect or occurrence that is materially adverse to (x) the ability of the Company to timely perform its obligations under the merger agreement, or (y) the business, financial condition or results of operations of the Company and its subsidiaries, taken as a whole. However, a material adverse effect will not have occurred as a result of

- changes in general economic or political conditions or the securities, credit or financial markets in general,
- general changes or developments in the industries in which we operate, including general changes in law or regulation across such industries,
- the announcement of the merger agreement or the pendency of the transactions contemplated thereby, including disputes or any fees or expenses or any labor union activities or disputes, or the identity of CHS or any of its affiliates as the acquiror of the Company,
- compliance with the terms of, or the taking of any action required by, the merger agreement or consented to by CHS,
- any acts of terrorism or war or any natural disaster or weather-related event (other than any of the foregoing that causes any damage or destruction to or renders unusable any of our material facilities),
- changes in generally accepted accounting principles or the interpretation thereof,
- changes in the price or trading volume of the Common Stock (provided that the underlying causes of such price or volume changes will nonetheless be considered in determining whether there is a material adverse effect on Triad),
- any legal proceedings made or brought by any of the current or former stockholders of the Company (on their own behalf or on behalf of the Company) arising out of or related to the merger agreement or the merger, or
- any failure to meet internal or published projections, forecasts or revenue or earnings predictions for any period (provided that the underlying causes of such failure will nonetheless be considered in determining whether there is a material adverse effect on Triad except as otherwise excluded from the definition of material adverse effect pursuant to the merger agreement),

except, in the case of the first two bullet points above, to the extent such changes or developments referred to therein would reasonably be expected to have a materially disproportionate impact on the Company and its subsidiaries, taken as a whole, relative to other for profit participants in the industries and in the geographic markets in which the Company conducts its businesses after taking into account the size of the Company relative to such other for profit participants.

Conduct of Business Pending the Merger

We have agreed in the merger agreement that, until the consummation of the merger, except as set forth in the Company disclosure letter or as otherwise contemplated by or provided in the merger agreement or as consented to in writing by CHS and Merger Sub (which consent shall not be unreasonably withheld), we will use our reasonable best efforts to, and to cause each of our subsidiaries to:

- conduct our business in the ordinary course consistent, in all material respects, with past practice;

preserve substantially intact our business organization and capital structure;

maintain in effect all material permits that are required to carry on our business, keep available the services of our present officers and key employees; and

maintain our relationships with providers, suppliers and others with which we have significant business relationships.

Table of Contents

We have also agreed that, until the consummation of the merger, except as expressly contemplated or permitted by the merger agreement or consented to in writing by CHS and Merger Sub (which consent will not be unreasonably withheld), we will not, and will not permit any of our subsidiaries to, among other things:

adopt any change in our organizational or governing documents;

merge or consolidate with any person (other than the merger and other than transactions in the ordinary course solely among us and/or our subsidiaries);

sell, lease or otherwise dispose of a material amount of assets or securities other than such transactions (i) solely among us and/or our wholly owned domestic subsidiaries that would not result in a material increase in our tax liability; or (ii) not individually in excess of $25 million;

make any material acquisition or any material property transfers or purchases of any property or assets, in each case other than transactions (i) solely among us and/or our subsidiaries, or (ii) not in excess of $25 million in the aggregate;

other than in connection with drawdowns or repayments with respect to existing credit facilities and guarantees of leases in the ordinary course of business consistent, in all material respects, with past practice, redeem, incur or otherwise acquire or modify in any material respect the terms of any indebtedness or assume or guarantee the obligations of any person, other than the incurrence, assumption or guarantee of indebtedness (i) between us and any of our subsidiaries, or (ii) not in excess of $25 million in the aggregate;

issue any debt securities or place other credit facilities that would reasonably be expected to compete with or impede CHS debt financing or cause the breach of the debt financing commitments or cause any condition in the debt financing commitments not to be satisfied;

make any material loans, advances, capital contributions or investments in excess of $25 million in the aggregate, except for transactions (i) solely among us and/or our subsidiaries, or (ii) as required by our existing contracts;

authorize or make any capital expenditures in excess of $10 million in the aggregate, other than expenditures provided for in our budget for any portion of fiscal year 2007 prior to the closing date of the merger;

pledge or otherwise encumber shares of our or our subsidiaries capital stock or other voting securities;

enter into or amend any contract with any of our or our subsidiaries executive officers, directors or any person beneficially owning 1% or more of our capital stock or the voting power of such capital stock, other than in the ordinary course of business consistent in all material respects with past practice, unless such amendment or contract would be required to be disclosed by us as a related party transaction under SEC rules;

mortgage or pledge any of our material assets or create, assume or suffer to exist any lien thereon, other than certain permitted liens;

enter into, renew, extend, amend or terminate any material contract, other than in the ordinary course of business consistent, in all material respects, with past practice;

split, combine, reclassify or amend the terms of any of our securities; declare or pay any dividend or other distribution in respect of our securities other than a dividend or distribution by a subsidiary in the ordinary course of business; issue any of our securities, or redeem, repurchase or otherwise acquire any of our securities, other than in connection with (i) the exercise of options, (ii) the withholding of our securities to satisfy tax obligations on options or restricted shares, (iii) the acquisition by us of our securities in connection with the net exercise of options and (iv) acquisitions by or issuances to our benefit plans in the ordinary course of business consistent in all material respects with past practice;

except as required pursuant to existing written agreements or benefit plans or as required by applicable law, (i) adopt, amend in any material respect or terminate any benefit plan, (ii) accelerate the vesting or

Table of Contents

payment, or fund or in any other way secure payment under any benefit plan, (iii) except in connection with promotions or new hires made in the ordinary course of business consistent with past practice, increase the compensation (cash or otherwise), perquisites or welfare or pension benefits of employees, (iv) change any actuarial or other assumption used to calculate funding obligations for any benefit plan or change the way contributions to any benefit plan are made or determined or (v) take any action with respect to salary, compensation, benefits or other terms and conditions of employment that would reasonably be expected to result in the holder of a change of control or similar agreement having good reason to terminate employment and collect severance payments and benefits pursuant to such agreement;

except with respect to tax matters, settle any litigation or release any claim or arbitration (including those relating to the merger agreement or the transactions contemplated thereby), other than settlements or compromises that do not exceed an agreed upon amount in the aggregate, do not involve equitable relief against us or do not impose any material restrictions on our business or operations;

renew or enter into any non-compete, exclusivity, non-solicitation, standstill or similar agreement that would restrict or limit, in any material respect, our operations, other than those entered into in the ordinary course of business consistent, in all material respects, with past practice; provided that no such agreement binds any affiliates of CHS or Merger Sub;

other than in the ordinary course of business consistent with past practice or except to the extent required by law or contemplated by our tax sharing agreement with HCA Inc., make or change any material tax election, settle or compromise any material tax liability for an amount in excess of the reserve for such tax liability that is reflected in our December 31, 2006 financial statements, agree to an extension of the statute of limitations with respect to the assessment or determination of our material taxes, file any amended tax return with respect to any material tax, enter into any closing agreement with respect to any material tax or surrender any right to claim a material tax refund;

make any change in financial accounting methods or method of tax accounting, principles or practices materially affecting our reported consolidated assets, liabilities or results of operations, except as may be required by a change in U.S. generally accepted accounting principles or law;

adopt a plan of liquidation, dissolution, restructuring, recapitalization or other reorganization of us or any of our subsidiaries, or enter into an agreement in principle to do so;

take any action or fail to take any action that is intended to, or would reasonably be expected to, individually or in the aggregate, prevent, materially delay or materially impede our ability to consummate the merger or the other transactions contemplated by the merger agreement; or

authorize, agree or commit to do any of the foregoing.

Efforts to Complete the Merger

Subject to the terms and conditions set forth in the merger agreement, we, CHS and Merger Sub have each agreed to use reasonable best efforts to take, or cause to be taken, all actions necessary or advisable to consummate any transactions contemplated by the merger agreement, including preparing and filing as promptly as practicable all documentation to effect all necessary filings, consents, waivers, approvals, permits or orders from all governmental authorities or other persons, including preparing and filing any required submissions under the HSR Act. CHS has agreed to take all steps to avoid or eliminate impediments under any antitrust, competition or trade regulation law asserted by any governmental authority with respect to the merger to enable the merger to be consummated prior to the end date (as defined below), including by divesting, or limiting its freedom of action with respect to, assets or businesses of CHS or the surviving corporation in the merger in order to avoid any injunction or other order preventing or delaying the merger beyond the end date. At CHS s request, Triad will divest, or limit its freedom of action with respect to, any of its businesses, services or assets, conditioned on consummation of the merger.

56

Table of Contents

Existing Indebtedness

Triad has agreed to take certain actions with respect to its outstanding 7% Senior Notes due 2012 and 7% Senior Subordinated Notes due 2013 if requested by CHS, including effecting a tender offer and consent solicitation, or facilitating the redemption or discharge of such notes. Triad s obligation to consummate these actions is subject to the closing of the merger. If the merger agreement is terminated, CHS will reimburse Triad for its expenses and indemnify Triad against losses incurred in connection with these actions.

CHS has agreed to concurrently take similar actions with respect to its outstanding 6 1/2% Senior Subordinated Notes due 2012, including effecting a tender offer and consent solicitation, or take such other actions as are necessary to redeem or discharge such notes. CHS has also agreed to repay in full and terminate its existing credit agreement on or prior to the consummation of the merger.

Marketing Period; Efforts to Obtain Financing

Unless otherwise agreed by the parties to the merger agreement, the parties are required to close the merger on the third business day after the satisfaction or waiver of the conditions described under Conditions to the Merger below, unless the marketing period has not ended at such time, in which case the parties are obligated to close the merger on the date following the satisfaction or waiver of such closing conditions that is the earliest to occur of (i) a date during the marketing period specified by Merger Sub, (ii) the final day of the marketing period and (iii) the end date as described in Termination of the Merger Agreement.

Triad (following the recommendation of the special committee if it still exists) can terminate the merger agreement if all of the mutual closing conditions and the conditions to the obligations of CHS and Merger Sub to consummate the merger are satisfied and CHS fails to consummate the merger no later than five calendar days after the final day of the marketing period.

For purposes of the merger agreement, marketing period means the first period of 20 consecutive business days following the execution of the merger agreement throughout which:

- CHS has certain financial information required to be provided by the Company under the merger agreement in connection with CHS financing of the merger; and
- both the mutual closing conditions and the conditions to the obligations of CHS and Merger Sub (other than delivery of an officer s certificate by the Company) to complete the merger are satisfied and we have delivered notice to CHS that we believe that we have obtained all consents, waivers and approvals needed to satisfy the applicable closing condition of CHS and Merger Sub.

If the marketing period would not end on or prior to August 17, 2007, the marketing period will commence no earlier than September 4, 2007. In addition, the marketing period will not be deemed to have commenced if, prior to the completion of the marketing period, Ernst & Young LLP shall have withdrawn its audit opinion with respect to any financial statements contained in our reports filed with the SEC. Notwithstanding the foregoing, if any required financial statements available to CHS on the first day of any such 20 consecutive business day period would not be sufficiently current on any day during such 20 consecutive business day period to permit (i) a registration statement using such financial statements to be declared effective by the SEC on the last day of such 20 consecutive business period or (ii) our independent registered accounting firm to issue a customary comfort letter to purchasers on the last day of such 20 consecutive business day period, then a new 20 consecutive business day period will commence when CHS receives sufficiently current financial statements.

The purpose of the marketing period is to provide CHS with a reasonable and appropriate period of time during which they can market and place the permanent debt financing contemplated by the debt financing commitments for the purposes of financing the merger. CHS has agreed:

- to use reasonable best efforts to arrange the debt financing as promptly as practicable and to satisfy on a timely basis all conditions applicable to CHS in any definitive agreements entered into relating to the debt financing; and

Table of Contents

in the event that any portion of the debt financing becomes unavailable on the terms and conditions contemplated in the debt financing commitments, to use its reasonable best efforts to arrange alternative financing on terms no less favorable to CHS (as determined in its reasonable judgment) as promptly as practicable but no later than the last day of the marketing period, or if earlier, the end date described in Termination of the Merger Agreement.

In addition, in the event that any portion of the debt financing structured as high yield financing has not been consummated, then, subject to certain exceptions, CHS must use the proceeds of the bridge financing to replace the high yield financing no later than the last day of the marketing period (or if earlier, the end date).

CHS has agreed to use its reasonable best efforts to arrange the debt financing to fund the proposed merger and related transactions contemplated by the debt financing commitments executed in connection with the merger agreement and to cause its financing sources to fund the financing required to consummate the proposed merger. See The Merger Financing of the Merger for a description of the financing arranged by CHS to fund the proposed merger and related transactions.

Triad has agreed to cooperate in connection with the arrangement of the financing, including:

participating in a reasonable number of meetings and road shows;

assisting in preparation of offering materials and furnishing financial information reasonably requested; and

executing financing and security documents.

CHS will reimburse Triad for reasonable expenses in connection with such cooperation and indemnify Triad against losses incurred in connection with the debt financing.

Conditions to the Merger

Conditions to Each Party s Obligations. Each party s obligation to complete the merger is subject to the satisfaction or waiver of the following conditions:

the merger agreement must have been adopted by the affirmative vote of the holders of a majority of all outstanding shares of Common Stock;

any applicable waiting period (and any extension thereof) under the HSR Act shall have expired or been terminated; and

no temporary restraining order, preliminary or permanent injunction or other judgment or order issued by any court or agency of competent jurisdiction or other statute, law or rule shall be in effect preventing the merger.

Conditions to CHS and Merger Sub s Obligations. The obligation of CHS and Merger Sub to complete the merger is subject to the satisfaction or waiver of the following additional conditions:

our representations and warranties with respect to our capitalization (except for de minimis inaccuracies) and our compliance with the corporate integrity agreement between us and the Office of Inspector General of the United States must be true and correct in all respects as of the closing of the merger as if made at and as of the closing (except that representations and warranties made by us as of a particular date need only be true and correct as of the date made);

58

Table of Contents

all other representations and warranties made by us in the merger agreement must be true and correct in all respects as of the closing of the merger as if made at and as of such time (without giving effect to any qualification as to materiality or material adverse effect set forth in such representations and warranties), except where the failure to be so true and correct, individually or in the aggregate, has not had, and would not reasonably be expected to have, a material adverse effect on us; provided that any representations made by us as of a specific date need only be so true and correct (subject to such qualifications) as of the date made;

we must have performed in all material respects all obligations, and complied in all material respects with the agreements and covenants, we are required to perform under the merger agreement at or prior to the closing date;

we must deliver to CHS and Merger Sub at closing a certificate with respect to our satisfaction of the foregoing conditions relating to representations, warranties, obligations, covenants and agreements; and

we must have obtained all consents, waivers and approvals, except any consent, waiver or approval the failure of which to obtain would not (i) individually or in the aggregate, reasonably be expected to have a material adverse effect on us or (ii) give rise to a violation of criminal law, and as of the effective time, such consents, waivers and approvals shall not have been revoked or materially modified and shall be in full force and effect.

Conditions to Triad s Obligations. Our obligation to complete the merger is subject to the satisfaction or waiver of the following additional conditions:

the representations and warranties made by CHS and Merger Sub in the merger agreement must be true and correct in all respects as of the date of the merger agreement and as of the closing of the merger as if made as of the closing, except where the failure of such representations and warranties to be so true would not reasonably be expected to, individually or in the aggregate, have a material adverse effect on the ability of CHS or Merger Sub to consummate the transactions contemplated by the merger agreement; provided that any representations made by CHS and Merger Sub as of a specific date need only be so true and correct as of the date made;

CHS and Merger Sub must have performed in all material respects all obligations, and complied in all material respects with the agreements and covenants, required to be performed by them under the merger agreement at or prior to the closing date; and

CHS and Merger Sub s delivery to us at closing of a certificate with respect to the satisfaction of the foregoing conditions relating to representations, warranties, obligations, covenants and agreements.

If a failure to satisfy one of these conditions to the merger is not considered by our board of directors to be material to our stockholders, the board of directors (following the recommendation of the special committee if such committee still exists) could waive compliance with that condition. Our board of directors is not aware of any condition to the merger that cannot be satisfied. Under Delaware law, after the merger agreement has been adopted by our stockholders, the merger consideration cannot be changed and the merger agreement cannot be altered in a manner adverse to our stockholders without re-submitting the revisions to our stockholders for their approval.

Restrictions on Solicitations of Other Offers

The merger agreement provides that, from the date the merger agreement was executed until the effective time of the merger or, if earlier, the termination of the merger agreement in accordance with its terms, we may not:

solicit or knowingly encourage (including by way of providing information) the submission of any inquiries or proposals that constitute or may reasonably be expected to lead to any acquisition proposal

59

Table of Contents

for us, or engage in any discussions or negotiations with respect to, or otherwise knowingly assist or participate in, any such inquiries, proposals, discussions or negotiations;

approve or recommend, or publicly propose to approve or recommend, any acquisition proposal for us or enter into any agreement providing for or relating to any acquisition proposal for us, or enter into any agreement requiring us to abandon, terminate or fail to consummate the transactions contemplated by the merger agreement or breach our obligations under the merger agreement or propose or agree to do any of the foregoing; or

modify, waive or terminate any confidentiality agreement to which we are a party.

Notwithstanding the above restrictions, at any time prior to the approval of the merger agreement by our stockholders, we are permitted to engage in discussions or negotiations with a third party with respect to a written acquisition proposal if the following conditions are met:

our board of directors (following the recommendation of the special committee if such committee still exists) believes in good faith that the acquisition proposal is bona fide; and

our board of directors (following the recommendation of the special committee if such committee still exists) concludes in good faith, after consultation with legal counsel and financial advisors, that the acquisition proposal constitutes or could reasonably be expected to result in a superior proposal.

We may provide confidential information to such third party only if (i) such party has entered into a confidentiality and standstill agreement that contains provisions that are no less favorable in the aggregate to us than those contained in the confidentiality agreement entered into with CHS and (ii) we will promptly provide to CHS any non-public information concerning us or our subsidiaries provided to such other party which was not previously provided to CHS.

After the date of the merger agreement, we are required to promptly (within two business days) notify CHS in the event we receive an acquisition proposal from a person or group of related persons and any material revisions thereto. We will promptly (within two business days) notify CHS if we determine to begin providing information or to engage in negotiations concerning an acquisition proposal from a person or group of related persons.

An acquisition proposal means any inquiry, proposal or offer from any person or group of persons other than CHS, Merger Sub or their respective affiliates relating to any direct or indirect acquisition or purchase of a business that constitutes 15% or more of the net revenues, net income or assets of us and our subsidiaries, taken as a whole, or 15% or more of any class or series of our securities, any tender offer or exchange offer that if consummated would result in any person or group of persons beneficially owning 15% or more of any class or series of our capital stock, or any merger, reorganization, consolidation, share exchange, business combination, recapitalization, liquidation, dissolution or similar transaction involving us (or subsidiaries whose business constitutes 15% or more of our and our subsidiaries net revenues, net income or assets, taken as a whole).

A superior proposal means an acquisition proposal which our board of directors (following the recommendation of the special committee if such committee still exists), in good faith determines would, if consummated, result in a transaction that is more favorable from a financial point of view to our stockholders than the merger, after (i) receiving the advice of its financial advisor, (ii) taking into account the likelihood of consummation of such transaction on the terms set forth therein and (iii) taking into account all appropriate legal (with the advice of outside counsel), financial (including the financing terms of any such proposal), regulatory or other aspects of such proposal and any other relevant factors permitted by applicable law. For purposes of the definition of superior proposal all references in the definition of acquisition proposal above to 15% or more shall be deemed to be references to a majority.

Table of Contents

Recommendation Withdrawal/Termination in Connection with a Superior Proposal

The merger agreement provides that our board of directors will not (i) withdraw or modify in a manner adverse to CHS and Merger Sub its recommendation of the merger (or publicly propose to do so), or (ii) take any other action or make any other public statement in connection with the special meeting that is inconsistent with its recommendation of the merger (any action described in (i) and (ii) is referred to as an adverse change in recommendation in this proxy statement).

Notwithstanding the foregoing, if at any time prior to the approval of the merger agreement by our stockholders, we receive an acquisition proposal which our board of directors (following the recommendation of the special committee if such committee still exists) concludes in good faith constitutes a superior proposal, our board of directors (following the recommendation of the special committee if such committee still exists) may effect an adverse change in recommendation or terminate the merger agreement and enter into a definitive agreement with respect to a superior proposal, if it concludes in good faith (after consultation with its legal advisors) that failure to do so could violate its fiduciary duties under applicable law.

Our board of directors may only terminate the merger agreement in connection with a superior proposal as described above if:

concurrent with such termination, we pay the applicable termination fee to CHS and reimburse CHS for the prior agreement termination amount; and

we give three days prior written notice to CHS of the board of directors intention to effect an adverse change in recommendation or terminate the merger agreement, which notice must include a written summary of the material terms and conditions of the superior proposal (including the identity of the party making the superior proposal) and provide a copy of the proposed transaction agreements.

Stockholders Meeting

Under the merger agreement, we have agreed to convene and hold a stockholders meeting as promptly as reasonably practicable following clearance of the proxy statement by the SEC for purposes of considering and voting upon the adoption of the merger agreement by our stockholders.

Anti-Takeover Statutes

We have agreed to use reasonable best efforts to take all actions necessary to ensure that no anti-takeover statute or similar statute or regulation is or becomes applicable to the merger. If any such statute or regulation becomes applicable to the merger, we have agreed to use reasonable best efforts to take all actions necessary to ensure that the merger may be completed as promptly as practicable on terms contemplated by the merger agreement and otherwise minimize the effect of such statute or regulation on the merger.

Termination of the Merger Agreement

The merger agreement may be terminated at any time prior to the consummation of the merger, whether before or after stockholder approval has been obtained:

by mutual written consent of Triad (following the recommendation of the special committee, if such committee still exists), on the one hand, and CHS and Merger Sub, on the other hand;

by either Triad (following the recommendation of the special committee, if such committee still exists), on the one hand, or CHS or Merger Sub, on the other hand, if:

the merger is not consummated on or before September 30, 2007 (the end date), unless the marketing period has not ended on or before September 30, 2007, in which case the end date will be extended to October 31, 2007 (such termination right is not available to a party whose breach of the merger agreement has resulted in or caused the failure of the merger to be completed by the end date);

Table of Contents

there is any final and nonappealable law that makes consummation of the merger illegal or otherwise prohibited; or

our stockholders, at the special meeting or at any adjournment thereof, fail to adopt the merger agreement;

by CHS or Merger Sub if:

we have breached any of our representations, warranties, covenants or agreements under the merger agreement which would give rise to the failure to satisfy the related closing conditions and where that breach is incapable of being cured on or before the end date; provided that neither CHS nor Merger Sub is then in material breach of the merger agreement so as to cause certain conditions to our obligations to consummate the merger not to be satisfied; or

(i) our board of directors (following the recommendation of the special committee, if such committee still exists) effects an adverse change in recommendation in accordance with the terms of the merger agreement; (ii) our board of directors (following the recommendation of the special committee, if such committee still exists) approves or recommends to our stockholders an acquisition proposal other than the merger, or resolves to effect the foregoing; or (iii) we fail to include in our proxy statement the recommendation of our board of directors that our stockholders adopt the merger agreement;

by Triad (following the recommendation of the special committee if such committee still exists) if:

CHS or Merger Sub has breached any of its representations, warranties, covenants or agreements under the merger agreement which would give rise to the failure to satisfy the related closing conditions and where that breach is incapable of being cured on or before the end date; provided that Triad is not in material breach of the merger agreement so as to cause certain conditions to CHS and Merger Sub s obligations to consummate the merger not to be satisfied;

prior to obtaining stockholder approval of the merger, we terminate the merger agreement in order to enter into an agreement with respect to a superior proposal in accordance with the terms of the merger agreement; or

if all conditions to the obligations of CHS and Merger Sub have been satisfied and CHS fails to consummate the merger no later than five calendar days after the final day of the marketing period.

Reimbursement of Prior Agreement Termination Amount

Concurrently with the termination of the prior merger agreement and in accordance with its terms, we paid to Panthera a termination fee of $20 million and advanced $20 million to Panthera to cover its out-of-pocket expenses. CHS has reimbursed us for these amounts. We are obligated to repay such amounts in the event the merger agreement is terminated under certain circumstances in which CHS is entitled to expense reimbursement and/or a termination fee from us. If payment of the prior agreement termination amount by Triad is held to be invalid under applicable law by a final non-appealable order, Triad will assign its rights to enforce such order to CHS.

Termination Fees and Expenses

We have agreed to reimburse CHS out-of-pocket fees and expenses, up to a limit of $15 million, and reimburse CHS for the prior agreement termination amount, if:

Triad, CHS or Merger Sub terminates the merger agreement because our stockholders have failed to adopt the merger agreement at the special meeting or any adjournment thereof, or

CHS or Merger Sub terminates the merger agreement due to a breach of our representations, warranties, covenants or agreements such that certain closing conditions would not be satisfied and

Table of Contents

such breach cannot be cured within the specified time (or the merger agreement is terminated in accordance with its terms at a time when the merger agreement is terminable for either such reason).

If the merger agreement is terminated under the conditions described in further detail below, we must pay a termination fee of $130 million and, in some circumstances, reimburse CHS for the prior agreement termination amount.

We must pay a termination fee of $130 million concurrently with the termination of the merger agreement and reimburse CHS for the prior agreement termination amount if, prior to obtaining our stockholders approval of the merger, we terminate the merger agreement in order to enter into an agreement with respect to a superior proposal in accordance with the terms of the merger agreement.

We must pay a termination fee of $130 million within two business days after the termination of the merger agreement and reimburse CHS for the prior agreement termination amount if either CHS or Merger Sub terminates because:

(i) our board of directors (following the recommendation of the special committee, if such committee still exists) has effected an adverse change in recommendation;

(ii) our board of directors approves or recommends to our stockholders an acquisition proposal other than the merger, or resolves to effect the foregoing; or

(iii) we fail to include in our proxy statement the recommendation of our board of directors that our stockholders adopt the merger agreement.

We must pay the termination fee of $130 million upon the execution of an agreement with respect to an acquisition proposal with a third party or the consummation of an acquisition proposal with a third party if either of the following has occurred:

(i) we, on the one hand, or CHS or Merger Sub, on the other hand, terminate the merger agreement because our stockholders have failed to adopt the merger agreement at the special meeting or at any adjournment thereof, and (x) prior to the stockholders meeting, a bona fide written acquisition proposal involving the purchase of not less than a majority of our outstanding voting securities has been publicly announced or publicly made known and not publicly withdrawn at least two business days prior to the stockholders meeting, and (y) within 12 months after such termination, we or any of our subsidiaries enter into an agreement with respect to, or consummate, any acquisition proposal involving the purchase of not less than a majority of our outstanding voting securities; or

(ii) CHS or Merger Sub terminates the merger agreement due to a breach by us of our representations, warranties, covenants or agreements resulting in the failure to satisfy the related closing conditions and such breach cannot be cured within the specified time, and (x) prior to the breach giving rise to such termination, an acquisition proposal involving the purchase of not less than a majority of our outstanding voting securities has been publicly announced or publicly made known, and (y) within 12 months after such termination, we or any of our subsidiaries enter into an agreement with respect to, or consummate, any acquisition proposal involving the purchase of not less than a majority of our outstanding voting securities.

If we are obligated to pay a termination fee under the two scenarios described immediately above, any amounts previously paid to CHS as expense reimbursement will be credited toward the termination fee. However, the amount of any previous reimbursement to CHS of the prior agreement termination amount will not reduce the amount of the termination fee paid to CHS.

Specific Performance; Remedies

The parties to the merger agreement are entitled to specific performance of the terms and provisions of the merger agreement in addition to any other remedy to which they are entitled, including damages for any breach of the merger agreement by the other party.

Table of Contents

Employee Benefits

The surviving corporation and its subsidiaries will maintain, for a period commencing at the effective time of the merger and ending on December 31, 2008, for each employee employed at the effective time, compensation and severance, pension and welfare benefits (other than equity-based compensation and benefits) that in the aggregate are not less favorable than those provided prior to the effective time. The surviving corporation has agreed to recognize the service of such employees with Triad prior to the consummation of the merger for purposes of eligibility and vesting with respect to any benefit plan, program or arrangement, with the exception of benefit accruals under any newly established defined benefit pension plans, and to waive all limitations as to pre-existing conditions or eligibility limitations and give effect, for the applicable plan year in which the closing occurs, in determining any deductible and maximum out-of-pocket limitations, to claims incurred and amounts paid by, and amounts reimbursed to, employees under similar plans maintained by us and our subsidiaries immediately prior to the effective time of the merger.

At the effective time of the merger, all salary amounts withheld on behalf of the participants in the Triad Hospitals, Inc. Amended and Restated Management Stock Purchase Plan and Employee Stock Purchase Plan through the closing date of the merger will be deemed to have been used to purchase shares of Common Stock under the terms of these plans using the closing date of the merger as the last date of the applicable salary reduction period under these plans. Each such share will be deemed to be cancelled and converted into the right to receive $54.00 per share, such that each participant will receive (i) a refund by Triad of all reductions made during the applicable salary reduction periods, if any, and (ii) cash equal to the excess (if any) of (A) the number of shares deemed purchased multiplied by $54.00 over (B) the aggregate purchase price deemed to have been paid in the deemed purchase.

Indemnification and Insurance

From and after the effective time of the merger, CHS and the surviving corporation shall to the greatest extent permitted by law jointly and severally indemnify and hold harmless (and comply with all of the Company s and its subsidiaries existing obligations to advance funds for expenses) (i) the present and former officers and directors thereof against any and all costs or expenses (including reasonable attorneys fees and expenses), judgments, fines, losses, claims, damages, liabilities and amounts paid in settlement in connection with any actual or threatened claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative (damages), arising out of, relating to or in connection with any acts or omissions occurring or alleged to occur prior to or at the effective time, including, without limitation, the approval of the merger agreement, the merger or the other transactions contemplated by the merger agreement or arising out of or pertaining to the transactions contemplated by the merger agreement; and (ii) such persons against any and all damages arising out of acts or omissions in connection with such persons serving as an officer, director or other fiduciary in any entity if such service was at the request or for the benefit of the Company or any of its subsidiaries.

As of the effective time of the merger, the Company shall have purchased, and, following the effective time, the surviving corporation shall maintain, a tail policy to the current policy which tail policy shall be effective for a period from the effective time through and including the date six years after the closing date with respect to claims arising from facts or events that existed or occurred prior to or at the effective time, and which tail policy shall contain substantially the same coverage and amount as, and contain terms and conditions no less advantageous, in the aggregate, than the coverage currently provided by the current policy; provided, however, that in no event shall the surviving corporation be required to expend annually in excess of 300% of the annual premium currently paid by the Company under the current policy; provided, however, that if the premium of such insurance coverage exceeds the insurance amount, the Company shall be obligated to obtain, and the surviving corporation shall be obligated to maintain, a policy with the greatest coverage available for a cost not exceeding the insurance amount.

Table of Contents

Amendment, Extension and Waiver

The parties may amend the merger agreement at any time prior to the consummation of the merger. After our stockholders have adopted the merger agreement, however, there shall be no amendment to the merger agreement that by law requires further approval by our stockholders without such approval having been obtained. All amendments to the merger agreement must be in writing signed by us, CHS and Merger Sub.

At any time before the consummation of the merger, each of the parties to the merger agreement may, by written instrument:

- extend the time for the performance of any of the obligations or other acts of the other parties;
- waive any inaccuracies in the representations and warranties of the other parties contained in the merger agreement or in any document delivered pursuant to the merger agreement; or
- subject to the requirements of applicable law, waive compliance with any of the agreements or conditions contained for such party s benefit in the merger agreement.

For so long as the special committee exists, we cannot take such actions without the special committee s authorization.

Table of Contents

DISSENTERS RIGHTS OF APPRAISAL

Under the General Corporation Law of the State of Delaware (the DGCL), you have the right to dissent from the merger and to receive payment in cash for the fair value of your Common Stock as determined by the Delaware Court of Chancery, together with a fair rate of interest, if any, as determined by the court, in lieu of the consideration you would otherwise be entitled to pursuant to the merger agreement. These rights are known as appraisal rights. The Company s stockholders electing to exercise appraisal rights must comply with the provisions of Section 262 of the DGCL in order to perfect their rights. The Company will require strict compliance with the statutory procedures.

The following is intended as a brief summary of the material provisions of the Delaware statutory procedures required to be followed by a stockholder in order to dissent from the merger and perfect appraisal rights.

This summary, however, is not a complete statement of all applicable requirements and is qualified in its entirety by reference to Section 262 of the DGCL, the full text of which appears in Annex C to this proxy statement. Failure to precisely follow any of the statutory procedures set forth in Section 262 of the DGCL may result in a termination or waiver of your appraisal rights.

Section 262 requires that stockholders be notified that appraisal rights will be available not less than 20 days before the stockholders meeting to vote on the merger. A copy of Section 262 must be included with such notice. This proxy statement constitutes the Company s notice to its stockholders of the availability of appraisal rights in connection with the merger in compliance with the requirements of Section 262. If you wish to consider exercising your appraisal rights, you should carefully review the text of Section 262 contained in Annex C since failure to timely and properly comply with the requirements of Section 262 will result in the loss of your appraisal rights under the DGCL.

If you elect to demand appraisal of your shares, you must satisfy each of the following conditions:

- You must deliver to the Company a written demand for appraisal of your shares before the vote with respect to the merger is taken. This written demand for appraisal must be in addition to and separate from any proxy or vote abstaining from or voting against the adoption of the merger agreement. Voting against or failing to vote for the adoption of the merger agreement by itself does not constitute a demand for appraisal within the meaning of Section 262.

- You must not vote in favor of the adoption of the merger agreement. A vote in favor of the adoption of the merger agreement, by proxy, over the Internet, by telephone or in person, will constitute a waiver of your appraisal rights in respect of the shares so voted and will nullify any previously filed written demands for appraisal.

If you fail to comply with either of these conditions and the merger is completed, you will be entitled to receive the cash payment for your shares of Common Stock as provided for in the merger agreement, but you will have no appraisal rights with respect to your shares of Common Stock.

All demands for appraisal should be addressed to Triad Hospitals, Inc., 5800 Tennyson Parkway, Plano, Texas 75024, Attention: Corporate Secretary, and must be delivered before the vote on the merger agreement is taken at the special meeting, and should be executed by, or on behalf of, the record holder of the shares of Common Stock. The demand must reasonably inform the Company of the identity of the stockholder and the intention of the stockholder to demand appraisal of his, her or its shares.

To be effective, a demand for appraisal by a holder of Common Stock must be made by, or in the name of, such registered stockholder, fully and correctly, as the stockholder s name appears on his or her stock certificate(s). **Beneficial owners who do not also hold the shares of record may not directly make appraisal**

Table of Contents

demands to the Company. The beneficial holder must, in such cases, have the registered owner, such as a broker or other nominee, submit the required demand in respect of those shares. If shares are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, execution of a demand for appraisal should be made by or for the fiduciary; and if the shares are owned of record by more than one person, as in a joint tenancy or tenancy in common, the demand should be executed by or for all joint owners. An authorized agent, including an authorized agent for two or more joint owners, may execute the demand for appraisal for a stockholder of record; however, the agent must identify the record owner or owners and expressly disclose the fact that, in executing the demand, he or she is acting as agent for the record owner. A record owner, such as a broker, who holds shares as a nominee for others, may exercise his or her right of appraisal with respect to the shares held for one or more beneficial owners, while not exercising this right for other beneficial owners. In that case, the written demand should state the number of shares as to which appraisal is sought. Where no number of shares is expressly mentioned, the demand will be presumed to cover all shares held in the name of the record owner.

If you hold your shares of Common Stock in a brokerage account or in other nominee form and you wish to exercise appraisal rights, you should consult with your broker or the other nominee to determine the appropriate procedures for the making of a demand for appraisal by the nominee.

Within 10 days after the effective time of the merger, the surviving corporation must give written notice that the merger has become effective to each Company stockholder who has properly filed a written demand for appraisal and who did not vote in favor of the merger agreement. At any time within sixty (60) days after the effective time, any stockholder who has demanded an appraisal has the right to withdraw the demand and to accept the cash payment specified by the merger agreement for his or her shares of Common Stock. Within 120 days after the effective date of the merger, any stockholder who has complied with Section 262 shall, upon written request to the surviving corporation, be entitled to receive a written statement setting forth the aggregate number of shares not voted in favor of the merger agreement and with respect to which demands for appraisal rights have been received and the aggregate number of holders of such shares. Such written statement will be mailed to the requesting stockholder within 10 days after such written request is received by the surviving corporation or within 10 days after expiration of the period for delivery of demands for appraisal, whichever is later. Within 120 days after the effective time, either the surviving corporation or any stockholder who has complied with the requirements of Section 262 may file a petition in the Delaware Court of Chancery demanding a determination of the fair value of the shares held by all stockholders entitled to appraisal. Upon the filing of the petition by a stockholder, service of a copy of such petition shall be made upon the surviving corporation. The surviving corporation has no obligation to file such a petition in the event there are dissenting stockholders. Accordingly, the failure of a stockholder to file such a petition within the period specified could nullify the stockholder s previously written demand for appraisal.

If a petition for appraisal is duly filed by a stockholder and a copy of the petition is delivered to the surviving corporation, the surviving corporation will then be obligated, within 20 days after receiving service of a copy of the petition, to provide the Chancery Court with a duly verified list containing the names and addresses of all stockholders who have demanded an appraisal of their shares and with whom agreements as to the value of their shares have not been reached by the surviving corporation. After notice to dissenting stockholders who demanded appraisal of their shares, the Chancery Court is empowered to conduct a hearing upon the petition, and to determine those stockholders who have complied with Section 262 and who have become entitled to the appraisal rights provided thereby. The Chancery Court may require the stockholders who have demanded payment for their shares to submit their stock certificates to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings; and if any stockholder fails to comply with that direction, the Chancery Court may dismiss the proceedings as to that stockholder.

After determination of the stockholders entitled to appraisal of their shares of the Company s common stock, the Chancery Court will appraise the shares, determining their fair value exclusive of any element of value arising from the accomplishment or expectation of the merger, together with a fair rate of interest, if any. When

Table of Contents

the value is determined, the Chancery Court will direct the payment of such value, with interest thereon accrued during the pendency of the proceeding, if the Chancery Court so determines, to the stockholders entitled to receive the same, upon surrender by such holders of the certificates representing those shares.

In determining fair value, the Chancery Court is required to take into account all relevant factors. **You should be aware that the fair value of your shares as determined under Section 262 could be more than, the same as, or less than the value that you are entitled to receive under the terms of the merger agreement.**

Costs of the appraisal proceeding may be imposed upon the surviving corporation and the stockholders participating in the appraisal proceeding by the Chancery Court as the Chancery Court deems equitable in the circumstances. Upon the application of a stockholder, the Chancery Court may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorneys fees and the fees and expenses of experts, to be charged pro rata against the value of all shares entitled to appraisal. Any stockholder who had demanded appraisal rights will not, after the effective time of the merger, be entitled to vote shares subject to that demand for any purpose or to receive payments of dividends or any other distribution with respect to those shares, other than with respect to payment as of a record date prior to the effective time; however, if no petition for appraisal is filed within 120 days after the effective time of the merger, or if the stockholder delivers a written withdrawal of his or her demand for appraisal and an acceptance of the terms of the merger within 60 days after the effective time of the merger, then the right of that stockholder to appraisal will cease and that stockholder will be entitled to receive the cash payment for shares of his, her or its Common Stock pursuant to the merger agreement. The Company has no obligation to file a petition and has no present intention to do so. Therefore, any stockholder who desires that an appraisal proceeding be commenced and who has otherwise complied with the statutory requirements should file a petition on a timely basis. Any withdrawal of a demand for appraisal made more than 60 days after the effective time of the merger may only be made with the written approval of the surviving corporation and must, to be effective, be made within 120 days after the effective time.

In view of the complexity of Section 262, the Company s stockholders who may wish to dissent from the merger and pursue appraisal rights should consult their legal advisors.

Table of Contents

MARKET PRICE OF COMMON STOCK

Our common stock is listed for trading on the NYSE under the symbol TRI. The table below sets forth, for the fiscal quarterly periods indicated, the high and low closing sales prices per share as reported on the NYSE composite tape. The Company has not paid any dividends during this period.

	High	Low
FISCAL YEAR ENDED DECEMBER 31, 2005		
First Quarter	$ 50.10	$ 36.01
Second Quarter	$ 56.05	$ 47.32
Third Quarter	$ 55.06	$ 44.25
Fourth Quarter	$ 44.75	$ 39.23
FISCAL YEAR ENDED DECEMBER 31, 2006		
First Quarter	$ 43.93	$ 39.43
Second Quarter	$ 42.64	$ 38.23
Third Quarter	$ 44.72	$ 38.48
Fourth Quarter	$ 44.41	$ 36.93
FISCAL YEAR ENDING DECEMBER 31, 2007		
First Quarter (through March 28, 2007)	$ 52.30	$ 39.94

On February 2, 2007, the last trading day prior to announcing execution of the prior merger agreement, the closing sale price of the Common Stock on the NYSE was $43.27 per share. On March 16, 2007, the last trading day prior to announcing execution of the merger agreement, the closing sale price of the Common Stock on the NYSE was $49.36 per share. The $54.00 per share to be paid for each share of Common Stock in the merger represents a premium of approximately 9.4% to the closing sale price on March 16, 2007 and a premium of approximately 24.8% to the closing sale price on February 2, 2007. On [•], 2007, the last full trading day prior to the date of this proxy statement, the closing sale price of the Common Stock as reported on NYSE was $[•].

You are encouraged to obtain current market quotations for the Common Stock in connection with voting your shares.

Table of Contents

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following tables set forth information with respect to the beneficial ownership of shares of Common Stock, which is the Company s only class of voting stock, as of March 19, 2007 by:

- each of our current directors and named executive officers;
- all of our current directors and executive officers as a group; and
- each person known by us to own beneficially more than 5% of the outstanding shares of Common Stock.

The percentages of shares outstanding provided in the tables are based on 89,117, 410 shares of Common Stock outstanding as of March 19, 2007. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Unless otherwise indicated, each person or entity named in the table has sole voting and investment power, or shares voting and investment power with his or her spouse, with respect to all shares of stock listed as owned by that person. Shares issuable upon the exercise of options that are exercisable within 60 days of March 19, 2007 are considered outstanding for the purpose of calculating the percentage of outstanding shares of Common Stock held by the individual, but not for the purpose of calculating the percentage of outstanding shares held by any other individual. The address of each of our directors and executive officers listed below is c/o Triad Hospitals, Inc., 5800 Tennyson Parkway, Plano, Texas 75024.

Director and Executive Officer Common Stock Ownership

		Beneficial Ownership of Common Stock		
Name of Beneficial Owner	**Position**	**Number of Outstanding Shares (1)**	**Number of Shares Underlying Options (2)**	**Percent of Class (3)**
Nancy-Ann DeParle	Director	4,800	37,125	*
Barbara A. Durand, R.N., Ed.D.	Director	6,587	40,125	*
Donald B. Halverstadt, M.D.	Director	5,643	35,125	*
William J. Hibbitt	Director	5,200		*
William R. Huston	Senior Vice President of Finance	28,917(4)	103,500	*
Michael K. Jhin	Director	4,700	10,000	*
Dale V. Kesler	Director	6,926	47,125	*
Thomas G. Loeffler, Esq.	Director	6,587	19,750	*
W. Stephen Love	Senior Vice President and Chief Financial Officer	53,702(4)	83,500	*
Harriet R. Michel	Director	4,700	10,000	*
Daniel J. Moen	Executive Vice President of Development	55,904(4)(5)	240,000	*
Michael J. Parsons	Executive Vice President and Chief Operating Officer; Director	94,746(4)	319,755	*
Uwe E. Reinhardt, Ph.D.	Director	4,700	61,125	*
Gale E. Sayers	Director	7,587	17,875	*
James D. Shelton	Chairman of the Board, President and Chief Executive Officer; Director	398,908(4)(6)	801,909	1.3
Directors and executive officers as a group (23 people)		897,210(7)	2,531,414	3.7

Table of Contents

Persons Known to Own More Than 5% of Common Stock Outstanding

		Beneficial Ownership of Common Stock	
Name of Beneficial Owner	**Address**	**Number of Outstanding Shares (1)**	**Percentage beneficially owned (3)**
Waddell & Reed Financial, Inc.	6300 Lamar Avenue	5,349,550	6.0%
Waddell & Reed Financial Services, Inc.	Overland Park, Kansas		
Waddell & Reed, Inc.	66202		
Waddell & Reed Investment Management Company			
Ivy Investment Management Company (8)			
TPG-Axon GP, LLC	888 Seventh Avenue,	7,806,800	8.8%
TPG-Axon Partners GP, L.P.	38th Floor		
TPG-Axon Partners, LP	New York, New York		
TPG-Axon Capital Management, L.P.	10019		
TPG-Axon Partners (Offshore), Ltd.			
Dinakar Singh LLC			
Dinakar Singh (9)			

* = less than one percent (1%)

(1) The shares reported in this column include any restricted shares held as of March 19, 2007, by the current directors and current executive officers, as appropriate.

(2) Amounts reported in this column reflect shares subject to stock options that, as of March 19, 2007, were unexercised but were exercisable within a period of 60 days from that date. These shares are excluded from the column headed Number of Outstanding Shares ; however, these shares are deemed to be outstanding for the purpose of computing the percentage beneficially owned by each respective person but not the percentage beneficially owned by any other person or group. Amounts reported in this column do not include any deferred stock units held by the named executive officers and directors as of March 19, 2007. None of the current directors or current executive officers hold deferred stock units that can be settled within a period of 60 days from February 28, 2007.

(3) Percentages are calculated based on the outstanding shares of Common Stock as of March 19, 2007, at which date there were 89,117,410 shares of Common Stock outstanding.

(4) This includes shares held through the Triad Hospitals, Inc. Retirement Savings Plan as of December 31, 2006.

(5) Of the shares reported for Mr. Moen, 93 shares are held in family trusts. Mr. Moen disclaims beneficial ownership of these 93 shares.

(6) This includes 351,044 shares that are held jointly with Mr. Shelton s spouse, as to which he shares voting and investment power.

(7) This contains information set forth in footnote numbers (1), (4), (5) and (6).

(8) This information is based on a Schedule 13G filed with the SEC on February 9, 2007, by Waddell & Reed Financial, Inc., Waddell & Reed Financial Services, Inc., Waddell & Reed, Inc., Waddell & Reed Investment Management Company and Ivy Investment Management Company. According to Schedule 13G, Waddell & Reed Financial, Inc., has sole voting power and sole dispositive power with respect to 5,349,550 of such shares; Waddell & Reed Financial Services, Inc., a parent holding company, has sole voting power and sole dispositive power with respect to 4,852,650 of such shares; Waddell & Reed, Inc., a broker-dealer and underwriting subsidiary of Waddell & Reed Financial Services, Inc., has sole voting power and sole dispositive power with respect to 4,852,650 of such shares; Waddell & Reed Management Company, an investment advisory subsidiary of Waddell & Reed, Inc., has sole voting power and sole dispositive power with

respect to 4,852,650 of such shares; and Ivy Investment Management Company, an investment advisory subsidiary of Waddell & Reed Financial, Inc., has sole voting power and sole dispositive power with respect to 496,900 of such shares.

Table of Contents

(9) This information is based on a Schedule 13D/A filed with the SEC on January 30, 2007, by TPG-Axon GP, LLC, TPG-Axon Partners GP, L.P., TPG-Axon Partners, LP, TPG-Axon Capital Management, L.P. and TPG-Axon Partners (Offshore), Ltd., Dinakar Singh LLC and Dinakar Singh. According to the Schedule 13D/A, each of Dinakar Singh, Singh LLC, TPG-Axon Capital Management and TPG-Axon GP, LLC may be deemed to beneficially own 7,806,800 of the reported shares. TPG-Axon Partners (Offshore) Ltd. may be deemed to beneficially own 5,108,729 of such shares. Each of TPG-Axon Partners GP, LP and TPG-Axon Partners, LP may be deemed to beneficially own 2,698,071 of such shares. Each of Dinakar Singh, Singh LLC, TPG-Axon Capital Management and TPG-Axon GP, LLC has sole voting power and sole dispositive power with respect to 7,806,800 shares. TPG-Axon Partners (Offshore) Ltd. has sole voting power and sole dispositive power with respect to 5,108,729 shares. Each of TPG-Axon Partners GP, LP and TPG-Axon Partners, LP has sole voting power and sole dispositive power with respect to 2,698,071 shares.

Table of Contents

ADJOURNMENT OF THE SPECIAL MEETING

(PROPOSAL NO. 2)

Triad may ask its stockholders to vote on a proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the meeting to adopt the merger agreement. We currently do not intend to propose adjournment at our special meeting if there are sufficient votes to adopt the merger agreement. If the proposal to adjourn our special meeting for the purpose of soliciting additional proxies is submitted to our stockholders for approval, such approval requires the affirmative vote of the holders of a majority of the shares of Common Stock present or represented by proxy and entitled to vote on the matter.

The board of directors recommends that you vote FOR the adjournment of the special meeting, if necessary, to solicit additional proxies.

Table of Contents

OTHER MATTERS

Other Matters for Action at the Special Meeting

As of the date of this proxy statement, our board of directors knows of no matters that will be presented for consideration at the special meeting other than as described in this proxy statement.

Future Stockholder Proposals

If the merger is consummated, we will not have public stockholders and there will be no public participation in any future meeting of stockholders. However, if the merger is not completed, we expect to hold a 2007 annual meeting of stockholders. Any stockholder proposals to be considered timely for inclusion in this year s proxy statement must be submitted in writing to our Corporate Secretary, Triad Hospitals, Inc., 5800 Tennyson Parkway, Plano, Texas 75024, and must have been received by us not later than December 22, 2006 and must comply with the SEC s rules concerning the inclusion of stockholder proposals in company-sponsored proxy materials as set forth in Rule 14a-8 promulgated under the Exchange Act and our bylaws. If the date of the 2007 annual meeting, if any, is changed by more than 30 days from May 23, 2007, then in order to be considered for inclusion in Triad s proxy materials, proposals of stockholders intended to be presented at the 2007 annual meeting must be received instead within a reasonable time before we begin to print and mail our proxy materials for the 2007 annual meeting.

For other stockholder proposals (outside of Rule 14a-8), the Company s bylaws contain an advance notice provision which requires that a stockholder s notice of a proposal to be brought before an annual meeting must be timely. In order to be timely, the notice must be addressed to our Corporate Secretary and delivered or mailed and must have been received at our principal executive offices not later than February 22, 2007; provided 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 timel