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TRIAD HOSPITALS INC
Form 11-K
June 24, 2002

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15 (d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2001

or

TRANSITION REPORT PURSUANT TO SECTION 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from _____ to _____

Commission file number 0-29816

A. Full title of the plan and the address of the plan, if different
from that of the issuer named below:

Triad Hospitals, Inc. Retirement Savings Plan

B. Name of issuer of the securities held pursuant to the plan and the
address of its principal executive office:

Triad Hospitals, Inc.
13455 Noel Road, 20th Floor
Dallas, Texas 75240
(972) 789-2700

FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE
Triad Hospitals, Inc. Retirement Savings Plan

As of December 31, 2001 and 2000 and for the year ended December 31, 2001

Triad Hospitals, Inc. Retirement Savings Plan
Financial Statements and Supplemental Schedule

As of December 31, 2001 and 2000
and for the year ended December 31, 2001

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Report of Independent Auditors

Plan Administrator
Triad Hospitals, Inc. Retirement Savings Plan

We have audited the accompanying statements of net assets available for benefits of the Triad Hospitals, Inc. Retirement Savings Plan as of December 31, 2001 and 2000, and the related statement of changes in net assets available for benefits for the year ended December 31, 2001. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2001 and 2000, and the changes in its net assets available for benefits for the year ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2001, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial

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statements taken as a whole.

/s/ Ernst & Young LLP

Dallas, Texas
May 8, 2002

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Triad Hospitals, Inc. Retirement Savings Plan
Statements of Net Assets Available for Benefits

	December 31	
	2001	2002
<hr/>		
Assets		
Investments:		
HCA Inc. Common Stock	\$ 78,113,797	\$ 98,113,797
Triad Hospitals, Inc. Common Stock	36,229,757	28,229,757
Triad Hospitals, Inc. Common Stock (unallocated)	70,440,000	88,440,000
LifePoint Hospitals, Inc. Common Stock	3,837,976	3,837,976
Registered investment companies	222,646,934	232,646,934
Collective Short-Term Investment Fund	2,558,638	2,558,638
Participant loans	6,801,617	6,801,617
	<hr/>	
Total investments	420,628,719	458,628,719
	<hr/>	
Receivables:		
Employer matching contribution	68,947	68,947
Employer supplemental contribution	439,580	439,580
Participants contributions	265,144	265,144
Due from broker for securities sold	-	-
Interest and dividends	431,238	431,238
	<hr/>	
Total receivables	1,204,909	1,204,909
	<hr/>	
Total assets	421,833,628	460,833,628
	<hr/>	
Liabilities		
Note payable to Triad Hospitals, Inc.	25,611,438	25,611,438
Cash overdraft	310,930	310,930
Other	106,535	106,535
	<hr/>	
Total liabilities	26,028,903	26,028,903
	<hr/>	
Net assets available for benefits	\$ 395,804,725	\$434,804,725
	<hr/> <hr/>	

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See accompanying notes.

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Triad Hospitals, Inc. Retirement Savings Plan
 Statement of Changes in Net Assets Available for Benefits
 Year ended December 31, 2001

Investment income (loss):

Net depreciation in fair value of investments	\$ (32,
Interest and dividends	7,

	(25,

Contributions:

Participants	16,
Employer matching	1,
Employer retirement	4,
Employer supplemental	(
Rollovers	2,

	25,

Deductions:

Benefits paid to participants	32,
Interest expense	1,
Administrative expenses	1,

Total deductions	36,

Net decrease	(36,
Net assets available for benefits at beginning of year	432,

Net assets available for benefits at end of year	\$395,
	=====

See accompanying notes.

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Triad Hospitals, Inc. Retirement Savings Plan
 Notes to Financial Statements
 December 31, 2001

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1. Description of the Plan

The following description of Triad Hospitals, Inc. Retirement Savings Plan (the Plan) provides only general information. Participants should refer to the Plan document for a more comprehensive description of the Plan's provisions.

General

Triad Hospitals, Inc. (the Company or Triad) was created May 11, 1999 (the closing date) upon completion of a spin-off by HCA Inc. (HCA). Triad created the Plan effective on the closing date.

The Plan replaced benefits previously provided by HCA through the Columbia/HCA Healthcare Corporation Money Purchase Pension Plan, Columbia/HCA Salary Deferral Plan, Columbia/HCA Healthcare Corporation Stock Bonus Plan, HealthTrust, Inc. 401(k) Retirement Program, and/or the EPIC Healthcare Group, Inc. Profit Sharing Plan (collectively referred to hereinafter as the Prior Plans).

On April 27, 2001, the Company acquired Quorum Health Group, Inc. (Quorum). Effective December 31, 2001, all participant accounts of the Quorum 401(k) Plan, with the exception of the individuals employed under Abilene Physicians Group and Northwest Primary Care Physicians, P.A., were transferred into the Plan.

The Plan is a defined contribution plan which provides retirement, disability, and death benefits for all of the employees of the Company. The Plan covers employees of the Company who have at least two months of service and are age 21 or older. Employees whose employment is subject to a collective bargaining agreement (unless such agreement provides to the contrary) and leased employees are not entitled to participate in the Plan. All individuals who were employed by the Company on the closing date and who were active participants in one or more of the Prior Plans became participants of the Plan on the closing date. A component of the Plan operates as a leveraged employee stock ownership program (ESOP) and is designed to comply with Section 4975(e)(7) and

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Triad Hospitals, Inc. Retirement Savings Plan

Notes to the Financial Statements (continued)

1. Description of the Plan (continued)

the regulations thereunder of the Internal Revenue Code (the Code). The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

Contributions

Participants may voluntarily elect to defer salary and contribute the amount deferred to the Plan (participants' contributions) in amounts up to 18% of their annual compensation upon attainment of age 21 and completion of two months of service, as defined by the Plan.

New employees that meet eligibility requirements automatically defer 3% of their annual compensation as participant contributions to the Plan unless the participant directs the Plan Sponsor otherwise. Additionally, participants may

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also rollover amounts representing distributions from other qualified plans.

The Company contributes, on behalf of each participant, an amount equal to 50% of a participant's contribution (Employer Matching Contribution), not to exceed 1.5% of the participant's compensation.

The Company makes an Annual Employer Contribution, which is allocated to eligible participants. For a participant to be eligible to receive their portion of the Annual Employer Contribution, the participant must have been employed by the Company on the first day of the Plan year, have completed at least one year of service, and, as of the last day of the Plan year, must have been actively employed and attained age 21.

The Annual Employer Contribution calculation is based on the following schedule:

Years of Service on Last Day of Plan Year	Allocation as a Percent of Participant's Compensation
Less than 5	2
5 but less than 10	3
10 or more	5

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Triad Hospitals, Inc. Retirement Savings Plan

Notes to the Financial Statements (continued)

1. Description of the Plan (continued)

The Annual Employer Contribution consists of an ESOP Contribution (Employer Retirement Contribution) equal to 300,000 shares of Triad Hospitals, Inc. common stock (Triad common stock) (see Note 3) at the present market value on December 31 relating to the Note Payable to Triad (see Note 4) and any remaining amount due, if necessary, is remitted to the Plan in the form of cash (Employer Supplemental Contribution).

Participants may direct all participant contributions, the Employer Matching Contribution and the Employer Supplemental Contribution to several different Plan investment options, including Triad common stock. The Employer Retirement Contributions are remitted in Triad common stock and are nonparticipant directed.

Effective December 31, 2001, Barberton Union Employees were allowed to participate in the Plan. However, they are excluded from receiving Employer Matching Contributions and Annual Employer Contributions (consisting of the Employer Retirement Contributions and the Employer Supplemental Contributions).

Participant Accounts

Each participant's account is credited with the participant's contribution and Employer Matching Contribution, and the participant's allocation of the Employer Retirement and Supplemental Contributions and investment earnings and charged with an allocation of administrative expenses. The benefit to which a participant is entitled is the benefit that can be provided from the

participant's vested account.

Vesting

Participants are immediately vested with respect to their participant's contributions plus earnings thereon. Vesting of the Employer Matching, Retirement and Supplemental Contributions plus earnings thereon is based on years of continuous service and increases with the accumulation of the years of service. After three years of service, the participant is 20% vested. With the completion of each additional year of service, the participant is vested an additional 20%. After seven years of service, the participant is 100% vested.

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Triad Hospitals, Inc. Retirement Savings Plan

Notes to the Financial Statements (continued)

1. Description of the Plan (continued)

All balances transferred from the Prior Plans and associated earnings are 100% vested, with the exception of the Columbia/HCA Healthcare Corporation Money Purchase Pension Plan and the Columbia/HCA Healthcare Corporation Stock Bonus Plan. Vesting provisions for former participants of these plans generally follow that outlined above.

Participant Loans

Participants may borrow from their account subject to a minimum of \$1,000, and up to a maximum equal to \$50,000 less the highest outstanding loan balance in the preceding twelve months, or the lesser of 50% of vested balances in all accounts available for loans, as defined by the Plan. Loan terms range from one to five years, or up to ten years for the purchase of a primary residence. The loans are secured by the balance in the participant's account. Principal and interest is paid ratably through payroll deductions. The interest rate is determined based on the prime rate charged by the Northern Trust Company (the Trustee).

Payment of Benefits

Upon termination of service due to death, disability, or retirement, a participant becomes 100% vested and may elect to receive an amount equal to the value of the participant's interest in his or her account in either a lump-sum amount or in annuity payments. For termination of service due to other reasons, a participant may receive the value of the vested interest in his or her account as a lump-sum distribution. In-service withdrawals are available for a participant upon attainment of age 59 1/2. Hardship withdrawals are available for a participant experiencing qualifying circumstances.

Forfeited Accounts

Forfeitures attributable to Employer Contributions are allocated to accounts of participants employed on the last day of the Plan year in which such forfeitures are created, pro rata based on participants Annual Retirement Contribution account balances. Any other forfeitures are utilized to reduce the Employer Matching Contribution and any Employer Supplemental Contribution. During the year ended December 31, 2001 amounts totaling \$4,801,771 were used to reduce the Company's contributions made to the Plan. Included in this amount is \$651,766 that was utilized to settle the 2000 Employer Supplemental Contribution

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receivable therefore resulting in a (\$212,186) on the Statement of Changes in Net Asset Available for Benefits for the year ended December 31, 2001.

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Triad Hospitals, Inc. Retirement Savings Plan

Notes to the Financial Statements (continued)

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared under the accrual method of accounting.

Use of Estimates

Preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Valuation of Investments and Income Recognition

Shares of registered investment companies are valued at published market prices, which represent the net asset value of shares held by the Plan at year-end. Common stock is valued at its quoted market price. Participant loans are valued at their carrying value, which approximates fair value.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Administrative Expenses

Certain administrative expenses are paid by the Plan.

3. Investments

Unless the Plan Administrator directs otherwise, participants shall have no voting rights with regard to the investment in HCA Inc. Common Stock (HCA common stock) or LifePoint Hospitals, Inc. Common Stock (LifePoint common stock). Participants may direct investments out of these funds, but no future investments may be made in these funds. The Plan Administrator or the Company may direct some or all of the HCA and/or LifePoint common stock to be sold and invested in Triad common stock.

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Triad Hospitals, Inc. Retirement Savings Plan

Notes to the Financial Statements (continued)

3. Investments (continued)

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During 1999, the Plan purchased 3,000,000 shares of Triad common stock for use in connection with the ESOP component of the Plan (ESOP stock). The ESOP stock is held in a secondary trust which is administered by U.S. Trust Company, N.A. (the Secondary Trustee). The ESOP stock is collateral for the Triad Note (see Note 4). As payments are made on the Triad Note, shares are released from collateral based upon the ratio of principal and interest paid during the period over the total principal and interest payments due under the Triad Note. Released shares are allocated to participant accounts in accordance with the ESOP allocation. Participants do not have any investment discretion regarding the ESOP stock allocated to their accounts. Participants can direct the voting of ESOP stock allocated to their account. The Secondary Trustee votes any unallocated ESOP stock and any allocated ESOP stock for which the Secondary Trustee did not receive voting directions proportionately in accordance with the voting directions that were received. As of December 31, 2001, a total of 900,000 shares in total have been released from collateral.

During 2001, the Plan's investments (including investments bought, sold, and held during the period) depreciated in value as follows:

Registered investment companies	\$ (8,377,531)
Common stock	(24,619,036)

	\$ (32,996,567)
	=====

The fair value of individual investments that represent 5% or more of the Plan's net assets at December 31 are:

	2001
HCA Inc. Common Stock	\$ 78,113,797
Triad Hospitals, Inc. Common Stock	106,669,757
Core Equity Fund	54,931,950
PIMCO Total Return Fund	50,908,296
PRIMCO Stable Value Fund	45,319,202
Berger Small Cap Value Investment Fund	44,329,366

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Triad Hospitals, Inc. Retirement Savings Plan

Notes to the Financial Statements (continued)

3. Investments (continued)

	2000
HCA Inc. Common Stock	\$ 98,412,477
Triad Hospitals, Inc. Common Stock	114,501,896
Core Equity Fund	69,121,785

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PIMCO Total Return Fund	46,979,208
PRIMCO Stable Value Fund	44,027,509
Berger Small Cap Value Investment Fund	36,365,818

4. Note Payable to Triad

In June 1999, the Plan borrowed \$34,500,000 from the Company and used the proceeds to purchase the ESOP stock (see Note 3). The Note Payable to Triad (Triad Note) is to be repaid annually in equal annual installments of \$4,669,768 (principal and interest) over a period of ten years at 6.5% interest. The Triad Note requires the Company to make Employer Retirement Contributions in amounts sufficient to cover the required principal and interest payments. The Triad Note is collateralized by the ESOP stock. Making the payment under the Triad Note results in shares of Triad common stock being released from collateral under the Triad Note. The Company has no rights against the shares once the ESOP stock is allocated to participant accounts. As of December 31, 2001, payments due under the Triad Note and the schedule for release of ESOP stock from collateral was as follows:

	Principal	Stock Released
	-----	-----
2002	\$ 3,005,025	300,000
2003	3,200,352	300,000
2004	3,408,374	300,000
2005	3,629,919	300,000
2006	3,865,864	300,000
Thereafter	8,501,904	600,000

	\$ 25,611,438	
	=====	

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Triad Hospitals, Inc. Retirement Savings Plan

Notes to the Financial Statements (continued)

5. Non-Participant Directed ESOP Investments

Information about the net assets and the significant components of the changes in net assets relating to the non-participant-directed ESOP investments is as follows:

	December 31, 2001	
	Allocated	Unallocated

Net assets:		
Triad Hospitals, Inc. common stock	\$16,429,895	\$70,440,000
Note payable to Triad	-	(25,611,438)

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	December 31, 2000	
	Allocated	Unallocated
	\$16,429,895	\$44,828,562

Net assets:		
Triad Hospitals, Inc. common stock	\$9,341,693	\$87,918,750
Note payable to Triad	-	(28,433,057)
	\$9,341,693	\$59,485,693
	=====	
	Year ended December 31, 2001	
	Allocated	Unallocated
Net depreciation in fair value of investments	\$(769,974)	\$(8,673,750)
Interest	23	-
Employer retirement contribution	-	4,669,768
Benefits paid to participants	(946,847)	-
Transfers	8,805,000	(8,805,000)
Interest expense	-	(1,848,149)
	\$7,088,202	\$(14,657,131)
	=====	

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Triad Hospitals, Inc. Retirement Savings Plan

Notes to the Financial Statements (continued)

6. Related Party Transactions

Certain plan investments are managed by an affiliate of the Trustee. Certain other plan investments are shares of the Triad common stock and of HCA Inc. common stock. HCA Inc. provides various services to the Company, including payroll processing.

7. Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants would become 100% vested with regard to their Employer Matching Contribution, and Employer Retirement and Supplemental Contributions.

8. Income Tax Status

The Plan has received a determination letter from the Internal Revenue Service dated November 7, 2000, stating that the Plan is qualified under Section 401(a) of the Code and, therefore, the related trust is exempt from taxation. Once

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qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan Administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan is qualified and the related trust is tax exempt.

9. Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of net assets available for benefits per the financial statements at December 31 to Form 5500:

	2001	2000
	-----	-----
Net assets available for benefits per the financial statements	\$ 395,804,725	\$
Amounts allocated to withdrawing participants	(342,802)	
	-----	-----
Net assets available for benefits per the Form 5500	\$ 395,461,923	\$
	=====	=====

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Triad Hospitals, Inc. Retirement Savings Plan

Notes to the Financial Statements (continued)

9. Reconciliation of Financial Statements to Form 5500 (continued)

The following is a reconciliation of benefits paid to participants per the financial statements for the year ended December 31, 2001, to Form 5500:

Benefits paid to participants per the financial statements	\$
Amounts allocated to withdrawing participants at December 31, 2001	
Amounts allocated to withdrawing participants at December 31, 2000	

Benefits paid to participants per Form 5500	\$
	=====

Amounts allocated to withdrawing participants are recorded on the Form 5500 for benefit payments that have been processed and approved for payment prior to December 31, but not yet paid as of that date.

10. Subsequent Events

Effective January 1, 2002, participants may direct investments out of the Triad Common Stock Fund into the other funds of the Plan, but no future investments may be made in the Triad Common Stock Fund. Upon the decision of the participant to reduce the portion of his/her account, which is invested in the Triad Common Stock Fund, the participant will not be allowed to reinvest additional amounts

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in the Triad Common Stock Fund.

The Plan's vesting schedule was amended effective January 1, 2002 and will change from a seven-year to a five-year schedule. After two years of service, the participant will be 20% vested, after three years, 40%, after four years, 60%, and after the completion of five years of service, the participant will be 100% vested.

Effective January 1, 2002 the age minimum of 21 years was eliminated from the eligibility requirements of the Plan.

On January 2, 2002, approximately \$254,000,000 was transferred to the Plan related to the Quorum transfer.

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Supplemental Schedule

Triad Hospitals, Inc. Retirement Savings Plan

Schedule H; Line 4i - Schedule of Assets (Held At End of Year)

EIN: 75-2816101 Plan #: 001

December 31, 2001

(a)	(b) Identity of Issue, Borrower, or Similar Party	(c) Description of Investment Including Maturity Date, Rate of Interest, Par or Maturity Value
*	HCA Inc.	HCA Inc. Common Stock
*	Triad Hospitals, Inc.	Triad Hospitals, Inc. Common Stock (ESOP stock/non-participant-directed) \$
*	Triad Hospitals, Inc. LifePoint Hospital, Inc.	Triad Hospitals, Inc. Common Stock LifePoint Hospitals, Inc. Common Stock
	J.P. Morgan & Co. Inc. and Putnam Investments	Core Equity Fund
	Pacific Investment Management Company	PIMCO Total Return Fund
	Invesco	PRIMCO Stable Value Fund
	Berger Funds	Berger Small Cap Value Investment Fund
	Putnam Investments	Putnam International Growth A Fund
	Barclays Global Investors	BGI Equity Index H Fund
*	The Northern Trust Company	Collective Short-Term Investment Fund
*	Participant Loans	General purpose loans, interest rates ranging from 5% to 9.5%

\$
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* Party-in-interest

N/A Reporting not required because investment is participant-directed.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Triad Hospitals, Inc. Retirement Savings Plan

Date: June 24, 2002

By /s/ Ricky E. Thomason

Ricky E. Thomason
Vice President of Human Resources

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EXHIBIT INDEX

Exhibit Number -----	Seq. Description -----	Page No. -----
23.1	Consent of Independent Auditors	17

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