

BROOKWOOD MEDICAL CENTER OF GULFPORT INC  
Form 424B3  
August 13, 2010

**Filed Pursuant to Rule 424(b)(3)  
Registration Nos. 333-159511 and 333-159511-01 to 333-159511-185  
(excluding Registration Nos. 333-159511-07, 333-159511-134 and 333-159511-143)**

**HCA INC.**

**SUPPLEMENT NO. 16 TO  
MARKET MAKING PROSPECTUS DATED**

**JULY 10, 2009**

**THE DATE OF THIS SUPPLEMENT IS AUGUST 12, 2010**

**On August 11, 2010, HCA Inc. filed the attached Quarterly Report on Form 10-Q for the quarter ended June 30, 2010.**

**On June 25, 2010, HCA Inc. filed the attached Current Report on Form 8-K.**

**On June 22, 2010, HCA Inc. filed the attached Information Statement on Schedule 14C.**

**This Prospectus Supplement is being filed to provide additional information contained in filings by HCA Inc. (the Company) with the Securities and Exchange Commission. This Prospectus Supplement should be read together with the Prospectus.**

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**Form 10-Q**

(Mark One)

**☐ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**For the quarterly period ended June 30, 2010**

or

**○ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**For the transition period from            to**

**Commission file number 1-11239**

**HCA Inc.**

*(Exact name of registrant as specified in its charter)*

**Delaware**

*(State or other jurisdiction of  
incorporation or organization)*

**75-2497104**

*(I.R.S. Employer  
Identification No.)*

**One Park Plaza**

**Nashville, Tennessee**

*(Address of principal executive offices)*

**37203**

*(Zip Code)*

**(615) 344-9551**

*(Registrant's telephone number, including area code)*

**Not Applicable**

*(Former name, former address and former fiscal year, if changed since last report)*

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such

files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

<b>Class of Common Stock</b>	<b>Outstanding at July 31, 2010</b>
Voting common stock, \$.01 par value	94,640,800 shares

**HCA INC.**  
**Form 10-Q**  
**June 30, 2010**

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**Form 10-Q**

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**HCA INC.**  
**CONDENSED CONSOLIDATED INCOME STATEMENTS**  
**FOR THE QUARTERS AND SIX MONTHS ENDED JUNE 30, 2010 AND 2009**  
**Unaudited**  
**(Dollars in millions)**

	Quarter		Six Months	
	2010	2009	2010	2009
Revenues	\$ 7,756	\$ 7,483	\$ 15,300	\$ 14,914
Salaries and benefits	3,076	2,944	6,148	5,867
Supplies	1,251	1,211	2,451	2,421
Other operating expenses	1,226	1,124	2,428	2,226
Provision for doubtful accounts	788	866	1,352	1,673
Equity in earnings of affiliates	(75)	(61)	(143)	(129)
Depreciation and amortization	355	360	710	713
Interest expense	530	506	1,046	977
Losses on sales of facilities		3		8
Impairments of long-lived assets	91	4	109	13
	7,242	6,957	14,101	13,769
Income before income taxes	514	526	1,199	1,145
Provision for income taxes	136	161	345	348
Net income	378	365	854	797
Net income attributable to noncontrolling interests	85	83	173	155
Net income attributable to HCA Inc.	\$ 293	\$ 282	\$ 681	\$ 642
Per share data:				
Basic earnings per share	\$ 3.09	\$ 3.00	\$ 7.20	\$ 6.81
Diluted earnings per share	\$ 3.01	\$ 2.96	\$ 7.03	\$ 6.71
Shares used in earnings per share calculations (in thousands):				
Basic	94,635	94,398	94,637	94,386
Diluted	97,026	95,721	96,868	95,720

See accompanying notes.

**HCA INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**Unaudited**  
(Dollars in millions)

	<b>June 30, 2010</b>	<b>December 31, 2009</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 350	\$ 312
Accounts receivable, less allowance for doubtful accounts of \$4,516 and \$4,860	3,769	3,692
Inventories	805	802
Deferred income taxes	1,126	1,192
Other	742	579
	<b>6,792</b>	<b>6,577</b>
Property and equipment, at cost	<b>24,950</b>	24,669
Accumulated depreciation	<b>(13,798)</b>	(13,242)
	<b>11,152</b>	11,427
Investments of insurance subsidiary	<b>646</b>	1,166
Investments in and advances to affiliates	<b>870</b>	853
Goodwill	<b>2,583</b>	2,577
Deferred loan costs	<b>391</b>	418
Other	<b>986</b>	1,113
	<b>\$ 23,420</b>	<b>\$ 24,131</b>
<b>LIABILITIES AND STOCKHOLDERS DEFICIT</b>		
Current liabilities:		
Accounts payable	\$ 1,179	\$ 1,460
Accrued salaries	927	849
Other accrued expenses	1,262	1,158
Long-term debt due within one year	1,029	846
	<b>4,397</b>	<b>4,313</b>
Long-term debt	<b>25,769</b>	24,824
Professional liability risks	<b>1,029</b>	1,057
Income taxes and other liabilities	<b>1,589</b>	1,768
Equity securities with contingent redemption rights	<b>144</b>	147
Stockholders deficit:		

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Common stock \$0.01 par; authorized 125,000,000 shares; outstanding 94,638,800 shares in 2010 and 94,637,400 shares in 2009	<b>1</b>	1
Capital in excess of par value	<b>312</b>	226
Accumulated other comprehensive loss	<b>(505)</b>	(450)
Retained deficit	<b>(10,333)</b>	(8,763)
Stockholders' deficit attributable to HCA Inc.	<b>(10,525)</b>	(8,986)
Noncontrolling interests	<b>1,017</b>	1,008
	<b>(9,508)</b>	(7,978)
	<b>\$ 23,420</b>	\$ 24,131

See accompanying notes.



**HCA INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND 2009**  
**Unaudited**  
**(Dollars in millions)**

	2010	2009
<b>Cash flows from operating activities:</b>		
Net income	\$ 854	\$ 797
Adjustments to reconcile net income to net cash provided by operating activities:		
Changes in operating assets and liabilities	(1,698)	(1,654)
Provision for doubtful accounts	1,352	1,673
Depreciation and amortization	710	713
Income taxes	(55)	(417)
Losses on sales of facilities		8
Impairments of long-lived assets	109	13
Amortization of deferred loan costs	40	40
Share-based compensation	16	14
Pay-in-kind interest		58
Other	23	29
Net cash provided by operating activities	1,351	1,274
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(536)	(619)
Acquisition of hospitals and health care entities	(31)	(41)
Disposition of hospitals and health care entities	25	29
Change in investments	502	71
Other	(11)	11
Net cash used in investing activities	(51)	(549)
<b>Cash flows from financing activities:</b>		
Issuance of long-term debt	1,387	1,751
Net change in revolving credit facilities	1,329	(505)
Repayment of long-term debt	(1,529)	(1,782)
Distributions to noncontrolling interests	(176)	(159)
Payment of debt issuance costs	(25)	(45)
Payment of cash distributions to stockholders	(2,251)	
Other	3	
Net cash used in financing activities	(1,262)	(740)
Change in cash and cash equivalents	38	(15)
Cash and cash equivalents at beginning of period	312	465
Cash and cash equivalents at end of period	\$ 350	\$ 450

Interest payments	\$	<b>973</b>	\$	822
Income tax payments, net	\$	<b>400</b>	\$	765

See accompanying notes.

**HCA INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**Unaudited**

**NOTE 1 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*Merger, Recapitalization and Reporting Entity*

On November 17, 2006, HCA Inc. completed its merger (the Merger) with Hercules Acquisition Corporation, pursuant to which the Company was acquired by Hercules Holding II, LLC (Hercules Holding), a Delaware limited liability company owned by a private investor group comprised of affiliates of, or funds sponsored by, Bain Capital Partners, LLC, Kohlberg Kravis Roberts & Co., Merrill Lynch Global Private Equity (now BAML Capital Partners) (each a Sponsor), affiliates of Citigroup Inc. and Bank of America Corporation (the Sponsor Assignees) and affiliates of HCA founder, Dr. Thomas F. Frist, Jr., (the Frist Entities, and together with the Sponsors and the Sponsor Assignees, the Investors) and by members of management and certain other investors. The Merger, the financing transactions related to the Merger and other related transactions are collectively referred to in this quarterly report as the Recapitalization. The Merger was accounted for as a recapitalization in our financial statements, with no adjustments to the historical basis of our assets and liabilities. As a result of the Recapitalization, our outstanding capital stock is owned by the Investors, certain members of management and key employees. On April 29, 2008, we registered our common stock pursuant to Section 12(g) of the Securities Exchange Act of 1934, as amended, thus subjecting us to the reporting requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended. Our common stock is not traded on a national securities exchange.

HCA Inc. is a holding company whose affiliates own and operate hospitals and related health care entities. The term affiliates includes direct and indirect subsidiaries of HCA Inc. and partnerships and joint ventures in which such subsidiaries are partners. At June 30, 2010, these affiliates owned and operated 154 hospitals, 98 freestanding surgery centers and facilities which provided extensive outpatient and ancillary services. Affiliates of HCA are also partners in joint ventures that own and operate eight hospitals and eight freestanding surgery centers which are accounted for using the equity method. The Company's facilities are located in 20 states and England. The terms HCA, Company, we, our or us, as used in this quarterly report on Form 10-Q, refer to HCA Inc. and its affiliates unless otherwise stated or indicated by context.

*Basis of Presentation*

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal and recurring nature.

The majority of our expenses are cost of revenue items. Costs that could be classified as general and administrative would include our corporate office costs, which were \$44 million and \$40 million for the quarters ended June 30, 2010 and 2009, respectively, and \$82 million and \$77 million for the six months ended June 30, 2010 and 2009, respectively. Operating results for the quarter and six months ended June 30, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010. For further information, refer to the consolidated financial statements and footnotes thereto included in our annual report on Form 10-K for the year ended December 31, 2009.

Certain prior year amounts have been reclassified to conform to the current year presentation.

**HCA INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 2 INCOME TAXES**

During the quarter ended June 30, 2010, we finalized a settlement with the Appeals Division of the Internal Revenue Service ( IRS ) resolving the deductibility of our 2003 government settlement payment and the timing of certain patient service revenues for 2003 and 2004.

The IRS completed its audit of our 2005 and 2006 federal income tax returns during the quarter ended June 30, 2010. We have submitted a protest contesting certain proposed adjustments, including the timing of recognition of certain patient service revenues, the deductibility of certain debt retirement costs and our method for calculating the tax allowance for doubtful accounts. Eight taxable periods of HCA and its predecessors ended in 1997 through 2004, for which the primary remaining issue is the computation of the tax allowance for doubtful accounts, were pending before the IRS Examination Division as of June 30, 2010. We expect the IRS Examination Division will begin an audit of the 2007, 2008 and 2009 federal income tax returns for HCA and one or more HCA affiliated partnerships during 2010.

Our liability for unrecognized tax benefits was \$361 million, including accrued interest of \$78 million as of June 30, 2010 (\$628 million and \$156 million, respectively, as of December 31, 2009). The reduction in our liability for unrecognized tax benefits was principally based on the resolution with taxing authorities of tax positions taken in prior years. Unrecognized tax benefits of \$152 million (\$236 million as of December 31, 2009) would affect the effective rate, if recognized. The liability for unrecognized tax benefits does not reflect deferred tax assets of \$49 million (\$77 million as of December 31, 2009) related to deductible interest and state income taxes. The provision for income taxes reflects \$59 million and \$14 million (\$37 million and \$9 million, respectively, net of tax) reductions in interest expense related to taxing authority examinations for the quarters ended June 30, 2010 and 2009, respectively, and \$74 million and \$34 million (\$47 million and \$22 million, respectively, net of tax) reductions in interest expense related to taxing authority examinations for the six months ended June 30, 2010 and 2009, respectively.

Depending on the resolution of the IRS disputes, the completion of examinations by federal, state or international taxing authorities, or the expiration of statutes of limitation for specific taxing jurisdictions, we believe it is reasonably possible our liability for unrecognized tax benefits may significantly increase or decrease within the next 12 months. However, we are currently unable to estimate the range of any possible change.

**NOTE 3 EARNINGS PER SHARE**

We compute basic earnings per share using the weighted average number of common shares outstanding. We compute diluted earnings per share using the weighted average number of common shares outstanding, plus the dilutive effect of outstanding stock options, computed using the treasury stock method.

The following table sets forth the computation of basic and diluted earnings per share for the quarters and six months ended June 30, 2010 and 2009 (dollars in millions, except per share amounts, and shares in thousands):

	Quarter		Six Months	
	2010	2009	2010	2009
Net income attributable to HCA Inc.	\$ 293	\$ 282	\$ 681	\$ 642

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Weighted average common shares outstanding	<b>94,635</b>	94,398	<b>94,637</b>	94,386
Effect of dilutive stock options	<b>2,391</b>	1,323	<b>2,231</b>	1,334
Shares used for diluted earnings per share	<b>97,026</b>	95,721	<b>96,868</b>	95,720
Earnings per share:				
Basic earnings per share	<b>\$ 3.09</b>	\$ 3.00	<b>\$ 7.20</b>	\$ 6.81
Diluted earnings per share	<b>\$ 3.01</b>	\$ 2.96	<b>\$ 7.03</b>	\$ 6.71

**HCA INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 4 INVESTMENTS OF INSURANCE SUBSIDIARY**

A summary of our insurance subsidiary's investments at June 30, 2010 and December 31, 2009 follows (dollars in millions):

	<b>Amortized Cost</b>	<b>June 30, 2010 Unrealized Amounts</b>		<b>Fair Value</b>
		<b>Gains</b>	<b>Losses</b>	
Debt securities:				
States and municipalities	\$ 302	\$ 16	\$	\$ 318
Auction rate securities	296		(5)	291
Asset-backed securities	29		(1)	28
Money market funds	142			142
	769	16	(6)	779
Equity securities	8	1	(1)	8
	\$ 777	\$ 17	\$ (7)	787
Amounts classified as current assets				(141)
Investment carrying value				\$ 646

	<b>Amortized Cost</b>	<b>December 31, 2009 Unrealized Amounts</b>		<b>Fair Value</b>
		<b>Gains</b>	<b>Losses</b>	
Debt securities:				
States and municipalities	\$ 668	\$ 30	\$ (3)	\$ 695
Auction rate securities	401		(5)	396
Asset-backed securities	43		(1)	42
Money market funds	176			176
	1,288	30	(9)	1,309
Equity securities	8	1	(2)	7
	\$ 1,296	\$ 31	\$ (11)	1,316
Amounts classified as current assets				(150)

Investment carrying value \$ 1,166

At June 30, 2010 and December 31, 2009, the investments of our insurance subsidiary were classified as available-for-sale. During the quarter ended June 30, 2010, investments in debt securities were reduced as a result of the insurance subsidiary distributing \$500 million of excess capital to the Company. Changes in temporary unrealized gains and losses are recorded as adjustments to other comprehensive income. At June 30, 2010 and December 31, 2009, \$93 million and \$100 million, respectively, of our investments were subject to restrictions included in insurance bond collateralization and assumed reinsurance contracts.



**HCA INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 4 INVESTMENTS OF INSURANCE SUBSIDIARY (continued)**

Scheduled maturities of investments in debt securities at June 30, 2010 were as follows (dollars in millions):

	<b>Amortized Cost</b>	<b>Fair Value</b>
Due in one year or less	\$ 164	\$ 165
Due after one year through five years	138	144
Due after five years through ten years	119	127
Due after ten years	23	24
	444	460
Auction rate securities	296	291
Asset-backed securities	29	28
	\$ 769	\$ 779

The average expected maturity of the investments in debt securities at June 30, 2010 was 3.0 years, compared to the average scheduled maturity of 12.5 years. Expected and scheduled maturities may differ because the issuers of certain securities have the right to call, prepay or otherwise redeem such obligations prior to the scheduled maturity date. The average expected maturities for our auction rate and asset-backed securities were derived from valuation models of expected cash flows and involved management's judgment. The average expected maturities for our auction rate and asset-backed securities at June 30, 2010 were 4.3 years and 6.1 years, respectively, compared to average scheduled maturities of 25.0 years and 26.1 years, respectively.

**NOTE 5 LONG-TERM DEBT**

A summary of long-term debt at June 30, 2010 and December 31, 2009, including related interest rates at June 30, 2010, follows (dollars in millions):

	<b>June 30, 2010</b>	<b>December 31, 2009</b>
Senior secured asset-based revolving credit facility (effective interest rate of 1.9%)	\$ 1,875	\$ 715
Senior secured revolving credit facility (effective interest rate of 2.1%)	169	
Senior secured term loan facilities (effective interest rate of 6.9%)	7,551	8,987
Senior secured first lien notes (effective interest rate of 8.4%)	4,072	2,682
Other senior secured debt (effective interest rate of 6.8%)	342	362
First lien debt	<b>14,009</b>	12,746

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Senior secured cash-pay notes (effective interest rate of 9.7%)	<b>4,501</b>	4,500
Senior secured toggle notes (effective interest rate of 10.0%)	<b>1,578</b>	1,578
Second lien debt	<b>6,079</b>	6,078
Senior unsecured notes (effective interest rate of 7.1%)	<b>6,710</b>	6,846
Total debt (average life of six years, rates averaging 7.5%)	<b>26,798</b>	25,670
Less amounts due within one year	<b>1,029</b>	846
	<b>\$ 25,769</b>	\$ 24,824

During March 2010, we issued \$1.400 billion aggregate principal amount of 7 1/4% senior secured first lien notes due 2020 at a price of 99.095% of their face value, resulting in \$1.387 billion of gross proceeds. After the

**HCA INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 5 LONG-TERM DEBT (continued)**

payment of related fees and expenses, we used the proceeds to repay outstanding indebtedness under our senior secured term loan facilities.

**NOTE 6 FINANCIAL INSTRUMENTS***Interest Rate Swap Agreements*

We have entered into interest rate swap agreements to manage our exposure to fluctuations in interest rates. These swap agreements involve the exchange of fixed and variable rate interest payments between two parties based on common notional principal amounts and maturity dates. Pay-fixed interest rate swaps effectively convert LIBOR indexed variable rate obligations to fixed interest rate obligations. Pay-variable interest rate swaps effectively convert fixed interest rate obligations to LIBOR indexed variable rate obligations. The interest payments under these agreements are settled on a net basis. The net interest payments, based on the notional amounts in these agreements, generally match the timing of the related liabilities, for the interest rate swap agreements which have been designated as cash flow hedges. The notional amounts of the swap agreements represent amounts used to calculate the exchange of cash flows and are not our assets or liabilities. Our credit risk related to these agreements is considered low because the swap agreements are with creditworthy financial institutions.

The following table sets forth our interest rate swap agreements, which have been designated as cash flow hedges, at June 30, 2010 (dollars in millions):

	<b>Notional Amount</b>	<b>Maturity Date</b>	<b>Fair Value</b>
Pay-fixed interest rate swaps	\$ 7,100	November 2011	\$ (390)
Pay-fixed interest rate swaps (starting November 2011)	2,000	December 2016	(118)

Certain of our interest rate swaps are not designated as hedges, and changes in fair value are recognized in results of operations. The following table sets forth our interest rate swap agreements, which were not designated as hedges, at June 30, 2010 (dollars in millions):

	<b>Notional Amount</b>	<b>Maturity Date</b>	<b>Fair Value</b>
Pay-fixed interest rate swap	\$ 500	March 2011	\$ (9)
Pay-variable interest rate swap	500	March 2011	(1)
Pay-fixed interest rate swap	900	November 2011	(48)
Pay-variable interest rate swap	900	November 2011	1

During the next 12 months, we estimate \$350 million will be reclassified from other comprehensive income ( OCI ) to interest expense.

*Cross Currency Swaps*

The Company and certain subsidiaries have incurred obligations and entered into various intercompany transactions where such obligations are denominated in currencies, other than the functional currencies of the parties executing the trade. In order to mitigate the currency exposure risks and better match the cash flows of our obligations and intercompany transactions with cash flows from operations, we entered into various cross currency swaps. Our credit risk related to these agreements is considered low because the swap agreements are with creditworthy financial institutions.

## HCA INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE 6 FINANCIAL INSTRUMENTS (continued)

*Cross Currency Swaps (continued)*

Certain of our cross currency swaps are not designated as hedges, and changes in fair value are recognized in results of operations. The following table sets forth our cross currency swap agreement which was not designated as a hedge at June 30, 2010 (amounts in millions):

	Notional Amount	Maturity Date	Fair Value
Euro United States Dollar currency swap	351 Euro	December 2011	\$

The following table sets forth our cross currency swap agreements, which have been designated as cash flow hedges, at June 30, 2010 (amounts in millions):

	Notional Amount	Maturity Date	Fair Value
GBP United States Dollar currency swaps	100 GBP	November 2010	\$ (26)

*Derivatives Results of Operations*

The following tables present the effect on our results of operations of our interest rate and cross currency swaps for the six months ended June 30, 2010 (dollars in millions):

Derivatives in Cash Flow Hedging Relationships	Amount of Loss Recognized in OCI on Derivatives, Net of Tax	Location of Loss Reclassified from Accumulated OCI into Operations	Amount of Loss Reclassified from Accumulated OCI into Operations
Interest rate swaps	\$ 142	Interest expense	\$ 188
Cross currency swaps	8	Interest expense	1
	\$ 150		\$ 189

	<b>Location of Loss Recognized in Operations on Derivatives</b>	<b>Amount of Loss Recognized in Operations on Derivatives</b>
<b>Derivatives Not Designated as Hedging Instruments</b>		
Interest rate swaps	Other operating expense	\$ 1
Cross currency swap	Other operating expense	79

*Credit-risk-related Contingent Features*

We have agreements with each of our derivative counterparties that contain a provision where we could be declared in default on our derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to our default on the indebtedness. As of June 30, 2010, we have not been required to post any collateral related to these agreements. If we had breached these provisions at June 30, 2010, we would have been required to settle our obligations under the agreements at their aggregate, estimated termination value of \$628 million.

**NOTE 7 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE**

Accounting Standards Codification ( ASC ) 820, *Fair Value Measurements and Disclosures* ( ASC 820 ) defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. ASC 820 applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements.

ASC 820 emphasizes fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions market participants would

**HCA INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**NOTE 7 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (continued)**

use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, ASC 820 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

*Cash Traded Investments*

Our cash traded investments are generally classified within Level 1 or Level 2 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Certain types of cash traded instruments are classified within Level 3 of the fair value hierarchy because they trade infrequently and therefore have little or no price transparency. Such instruments include auction rate securities (ARS) and limited partnership investments. The transaction price is initially used as the best estimate of fair value.

Our wholly-owned insurance subsidiary had investments in tax-exempt ARS, which are backed by student loans substantially guaranteed by the federal government, of \$291 million (\$296 million par value) at June 30, 2010. We do not currently intend to attempt to sell the ARS as the liquidity needs of our insurance subsidiary are expected to be met by other investments in its investment portfolio. These securities continue to accrue and pay interest semi-annually based on the failed auction maximum rate formulas stated in their respective Official Statements. During 2009 and the first six months of 2010, certain issuers and their broker/dealers redeemed or repurchased \$172 million and \$105 million, respectively, of our ARS at par value. The valuation of these securities involved management's judgment, after consideration of market factors and the absence of market transparency, market liquidity and observable inputs. Our valuation models derived a fair market value compared to tax-equivalent yields of other student loan backed variable rate securities of similar credit worthiness and similar effective maturities.

*Derivative Financial Instruments*

We have entered into interest rate and cross currency swap agreements to manage our exposure to fluctuations in interest rates and foreign currency risks. The valuation of these instruments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This

analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves, foreign exchange rates and implied volatilities. To comply with the provisions of ASC 820, we incorporate credit valuation adjustments to reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements.

Although we have determined the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as



## HCA INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE 7 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (continued)

*Derivative Financial Instruments (continued)*

estimates of current credit spreads to evaluate the likelihood of default by us and our counterparties. However, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our derivative positions and have determined that the credit valuation adjustments were not significant to the overall valuation of our derivatives at June 30, 2010. As a result, we have determined that our derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy at June 30, 2010.

*Fair Value Summary*

The following table summarizes our assets and liabilities measured at fair value on a recurring basis as of June 30, 2010, aggregated by the level in the fair value hierarchy within which those measurements fall (dollars in millions):

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments of insurance subsidiary:				
Debt securities:				
States and municipalities	\$ 318	\$	\$ 318	\$
Auction rate securities	291			291
Asset-backed securities	28		28	
Money market funds	142	142		
	779	142	346	291
Equity securities	8	1	5	2
Investments of insurance subsidiary	787	143	351	293
Less amounts classified as current assets	(141)	(141)		
	\$ 646	\$ 2	\$ 351	\$ 293

Liabilities:

Interest rate swaps (Income taxes and other liabilities)	\$	565	\$	565	\$
Cross currency swaps (Income taxes and other liabilities)		26		26	

The following table summarizes the activity related to the auction rate and equity securities investments of our insurance subsidiary, which have fair value measurements based on significant unobservable inputs (Level 3), during the six months ended June 30, 2010 (dollars in millions):

Asset balances at December 31, 2009	\$	397
Unrealized gains included in other comprehensive income		1
Settlements		(105)
Asset balances at June 30, 2010	\$	293

**HCA INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 7 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (continued)***Fair Value Summary (continued)*

The estimated fair value of our long-term debt was \$26.554 billion and \$25.659 billion at June 30, 2010 and December 31, 2009, respectively, compared to carrying amounts aggregating \$26.798 billion and \$25.670 billion, respectively. The estimates of fair value are generally based upon the quoted market prices or quoted market prices for similar issues of long-term debt with the same maturities.

**NOTE 8 CONTINGENCIES**

We operate in a highly regulated and litigious industry. As a result, various lawsuits, claims and legal and regulatory proceedings have been and can be expected to be instituted or asserted against us. The resolution of any such lawsuits, claims or legal and regulatory proceedings could have a material, adverse effect on our results of operations or financial position in a given period.

We are subject to claims and suits arising in the ordinary course of business, including claims for personal injuries or wrongful restriction of, or interference with, physicians' staff privileges. In certain of these actions the claimants may seek punitive damages against us which may not be covered by insurance. It is management's opinion that the ultimate resolution of these pending claims and legal proceedings will not have a material, adverse effect on our results of operations or financial position.

**NOTE 9 COMPREHENSIVE INCOME AND CAPITAL STRUCTURE**

The components of comprehensive income, net of related taxes, for the quarters and six months ended June 30, 2010 and 2009 are only attributable to HCA Inc. and are as follows (dollars in millions):

	<b>Quarter</b>		<b>Six Months</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Net income attributable to HCA Inc.	<b>\$ 293</b>	\$ 282	<b>\$ 681</b>	\$ 642
Change in fair value of derivative instruments	<b>(14)</b>	62	<b>(26)</b>	54
Change in fair value of available-for-sale securities	<b>(8)</b>	11	<b>(7)</b>	15
Foreign currency translation adjustments	<b>(6)</b>	34	<b>(27)</b>	32
Defined benefit plans	<b>2</b>	3	<b>5</b>	5
Comprehensive income	<b>\$ 267</b>	\$ 392	<b>\$ 626</b>	\$ 748

The components of accumulated other comprehensive loss, net of related taxes, are as follows (dollars in millions):

**June 30,      December 31,**

	<b>2010</b>	<b>2009</b>
Change in fair value of derivative instruments	\$ (381)	\$ (355)
Change in fair value of available-for-sale securities	7	14
Foreign currency translation adjustments	(30)	(3)
Defined benefit plans	(101)	(106)
Accumulated other comprehensive loss	\$ (505)	\$ (450)

## HCA INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE 9 COMPREHENSIVE INCOME AND CAPITAL STRUCTURE (continued)

The changes in stockholders' deficit, including changes in stockholders' deficit attributable to HCA Inc. and changes in equity attributable to noncontrolling interests are as follows (dollars in millions):

	Equity (Deficit) Attributable to HCA Inc.						
	Common Stock Shares (000)	Par Value	Capital in Excess of Par Value	Accumulated Other Comprehensive Loss	Retained Deficit	Equity Attributable to Noncontrolling Interests	Total
Balances, December 31, 2009	94,637	\$ 1	\$ 226	\$ (450)	\$ (8,763)	\$ 1,008	\$ (7,978)
Net income					681	173	854
Other comprehensive loss				(55)			(55)
Distributions					(2,251)	(176)	(2,427)
Share-based benefit plans	2		59				59
Other			27			12	39
Balances, June 30, 2010	94,639	\$ 1	\$ 312	\$ (505)	\$ (10,333)	\$ 1,017	\$ (9,508)

On January 27, 2010, our Board of Directors declared a distribution to the Company's stockholders and holders of vested stock options. The distribution was \$17.50 per share and vested stock option, or \$1.751 billion in the aggregate. The distribution was paid on February 5, 2010 to holders of record on February 1, 2010. The distribution was funded using funds available under our existing senior secured credit facilities and approximately \$100 million of cash on hand. Pursuant to the terms of our stock option plans, the holders of nonvested stock options received a \$17.50 per share reduction to the exercise price of their share-based awards.

On May 5, 2010, our Board of Directors declared a distribution to the Company's stockholders and holders of vested stock options. The distribution was \$5.00 per share and vested stock option, or \$500 million in the aggregate. The distribution was paid on May 14, 2010 to holders of record on May 6, 2010. The distribution was funded using funds available under our existing senior secured credit facilities. Pursuant to the terms of our stock option plans, the holders of nonvested stock options received a \$5.00 per share reduction to the exercise price of their share-based awards.

On May 5, 2010, our Board of Directors granted approval for the Company to file with the Securities and Exchange Commission a registration statement on Form S-1 relating to a proposed initial public offering of its common stock. We filed the Form S-1 on May 7, 2010. We intend to use the anticipated net proceeds to repay certain of our existing indebtedness, as will be determined prior to our offering, and for general corporate purposes. Upon completion of the offering and in connection with our termination of the management agreement we have with affiliates of the Investors, we will be required to pay a termination fee based upon the net present value of our future obligations under the management agreement.

**NOTE 10 SEGMENT AND GEOGRAPHIC INFORMATION**

We operate in one line of business, which is operating hospitals and related health care entities. During the quarters ended June 30, 2010 and 2009, approximately 24% and 23%, respectively, of our patient revenues related to patients participating in the fee-for-service Medicare program. During each of the six months ended June 30, 2010 and 2009, approximately 24% of our patient revenues related to patients participating in the fee-for-service Medicare program.

Our operations are structured into three geographically organized groups: the Eastern Group includes 48 consolidating hospitals located in the Eastern United States, the Central Group includes 46 consolidating hospitals located in the Central United States and the Western Group includes 54 consolidating hospitals located in the Western United States. We also operate six consolidating hospitals in England, and these facilities are included in the Corporate and other group.

**HCA INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**NOTE 10 SEGMENT AND GEOGRAPHIC INFORMATION (continued)**

Adjusted segment EBITDA is defined as income before depreciation and amortization, interest expense, losses on sales of facilities, impairments of long-lived assets, income taxes and net income attributable to noncontrolling interests. We use adjusted segment EBITDA as an analytical indicator for purposes of allocating resources to geographic areas and assessing their performance. Adjusted segment EBITDA is commonly used as an analytical indicator within the health care industry, and also serves as a measure of leverage capacity and debt service ability. Adjusted segment EBITDA should not be considered as a measure of financial performance under generally accepted accounting principles, and the items excluded from adjusted segment EBITDA are significant components in understanding and assessing financial performance. Because adjusted segment EBITDA is not a measurement determined in accordance with generally accepted accounting principles and is thus susceptible to varying calculations, adjusted segment EBITDA, as presented, may not be comparable to other similarly titled measures of other companies. The geographic distributions of our revenues, equity in earnings of affiliates, adjusted segment

## HCA INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE 10 SEGMENT AND GEOGRAPHIC INFORMATION (continued)

EBITDA and depreciation and amortization for the quarters and six months ended June 30, 2010 and 2009 are summarized in the following table (dollars in millions):

	Quarter		Six Months	
	2010	2009	2010	2009
Revenues:				
Central Group	\$ 1,836	\$ 1,805	\$ 3,600	\$ 3,608
Eastern Group	2,273	2,181	4,506	4,456
Western Group	3,402	3,278	6,710	6,429
Corporate and other	245	219	484	421
	\$ 7,756	\$ 7,483	\$ 15,300	\$ 14,914
Equity in earnings of affiliates:				
Central Group	\$	\$ (1)	\$ (1)	\$ (2)
Eastern Group		(1)	(1)	(1)
Western Group	(73)	(59)	(140)	(126)
Corporate and other	(2)		(1)	
	\$ (75)	\$ (61)	\$ (143)	\$ (129)
Adjusted segment EBITDA:				
Central Group	\$ 324	\$ 344	\$ 666	\$ 695
Eastern Group	392	340	832	773
Western Group	778	712	1,569	1,445
Corporate and other	(4)	3	(3)	(57)
	\$ 1,490	\$ 1,399	\$ 3,064	\$ 2,856
Depreciation and amortization:				
Central Group	\$ 90	\$ 88	\$ 177	\$ 176
Eastern Group	89	93	180	183
Western Group	143	146	287	290
Corporate and other	33	33	66	64
	\$ 355	\$ 360	\$ 710	\$ 713



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Adjusted segment EBITDA	\$ <b>1,490</b>	\$ 1,399	\$ <b>3,064</b>	\$ 2,856
Depreciation and amortization	<b>355</b>	360	<b>710</b>	713
Interest expense	<b>530</b>	506	<b>1,046</b>	977
Losses on sales of facilities		3		8
Impairments of long-lived assets	<b>91</b>	4	<b>109</b>	13
Income before income taxes	\$ <b>514</b>	\$ 526	\$ <b>1,199</b>	\$ 1,145

**HCA INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**NOTE 11 ACQUISITIONS, DISPOSITIONS AND IMPAIRMENTS OF LONG-LIVED ASSETS**

During the six months ended June 30, 2010 and 2009, we paid \$31 million and \$41 million, respectively, to acquire nonhospital health care entities.

During the six months ended June 30, 2010, we received proceeds of \$25 million related to sales of real estate investments and the proceeds were equal to the carrying amounts. During the quarter ended June 30, 2009, we recognized a net pretax loss of \$3 million related to sales of hospital facilities and other investments. During the six months ended June 30, 2009, we received proceeds of \$29 million and recognized a net pretax loss of \$8 million related to sales of hospital facilities and other investments.

During the quarter ended June 30, 2010, we recorded impairments of long-lived assets of \$91 million, comprised of impairment charges of \$56 million related to revised, reduced projections of future expected cash flows for a hospital facility in our Central Group and \$35 million for capitalized engineering and design costs in our Corporate and Other Group related to certain building safety requirements (California earthquake standards) that have been revised, to adjust the carrying values to estimated fair value. During the six months ended June 30, 2010, we recorded impairments of long-lived assets of \$109 million, including the second quarter 2010 charges of \$91 million and the first quarter 2010 impairment charges of \$18 million to adjust the carrying values of real estate and other investments in our Eastern, Western and Corporate and Other Groups to estimated fair value. During the quarter and six months ended June 30, 2009, we recorded charges of \$4 million and \$13 million, respectively, to adjust the carrying values of certain real estate investments in our Central Group to estimated fair value.

**HCA INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 12 SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION**

Our senior secured credit facilities and senior secured notes are fully and unconditionally guaranteed by substantially all existing and future, direct and indirect, wholly-owned material domestic subsidiaries that are Unrestricted Subsidiaries under our Indenture dated December 16, 1993 (except for certain special purpose subsidiaries that only guarantee and pledge their assets under our senior secured asset-based revolving credit facility).

Our summarized condensed consolidating balance sheets at June 30, 2010 and December 31, 2009, condensed consolidating statements of income for the quarters and six months ended June 30, 2010 and 2009 and condensed consolidating statements of cash flows for the six months ended June 30, 2010 and 2009, segregating the parent company issuer, the subsidiary guarantors, the subsidiary non-guarantors and eliminations, follow:

**HCA INC.**  
**CONDENSED CONSOLIDATING INCOME STATEMENT**  
**FOR THE QUARTER ENDED JUNE 30, 2010**  
**(Dollars in millions)**

	<b>Parent Issuer</b>	<b>Subsidiary Guarantors</b>	<b>Subsidiary Non- Guarantors</b>	<b>Eliminations</b>	<b>Condensed Consolidated</b>
Revenues	\$	\$ 4,479	\$ 3,277	\$	\$ 7,756
Salaries and benefits		1,809	1,267		3,076
Supplies		724	527		1,251
Other operating expenses	1	665	560		1,226
Provision for doubtful accounts		499	289		788
Equity in earnings of affiliates	(745)	(28)	(47)	745	(75)
Depreciation and amortization		197	158		355
Interest expense	668	(122)	(16)		530
Impairments of long-lived assets		38	53		91
Management fees		(120)	120		
	(76)	3,662	2,911	745	7,242
Income before income taxes	76	817	366	(745)	514
Provision for income taxes	(217)	259	94		136
Net income	293	558	272	(745)	378
Net income attributable to noncontrolling interests		14	71		85
Net income attributable to HCA Inc.	\$ 293	\$ 544	\$ 201	\$ (745)	\$ 293



**HCA INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 12 SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (continued)**

**HCA INC.**  
**CONDENSED CONSOLIDATING INCOME STATEMENT**  
**FOR THE QUARTER ENDED JUNE 30, 2009**  
(Dollars in millions)

	<b>Parent Issuer</b>	<b>Subsidiary Guarantors</b>	<b>Subsidiary Non- Guarantors</b>	<b>Eliminations</b>	<b>Condensed Consolidated</b>
Revenues	\$	\$ 4,420	\$ 3,063	\$	\$ 7,483
Salaries and benefits		1,760	1,184		2,944
Supplies		712	499		1,211
Other operating expenses	7	619	498		1,124
Provision for doubtful accounts		546	320		866
Equity in earnings of affiliates	(674)	(24)	(37)	674	(61)
Depreciation and amortization		200	160		360
Interest expense	583	(70)	(7)		506
Losses (gains) on sales of facilities		5	(2)		3
Impairments of long-lived assets		4			4
Management fees		(115)	115		
	(84)	3,637	2,730	674	6,957
Income before income taxes	84	783	333	(674)	526
Provision for income taxes	(198)	273	86		161
Net income	282	510	247	(674)	365
Net income attributable to noncontrolling interests		12	71		83
Net income attributable to HCA Inc.	\$ 282	\$ 498	\$ 176	\$ (674)	\$ 282

**HCA INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 12 SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (continued)**

**HCA INC.**  
**CONDENSED CONSOLIDATING INCOME STATEMENT**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2010**  
(Dollars in millions)

	Parent Issuer	Subsidiary Guarantors	Subsidiary Non- Guarantors	Eliminations	Condensed Consolidated
Revenues	\$	\$ 8,853	\$ 6,447	\$	\$ 15,300
Salaries and benefits		3,635	2,513		6,148
Supplies		1,414	1,037		2,451
Other operating expenses	3	1,303	1,122		2,428
Provision for doubtful accounts		857	495		1,352
Equity in earnings of affiliates	(1,556)	(55)	(88)	1,556	(143)
Depreciation and amortization		392	318		710
Interest expense	1,316	(237)	(33)		1,046
Impairments of long-lived assets		53	56		109
Management fees		(238)	238		
	(237)	7,124	5,658	1,556	14,101
Income before income taxes	237	1,729	789	(1,556)	1,199
Provision for income taxes	(444)	572	217		345
Net income	681	1,157	572	(1,556)	854
Net income attributable to noncontrolling interests		29	144		173
Net income attributable to HCA Inc.	\$ 681	\$ 1,128	\$ 428	\$ (1,556)	\$ 681

## HCA INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE 12 SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (continued)

**HCA INC.**  
**CONDENSED CONSOLIDATING INCOME STATEMENT**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2009**  
(Dollars in millions)

	Parent Issuer	Subsidiary Guarantors	Subsidiary Non- Guarantors	Eliminations	Condensed Consolidated
Revenues	\$	\$ 8,813	\$ 6,101	\$	\$ 14,914
Salaries and benefits		3,515	2,352		5,867
Supplies		1,433	988		2,421
Other operating expenses	12	1,236	978		2,226
Provision for doubtful accounts		1,054	619		1,673
Equity in earnings of affiliates	(1,379)	(48)	(81)	1,379	(129)
Depreciation and amortization		396	317		713
Interest expense	1,125	(136)	(12)		977
Losses on sales of facilities		6	2		8
Impairments of long-lived assets		13			13
Management fees		(231)	231		
	(242)	7,238	5,394	1,379	13,769
Income before income taxes	242	1,575	707	(1,379)	1,145
Provision for income taxes	(400)	543	205		348
Net income	642	1,032	502	(1,379)	797
Net income attributable to noncontrolling interests		26	129		155
Net income attributable to HCA Inc.	\$ 642	\$ 1,006	\$ 373	\$ (1,379)	\$ 642

**HCA INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 12 SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (continued)**

**HCA INC.**  
**CONDENSED CONSOLIDATING BALANCE SHEET**  
**JUNE 30, 2010**  
(Dollars in millions)

	<b>Parent Issuer</b>	<b>Subsidiary Guarantors</b>	<b>Subsidiary Non- Guarantors</b>	<b>Eliminations</b>	<b>Condensed Consolidated</b>
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$	\$ 108	\$ 242	\$	\$ 350
Accounts receivable, net		2,170	1,599		3,769
Inventories		488	317		805
Deferred income taxes	1,126				1,126
Other	93	195	454		742
	1,219	2,961	2,612		6,792
Property and equipment, net		6,826	4,326		11,152
Investments of insurance subsidiary			646		646
Investments in and advances to affiliates		247	623		870
Goodwill		1,635	948		2,583
Deferred loan costs	391				391
Investments in and advances to subsidiaries	23,386			(23,386)	
Other	857	16	113		986
	\$ 25,853	\$ 11,685	\$ 9,268	\$ (23,386)	\$ 23,420
<b>LIABILITIES AND STOCKHOLDERS (DEFICIT) EQUITY</b>					
Current liabilities:					
Accounts payable	\$	\$ 710	\$ 469	\$	\$ 1,179
Accrued salaries		590	337		927
Other accrued expenses	313	300	649		1,262
Long-term debt due within one year	989	10	30		1,029
	1,302	1,610	1,485		4,397



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Long-term debt	25,363	106	300		25,769
Intercompany balances	8,586	(11,498)	2,912		
Professional liability risks			1,029		1,029
Income taxes and other liabilities	983	435	171		1,589
	36,234	(9,347)	5,897		32,784
Equity securities with contingent redemption rights	144				144
Stockholders (deficit) equity attributable to HCA Inc.	(10,525)	20,915	2,471	(23,386)	(10,525)
Noncontrolling interests		117	900		1,017
	(10,525)	21,032	3,371	(23,386)	(9,508)
	\$ 25,853	\$ 11,685	\$ 9,268	\$ (23,386)	\$ 23,420

**HCA INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 12 SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (continued)**

**HCA INC.**  
**CONDENSED CONSOLIDATING BALANCE SHEET**  
**DECEMBER 31, 2009**  
**(Dollars in millions)**

	<b>Parent Issuer</b>	<b>Subsidiary Guarantors</b>	<b>Subsidiary Non- Guarantors</b>	<b>Eliminations</b>	<b>Condensed Consolidated</b>
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$	\$ 95	\$ 217	\$	\$ 312
Accounts receivable, net		2,135	1,557		3,692
Inventories		489	313		802
Deferred income taxes	1,192				1,192
Other	81	148	350		579
	1,273	2,867	2,437		6,577
Property and equipment, net		7,034	4,393		11,427
Investments of insurance subsidiary			1,166		1,166
Investments in and advances to affiliates		244	609		853
Goodwill		1,641	936		2,577
Deferred loan costs	418				418
Investments in and advances to subsidiaries	21,830			(21,830)	
Other	963	19	131		1,113
	\$ 24,484	\$ 11,805	\$ 9,672	\$ (21,830)	\$ 24,131
<b>LIABILITIES AND STOCKHOLDERS (DEFICIT) EQUITY</b>					
Current liabilities:					
Accounts payable	\$	\$ 908	\$ 552	\$	\$ 1,460
Accrued salaries		542	307		849
Other accrued expenses	282	293	583		1,158
Long-term debt due within one year	802	9	35		846
	1,084	1,752	1,477		4,313

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Long-term debt	24,427	103	294		24,824
Intercompany balances	6,636	(10,387)	3,751		
Professional liability risks			1,057		1,057
Income taxes and other liabilities	1,176	421	171		1,768
	33,323	(8,111)	6,750		31,962
Equity securities with contingent redemption rights	147				147
Stockholders (deficit) equity attributable to HCA Inc.	(8,986)	19,787	2,043	(21,830)	(8,986)
Noncontrolling interests		129	879		1,008
	(8,986)	19,916	2,922	(21,830)	(7,978)
	\$ 24,484	\$ 11,805	\$ 9,672	\$ (21,830)	\$ 24,131

## HCA INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE 12 SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (continued)

HCA INC.  
**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2010**  
(Dollars in millions)

	Parent Issuer	Subsidiary Guarantors	Subsidiary Non- Guarantors	Eliminations	Condensed Consolidated
<b>Cash flows from operating activities:</b>					
Net income	\$ 681	\$ 1,157	\$ 572	\$ (1,556)	\$ 854
Adjustments to reconcile net income to net cash (used in) provided by operating activities:					
Changes in operating assets and liabilities	31	(1,057)	(672)		(1,698)
Provision for doubtful accounts		857	495		1,352
Depreciation and amortization		392	318		710
Income taxes	(55)				(55)
Impairments of long-lived assets		48	61		109
Amortization of deferred loan costs	40				40
Share-based compensation	16				16
Equity in earnings of affiliates	(1,556)			1,556	
Other	23				23
Net cash (used in) provided by operating activities	(820)	1,397	774		1,351
<b>Cash flows from investing activities:</b>					
Purchase of property and equipment		(225)	(311)		(536)
Acquisition of hospitals and health care entities		(21)	(10)		(31)
Disposition of hospitals and health care entities		24	1		25
Change in investments		10	492		502
Other		(1)	(10)		(11)
Net cash (used in) provided by investing activities		(213)	162		(51)
<b>Cash flows from financing activities:</b>					
Issuance of long-term debt	1,387				1,387
Net change in revolving credit facilities	1,329				1,329

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Repayment of long-term debt	(1,508)	(11)	(10)	(1,529)
Distributions to noncontrolling interests		(41)	(135)	(176)
Changes in intercompany balances with affiliates, net	1,893	(1,119)	(774)	
Payment of debt issuance costs	(25)			(25)
Payment of cash distributions to stockholders	(2,251)			(2,251)
Other	(5)		8	3
Net cash provided by (used in) financing activities	820	(1,171)	(911)	(1,262)
Change in cash and cash equivalents		13	25	38
Cash and cash equivalents at beginning of period		95	217	312
Cash and cash equivalents at end of period	\$	\$ 108	\$ 242	\$ 350

## HCA INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## NOTE 12 SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (continued)

HCA INC.  
**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2009**  
(Dollars in millions)

	Parent Issuer	Subsidiary Guarantors	Subsidiary Non- Guarantors	Eliminations	Condensed Consolidated
<b>Cash flows from operating activities:</b>					
Net income	\$ 642	\$ 1,032	\$ 502	\$ (1,379)	\$ 797
Adjustments to reconcile net income to net cash (used in) provided by operating activities:					
Changes in operating assets and liabilities	50	(1,057)	(647)		(1,654)
Provision for doubtful accounts		1,054	619		1,673
Depreciation and amortization		396	317		713
Income taxes	(417)				(417)
Losses on sales of facilities		6	2		8
Impairments of long-lived assets		13			13
Amortization of deferred loan costs	40				40
Share-based compensation	14				14
Pay-in-kind interest	58				58
Equity in earnings of affiliates	(1,379)			1,379	
Other	23	16	(10)		29
Net cash (used in) provided by operating activities	(969)	1,460	783		1,274
<b>Cash flows from investing activities:</b>					
Purchase of property and equipment		(344)	(275)		(619)
Acquisition of hospitals and health care entities		(38)	(3)		(41)
Disposition of hospitals and health care entities		18	11		29
Change in investments		(2)	73		71
Other		(17)	28		11
Net cash used in investing activities		(383)	(166)		(549)
<b>Cash flows from financing activities:</b>					
Issuance of long-term debt	1,751				1,751
Net change in revolving bank credit facility	(505)				(505)

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Repayment of long-term debt	(1,739)	(6)	(37)	(1,782)
Distributions to noncontrolling interests		(50)	(109)	(159)
Changes in intercompany balances with affiliates, net	1,507	(1,064)	(443)	
Payment of debt issuance costs	(45)			(45)
Net cash provided by (used in) financing activities	969	(1,120)	(589)	(740)
Change in cash and cash equivalents		(43)	28	(15)
Cash and cash equivalents at beginning of period		134	331	465
Cash and cash equivalents at end of period	\$	\$ 91	\$ 359	\$ 450

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Forward-Looking Statements

This quarterly report on Form 10-Q includes certain disclosures which contain forward-looking statements. Forward-looking statements include all statements that do not relate solely to historical or current facts, and can be identified by the use of words like may, believe, will, should, seek, approximately, intend, expect, anticipate, plan, initiative or continue. These forward-looking statements are based on our current plans and expectations and are subject to a number of known and unknown uncertainties and risks, many of which are beyond our control, that could significantly affect current plans and expectations and our future financial position and results of operations. These factors include, but are not limited to, (1) the ability to recognize the benefits of the Recapitalization, (2) the impact of the substantial indebtedness incurred to finance the Recapitalization and the ability to refinance such indebtedness on acceptable terms, (3) the effects related to the enactment of the Health Reform Law and the possible enactment of additional federal or state health care reform and changes in federal, state or local laws or regulations affecting the health care industry, (4) increases in the amount and risk of collectibility of uninsured accounts, and deductibles and copayment amounts for insured accounts, (5) the ability to achieve operating and financial targets, attain expected levels of patient volumes and control the costs of providing services, (6) possible changes in the Medicare, Medicaid and other state programs, including Medicaid supplemental payments pursuant to upper payment limit ( UPL ) programs, that may impact reimbursements to health care providers and insurers, (7) the highly competitive nature of the health care business, (8) changes in revenue mix, including potential declines in the population covered under managed care agreements, and the ability to enter into and renew managed care provider agreements on acceptable terms, (9) the efforts of insurers, health care providers and others to contain health care costs, (10) the outcome of our continuing efforts to monitor, maintain and comply with appropriate laws, regulations, policies and procedures, (11) increases in wages and the ability to attract and retain qualified management and personnel, including affiliated physicians, nurses and medical and technical support personnel, (12) the availability and terms of capital to fund the expansion of our business and improvements to our existing facilities, (13) changes in accounting practices, (14) changes in general economic conditions nationally and regionally in our markets, (15) future divestitures of assets, which may result in charges, and possible impairments of long-lived assets, (16) changes in business strategy or development plans, (17) delays in receiving payments for services provided, (18) the outcome of pending and any future tax audits, appeals and litigation associated with our tax positions, (19) potential liabilities and other claims that may be asserted against us, and (20) other risk factors described in our annual report on Form 10-K for the year ended December 31, 2009 and our other filings with the Securities and Exchange Commission. As a consequence, current plans, anticipated actions and future financial position and results of operations may differ from those expressed in any forward-looking statements made by or on behalf of HCA. You are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in this report, which forward-looking statements reflect management's views only as of the date of this report. We undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.

### Health Care Reform

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (collectively, the Health Reform Law ), which was signed into law on March 23, 2010, will change how health care services are covered, delivered and reimbursed through expanded coverage of uninsured individuals, reduced growth in Medicare program spending, reductions in Medicare and Medicaid Disproportionate Share Hospital payments, and the establishment of programs in which reimbursement is tied to quality and integration. In addition,



the Health Reform Law reforms certain aspects of health insurance, expands existing efforts to tie Medicare and Medicaid payments to performance and quality, and contains provisions intended to strengthen fraud and abuse enforcement. For a more detailed discussion of the Health Reform Law and its potential impact on the Company, see Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations - Health Care Reform in our Form 10-Q for the quarter ended March 31, 2010.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

**Second Quarter 2010 Operations Summary**

Net income attributable to HCA Inc. totaled \$293 million for the quarter ended June 30, 2010, compared to \$282 million for the quarter ended June 30, 2009. Revenues increased to \$7.756 billion in the second quarter of 2010 from \$7.483 billion in the second quarter of 2009. Second quarter 2010 results include impairments of long-lived assets of \$91 million. Second quarter 2009 results include losses on sales of facilities of \$3 million and impairments of long-lived assets of \$4 million.

Revenues increased 3.7% on a consolidated basis and increased 3.8% on a same facility basis for the quarter ended June 30, 2010 compared to the quarter ended June 30, 2009. The increase in consolidated revenues can be attributed to the combined impact of a 2.3% increase in revenue per equivalent admission and a 1.3% increase in equivalent admissions. The same facility revenues increase resulted from the combined impact of a 2.2% increase in same facility revenue per equivalent admission and a 1.6% increase in same facility equivalent admissions.

During the quarter ended June 30, 2010, consolidated admissions and same facility admissions declined 0.6% and 0.3%, respectively, compared to the quarter ended June 30, 2009. Inpatient surgeries declined 2.1% on both a consolidated basis and a same facility basis during the quarter ended June 30, 2010, compared to the quarter ended June 30, 2009. Outpatient surgeries declined 0.8% on a consolidated basis and declined 0.9% on a same facility basis during the quarter ended June 30, 2010, compared to the quarter ended June 30, 2009. Emergency department visits increased 2.7% on a consolidated basis and increased 2.8% on a same facility basis during the quarter ended June 30, 2010, compared to the quarter ended June 30, 2009.

For the quarter ended June 30, 2010, the provision for doubtful accounts declined \$78 million to 10.2% of revenues, from 11.6% of revenues for the quarter ended June 30, 2009. The self-pay revenue deductions for charity care and uninsured discounts increased \$13 million and \$467 million (we increased our uninsured discount percentages during August 2009), respectively, during the second quarter of 2010, compared to the second quarter of 2009. The sum of the provision for doubtful accounts, uninsured discounts and charity care, as a percentage of the sum of revenues, uninsured discounts and charity care, was 26.1% for the second quarter of 2010, compared to 23.7% for the second quarter of 2009. Same facility uninsured admissions increased 2.1% and same facility uninsured emergency room visits increased 1.7% for the quarter ended June 30, 2010, compared to the quarter ended June 30, 2009.

The increases in the self-pay revenue deductions result in reductions to both the provision for doubtful accounts and revenues, and were the primary contributing factors to the lower growth rates we experienced in revenues and revenue per equivalent admission during the quarter ended June 30, 2010.

Interest expense increased \$24 million to \$530 million for the quarter ended June 30, 2010, from \$506 million for the quarter ended June 30, 2009. The additional interest expense was due to small increases in both the average debt balance and the average effective interest rate.

Cash flows from operating activities declined \$209 million, from \$659 million for the second quarter of 2009 to \$450 million for the second quarter of 2010. The decline related primarily to changes in working capital items.

**Results of Operations**

*Revenue/Volume Trends*

Our revenues depend upon inpatient occupancy levels, the ancillary services and therapy programs ordered by physicians and provided to patients, the volume of outpatient procedures and the charge and negotiated payment rates for such services. Gross charges typically do not reflect what our facilities are actually paid. Our facilities have entered into agreements with third-party payers, including government programs and managed care health plans, under which the facilities are paid based upon the cost of providing services, predetermined rates per diagnosis, fixed per diem rates or discounts from gross charges. We do not pursue collection of amounts related to patients who meet our guidelines to qualify for charity care; therefore, they are not reported in revenues. We provide discounts to

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

**Results of Operations (continued)**

*Revenue/Volume Trends (continued)*

uninsured patients who do not qualify for Medicaid or charity care that are similar to the discounts provided to many local managed care plans.

Revenues increased 3.7% from \$7.483 billion in the second quarter of 2009 to \$7.756 billion in the second quarter of 2010. The increase in consolidated revenues can be attributed to the combined impact of a 2.3% increase in revenue per equivalent admission and a 1.3% increase in equivalent admissions. Same facility revenues increased 3.8% from \$7.412 billion in the second quarter of 2009 to \$7.691 billion in the second quarter of 2010. The increase in same facility revenues can be attributed to the combined impact of a 2.2% increase in same facility revenue per equivalent admission and a 1.6% increase in same facility equivalent admissions. The increases in the self-pay revenue deductions (charity care and uninsured discounts) result in reductions to both the provision for doubtful accounts and revenues, and were the primary contributing factors to the lower growth rates we experienced in revenues and revenue per equivalent admission during the quarter ended June 30, 2010.

To quantify the total impact of and trends related to uninsured accounts, we believe it is beneficial to view these revenue deductions and provision for doubtful accounts in combination, rather than each separately. A summary of these amounts for the quarters and the six months ended June 30, 2010 and 2009, follows (dollars in millions):

	<b>Quarter</b>		<b>Six Months</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Provision for doubtful accounts	\$ 788	\$ 866	\$ 1,352	\$ 1,673
Uninsured discounts	1,072	605	2,107	1,222
Charity care	598	585	1,144	1,076
Totals	\$ 2,458	\$ 2,056	\$ 4,603	\$ 3,971

Consolidated admissions and same facility admissions declined 0.6% and 0.3%, respectively, in the second quarter of 2010, compared to the second quarter of 2009. Consolidated outpatient surgeries declined 0.8% and same facility outpatient surgeries declined 0.9% in the second quarter of 2010, compared to the second quarter of 2009.

Consolidated and same facility inpatient surgeries each declined 2.1% in the second quarter of 2010, compared to the second quarter of 2009. Emergency department visits increased 2.7% on a consolidated basis and increased 2.8% on a same facility basis during the quarter ended June 30, 2010, compared to the quarter ended June 30, 2009.

Same facility uninsured admissions increased by 527 admissions, or 2.1%, in the second quarter of 2010, compared to the second quarter of 2009. Same facility uninsured admissions increased by 6.8% in the first quarter of 2010, compared to the first quarter of 2009. Same facility uninsured admissions in 2009, compared to 2008, increased 0.2% in the fourth quarter of 2009, increased 8.2% in the third quarter of 2009, increased 10.4% in the second quarter of 2009 and declined 0.1% in the first quarter of 2009.



**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

**Results of Operations (continued)**

*Revenue/Volume Trends (continued)*

The approximate percentages of our admissions related to Medicare, managed Medicare, Medicaid, managed Medicaid, managed care and other insurers and the uninsured for the quarters and six months ended June 30, 2010 and 2009 are set forth in the following table.

	<b>Quarter</b>		<b>Six Months</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Medicare	<b>34%</b>	34%	<b>35%</b>	35%
Managed Medicare	<b>10</b>	10	<b>10</b>	10
Medicaid	<b>9</b>	9	<b>9</b>	9
Managed Medicaid	<b>7</b>	7	<b>7</b>	7
Managed care and other insurers	<b>33</b>	33	<b>32</b>	33
Uninsured	<b>7</b>	7	<b>7</b>	6
	<b>100%</b>	100%	<b>100%</b>	100%

The approximate percentages of our inpatient revenues related to Medicare, managed Medicare, Medicaid, managed Medicaid, managed care and other insurers and the uninsured for the quarters and six months ended June 30, 2010 and 2009 are set forth in the following table.

	<b>Quarter</b>		<b>Six Months</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Medicare	<b>31%</b>	32%	<b>32%</b>	32%
Managed Medicare	<b>9</b>	9	<b>9</b>	8
Medicaid	<b>9</b>	7	<b>9</b>	7
Managed Medicaid	<b>4</b>	4	<b>4</b>	4
Managed care and other insurers	<b>43</b>	43	<b>43</b>	45
Uninsured	<b>4</b>	5	<b>3</b>	4
	<b>100%</b>	100%	<b>100%</b>	100%

At June 30, 2010, we had 72 hospitals in the states of Texas and Florida. During the second quarter of 2010, 57% of our admissions and 52% of our revenues were generated by these hospitals. Uninsured admissions in Texas and Florida represented 62% of our uninsured admissions during the second quarter of 2010.

We receive a significant portion of our revenues from government health programs, principally Medicare and Medicaid, which are highly regulated and subject to frequent and substantial changes. We have increased the indigent care services we provide in several communities in the state of Texas, in affiliation with other hospitals. Hospitals receiving Medicaid supplemental payments may include those that are providing additional indigent care services. Such payments must be within the federal UPL established by federal regulation. Our Texas Medicaid revenues included \$167 million and \$98 million during the second quarters of 2010 and 2009, respectively, and \$336 million and \$161 million during the first six months of 2010 and 2009, respectively, of Medicaid supplemental payments pursuant to UPL programs.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

**Results of Operations (continued)**

*Operating Results Summary*

The following are comparative summaries of results from operations for the quarters and six months ended June 30, 2010 and 2009 (dollars in millions):

	Quarter			
	2010		2009	
	Amount	Ratio	Amount	Ratio
Revenues	\$ 7,756	100.0	\$ 7,483	100.0
Salaries and benefits	3,076	39.6	2,944	39.3
Supplies	1,251	16.1	1,211	16.2
Other operating expenses	1,226	15.9	1,124	15.0
Provision for doubtful accounts	788	10.2	866	11.6
Equity in earnings of affiliates	(75)	(1.0)	(61)	(0.8)
Depreciation and amortization	355	4.6	360	4.8
Interest expense	530	6.8	506	6.8
Losses on sales of facilities			3	
Impairments of long-lived assets	91	1.2	4	0.1
	7,242	93.4	6,957	93.0
Income before income taxes	514	6.6	526	7.0
Provision for income taxes	136	1.7	161	2.1
Net income	378	4.9	365	4.9
Net income attributable to noncontrolling interests	85	1.1	83	1.1
Net income attributable to HCA Inc.	\$ 293	3.8	\$ 282	3.8
<i>% changes from prior year:</i>				
Revenues	3.7%		7.2%	
Income before income taxes	(2.2)		123.6	
Net income attributable to HCA Inc.	3.4		100.9	
Admissions(a)	(0.6)		1.2	
Equivalent admissions(b)	1.3		3.8	
Revenue per equivalent admission	2.3		3.3	
<i>Same facility % changes from prior year(c):</i>				
Revenues	3.8		7.6	
Admissions(a)	(0.3)		1.9	
Equivalent admissions(b)	1.6		4.4	



Revenue per equivalent admission

**2.2**

3.0

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

**Results of Operations (continued)**

*Operating Results Summary (continued)*

	Six Months			
	2010		2009	
	Amount	Ratio	Amount	Ratio
Revenues	\$ 15,300	100.0	\$ 14,914	100.0
Salaries and benefits	6,148	40.2	5,867	39.3
Supplies	2,451	16.0	2,421	16.2
Other operating expenses	2,428	15.9	2,226	15.1
Provision for doubtful accounts	1,352	8.8	1,673	11.2
Equity in earnings of affiliates	(143)	(0.9)	(129)	(0.9)
Depreciation and amortization	710	4.7	713	4.7
Interest expense	1,046	6.8	977	6.5
Losses on sales of facilities			8	0.1
Impairments of long-lived assets	109	0.7	13	0.1
	<b>14,101</b>	<b>92.2</b>	13,769	92.3
Income before income taxes	1,199	7.8	1,145	7.7
Provision for income taxes	345	2.2	348	2.4
Net income	854	5.6	797	5.3
Net income attributable to noncontrolling interests	173	1.1	155	1.0
Net income attributable to HCA Inc.	\$ 681	4.5	\$ 642	4.3
<i>% changes from prior year:</i>				
Revenues	2.6%		5.7%	
Income before income taxes	4.7		97.8	
Net income attributable to HCA Inc.	6.0		106.7	
Admissions(a)	0.1		(0.1)	
Equivalent admissions(b)	1.1		2.6	
Revenue per equivalent admission	1.5		3.0	
<i>Same facility % changes from prior year(c):</i>				
Revenues	2.7		6.1	
Admissions(a)	0.3		0.5	
Equivalent admissions(b)	1.3		3.2	
Revenue per equivalent admission	1.3		2.8	

- (a) Represents the total number of patients admitted to our hospitals and is used by management and certain investors as a general measure of inpatient volume.
- (b) Equivalent admissions are used by management and certain investors as a general measure of combined inpatient and outpatient volume. Equivalent admissions are computed by multiplying admissions (inpatient volume) by the sum of gross inpatient revenues and gross outpatient revenues and then dividing the resulting amount by gross inpatient revenues. The equivalent admissions computation equates outpatient revenues to the volume measure (admissions) used to measure inpatient volume, resulting in a general measure of combined inpatient and outpatient volume.
- (c) Same facility information excludes the operations of hospitals and their related facilities which were either acquired or divested during the current and prior period.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

**Results of Operations (continued)**

*Operating Results Summary (continued)*

**Supplemental Non-GAAP Disclosures  
Operating Measures on a Cash Revenues Basis  
(Dollars in millions)**

The results from operations presented on a cash revenues basis for the quarters and six months ended June 30, 2010 and 2009 follow:

	Amount	Quarter		Amount	Quarter	
		2010 Non-GAAP % of Cash Revenues Ratios(b)	GAAP % of Revenues Ratios(b)		2009 Non-GAAP % of Cash Revenues Ratios(b)	GAAP % of Revenues Ratios(b)
Revenues	\$ 7,756		100.0	\$ 7,483		100.0
Provision for doubtful accounts	788			866		
Cash revenues(a)	6,968	100.0		6,617	100.0	
Salaries and benefits	3,076	44.1	39.6	2,944	44.5	39.3
Supplies	1,251	17.9	16.1	1,211	18.3	16.2
Other operating expenses	1,226	17.7	15.9	1,124	17.0	15.0
% changes from prior year:						
Revenues	3.7%					
Cash revenues	5.3					
Revenue per equivalent admission	2.3					
Cash revenue per equivalent admission	4.0					

	Amount	Six Months		Amount	Six Months	
		2010 Non-GAAP % of Cash Revenues Ratios(b)	GAAP % of Revenues Ratios(b)		2009 Non-GAAP % of Cash Revenues Ratios(b)	GAAP % of Revenues Ratios(b)

Revenues	\$ 15,300		100.0	\$ 14,914		100.0
Provision for doubtful accounts	1,352			1,673		
Cash revenues(a)	13,948	100.0		13,241	100.0	
Salaries and benefits	6,148	44.1	40.2	5,867	44.3	39.3
Supplies	2,451	17.6	16.0	2,421	18.3	16.2
Other operating expenses	2,428	17.3	15.9	2,226	16.8	15.1
% changes from prior year:						
Revenues	2.6%					
Cash revenues	5.3					
Revenue per equivalent admission	1.5					
Cash revenue per equivalent admission	4.2					

- (a) Cash revenues is defined as reported revenues less the provision for doubtful accounts. We use cash revenues as an analytical indicator for purposes of assessing the effect of uninsured patient volumes, adjusted for the effect of both the revenue deductions related to uninsured accounts (charity care and uninsured discounts) and the provision for doubtful accounts (which relates primarily to uninsured accounts), on our revenues and certain operating expenses, as a percentage of cash revenues. Variations in the revenue deductions related to uninsured accounts generally have the inverse effect on the provision for doubtful accounts. We increased our uninsured discount percentages during August 2009 and the resulting effects, for the second quarter and first six months of 2010, were an increase in uninsured discounts of \$467 million and \$885 million, respectively, and a decline in the provision for doubtful accounts of \$78 million and \$321 million, respectively, compared to the same periods for 2009. Cash revenues is commonly used as an analytical indicator within the health care industry. Cash revenues should not be considered as a measure of financial performance under generally accepted accounting principles. Because cash revenues is not a measurement determined in accordance with generally accepted accounting principles and is thus susceptible to varying calculations, cash revenues, as presented, may not be comparable to other similarly titled measures of other health care companies.
- (b) Salaries and benefits, supplies and other operating expenses, as a percentage of cash revenues (a non-GAAP financial measure), present the impact on these ratios due to the adjustment of deducting the provision for doubtful accounts from reported revenues and results in these ratios being non-GAAP financial measures. We believe these non-GAAP financial measures are useful to investors to provide disclosures of our results of operations on the same basis as that used by management. Management uses this information to compare certain operating expense categories as a percentage of cash revenues. Management finds this information useful to evaluate certain expense category trends without the influence of whether adjustments related to revenues for uninsured accounts are recorded as revenue adjustments (charity care and uninsured discounts) or operating expenses (provision for doubtful accounts), and thus the expense category trends are generally analyzed as a percentage of cash revenues. These non-GAAP financial measures should not be considered alternatives to GAAP financial measures. We believe this supplemental information provides management and the users of our financial statements with useful information for period-to-period comparisons. Investors are encouraged to use GAAP measures when evaluating our overall financial performance.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

**Results of Operations (continued)**

*Quarters Ended June 30, 2010 and 2009*

Net income attributable to HCA Inc. totaled \$293 million for the second quarter of 2010 compared to \$282 million for the second quarter of 2009. Revenues increased 3.7% due to the combined impact of revenue per equivalent admission growth of 2.3% and an increase of 1.3% in equivalent admissions for the second quarter of 2010 compared to the second quarter of 2009. Cash revenues (reported revenues less the provision for doubtful accounts) increased 5.3% for the second quarter of 2010 compared to the second quarter of 2009.

For the second quarter of 2010, consolidated admissions and same facility admissions declined 0.6% and 0.3%, respectively, compared to the second quarter of 2009. Outpatient surgical volumes declined 0.8% on a consolidated basis and declined 0.9% on a same facility basis during the second quarter of 2010, compared to the second quarter of 2009. Consolidated and same facility inpatient surgeries each declined 2.1% in the second quarter of 2010, compared to the second quarter of 2009. Emergency department visits increased 2.7% on a consolidated basis and increased 2.8% on a same facility basis during the quarter ended June 30, 2010, compared to the quarter ended June 30, 2009.

Salaries and benefits, as a percentage of revenues, were 39.6% in the second quarter of 2010 and 39.3% in the second quarter of 2009. Salaries and benefits, as a percentage of cash revenues, were 44.1% in the second quarter of 2010 and 44.5% in the second quarter of 2009. Salaries and benefits per equivalent admission increased 3.1% in the second quarter of 2010 compared to the second quarter of 2009. Same facility labor rate increases averaged 3.1% for the second quarter of 2010 compared to the second quarter of 2009.

Supplies, as a percentage of revenues, were 16.1% in the second quarter of 2010 and 16.2% in the second quarter of 2009. Supplies, as a percentage of cash revenues, were 17.9% in the second quarter of 2010 and 18.3% in the second quarter of 2009. Supply cost per equivalent admission increased 2.0% in the second quarter of 2010 compared to the second quarter of 2009. Supply costs per equivalent admission increased 3.0% for medical devices and 3.5% for general medical and surgical items and declined 4.0% for blood products in the second quarter of 2010 compared to the second quarter of 2009.

Other operating expenses, as a percentage of revenues, increased to 15.9% in the second quarter of 2010 compared to 15.0% in the second quarter of 2009. Other operating expenses, as a percentage of cash revenues, increased to 17.7% in the second quarter of 2010 compared to 17.0% in the second quarter of 2009. Other operating expenses is primarily comprised of contract services, professional fees, repairs and maintenance, rents and leases, utilities, insurance (including professional liability insurance) and nonincome taxes. Other operating expenses includes \$91 million and \$49 million of indigent care costs in certain Texas markets during the second quarters of 2010 and 2009, respectively, and this increase is the primary component of the overall increase in other operating expenses. Provisions for losses related to professional liability risks were \$55 million and \$49 million for the second quarters of 2010 and 2009, respectively.

Provision for doubtful accounts declined \$78 million, from \$866 million in the second quarter of 2009 to \$788 million in the second quarter of 2010, and as a percentage of revenues, declined to 10.2% in the second quarter of 2010 compared to 11.6% in the second quarter of 2009. The provision for doubtful accounts and the allowance for doubtful accounts relate primarily to uninsured amounts due directly from patients. The combined self-pay revenue deductions

for charity care and uninsured discounts increased \$480 million during the second quarter of 2010, compared to the second quarter of 2009. The sum of the provision for doubtful accounts, uninsured discounts and charity care, as a percentage of the sum of revenues, uninsured discounts and charity care, was 26.1% for the second quarter of 2010, compared to 23.7% for the second quarter of 2009. To quantify the total impact of and trends related to uninsured accounts, we believe it is beneficial to review the related revenue deductions and the provision for doubtful accounts in combination, rather than separately. At June 30, 2010, our allowance for doubtful accounts represented approximately 94% of the \$4.825 billion total patient due accounts receivable balance. The patient due accounts receivable balance represents the estimated uninsured portion of our accounts receivable.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

**Results of Operations (continued)**

*Quarters Ended June 30, 2010 and 2009 (continued)*

Equity in earnings of affiliates was \$75 million and \$61 million in the second quarters of 2010 and 2009, respectively. Equity in earnings of affiliates relates primarily to our Denver, Colorado market joint venture.

Depreciation and amortization declined \$5 million, from \$360 million in the second quarter of 2009 to \$355 million in the second quarter of 2010.

Interest expense increased from \$506 million in the second quarter of 2009 to \$530 million in the second quarter of 2010 due primarily to small increases in both the average debt balance and the average effective interest rate. Our average debt balance was \$26.966 billion for the second quarter of 2010 compared to \$26.474 billion for the second quarter of 2009. The average effective interest rate for our long term debt increased from 7.7% for the quarter ended June 30, 2009 to 7.9% for the quarter ended June 30, 2010.

During the second quarter of 2010, no gains or losses on sales of facilities were recognized. During the second quarter of 2009, we recorded a net loss on sales of facilities and other investments of \$3 million.

During the second quarter of 2010, we recorded impairments of long-lived assets of \$91 million, comprised of impairment charges of \$56 million for a hospital facility and \$35 million for capitalized engineering and design costs related to certain building safety requirements (California earthquake standards) that have been revised, to adjust the carrying values to estimated fair value. During the second quarter of 2009, we recorded an asset impairment charge of \$4 million to adjust the carrying value of certain real estate investments to estimated fair value.

The effective tax rate was 31.8% and 36.4% for the second quarters of 2010 and 2009, respectively. The effective tax rate computations exclude net income attributable to noncontrolling interests as it relates to consolidated partnerships. Our provision for income taxes for the second quarters of 2010 and 2009 was reduced by \$37 million and \$9 million, respectively, related to reductions in interest expense related to taxing authority examinations. Excluding the effect of these adjustments, the effective tax rate for the second quarters of 2010 and 2009 would have been 40.5% and 38.4%, respectively.

Net income attributable to noncontrolling interests increased from \$83 million for the second quarter of 2009 to \$85 million for the second quarter of 2010. The increase in net income attributable to noncontrolling interests related primarily to growth in operating results of hospital joint ventures in two Texas markets.

*Six Months Ended June 30, 2010 and 2009*

Net income attributable to HCA Inc. totaled \$681 million in the six months ended June 30, 2010 compared to \$642 million in the six months ended June 30, 2009. Revenues increased 2.6% due to the combined impact of revenue per equivalent admission growth of 1.5% and an increase of 1.1% in equivalent admissions for the first six months of 2010 compared to the first six months of 2009. Cash revenues (reported revenues less the provision for doubtful accounts) increased 5.3% in the six months ended June 30, 2010 compared the six months ended June 30, 2009.



For the first six months of 2010, consolidated admissions and same facility admissions increased 0.1% and 0.3%, respectively, compared to the first six months of 2009. Outpatient surgical volumes declined 1.3% on both a consolidated basis and a same facility basis during the first six months of 2010, compared to the first six months of 2009. Consolidated inpatient surgeries declined 1.1% and same facility inpatient surgeries declined 1.3% in the first six months of 2010, compared to the first six months of 2009. Emergency department visits increased 1.7% on a consolidated basis and increased 1.9% on a same facility basis during the six months ended June 30, 2010, compared to the six months ended June 30, 2009.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

**Results of Operations (continued)**

*Six Months Ended June 30, 2010 and 2009 (continued)*

Salaries and benefits, as a percentage of revenues, were 40.2% in the first six months of 2010 and 39.3% in the first six months of 2009. Salaries and benefits, as a percentage of cash revenues, were 44.1% in the first six months of 2010 and 44.3% in the first six months of 2009. Salaries and benefits per equivalent admission increased 3.7% in the first six months of 2010 compared to the first six months of 2009. Same facility labor rate increases averaged 2.8% for the first six months of 2010 compared to the first six months of 2009.

Supplies, as a percentage of revenues, were 16.0% in the first six months of 2010 and 16.2% in the first six months of 2009. Supplies, as a percentage of cash revenues, were 17.6% in the first six months of 2010 and 18.3% in the first six months of 2009. Supply cost per equivalent admission increased 0.2% in the first six months of 2010 compared to the first six months of 2009. Supply costs per equivalent admission increased 3.0% for medical devices, 0.8% for blood products and 4.2% for general medical and surgical items and declined 3.6% for pharmacy supplies in the first six months of 2010 compared to the first six months of 2009.

Other operating expenses, as a percentage of revenues, increased to 15.9% in the first six months of 2010 compared to 15.1% in the first six months of 2009. Other operating expenses, as a percentage of cash revenues, increased to 17.3% in the first six months of 2010 compared to 16.8% in the first six months of 2009. Other operating expenses is primarily comprised of contract services, professional fees, repairs and maintenance, rents and leases, utilities, insurance (including professional liability insurance) and nonincome taxes. Other operating expenses includes \$181 million and \$88 million of indigent care costs in certain Texas markets during the first six months of 2010 and 2009, respectively, and this increase is the primary component of the overall increase in other operating expenses. Provisions for losses related to professional liability risks were \$111 million and \$94 million for the first six months of 2010 and 2009, respectively.

Provision for doubtful accounts declined \$321 million, from \$1.673 billion in the first six months of 2009 to \$1.352 billion in the first six months of 2010, and as a percentage of revenues, declined to 8.8% in the first six months of 2010 compared to 11.2% in the first six months of 2009. The provision for doubtful accounts and the allowance for doubtful accounts relate primarily to uninsured amounts due directly from patients. The combined self-pay revenue deductions for charity care and uninsured discounts increased \$953 million during the first six months of 2010, compared to the first six months of 2009. The sum of the provision for doubtful accounts, uninsured discounts and charity care, as a percentage of the sum of revenues, uninsured discounts and charity care, was 24.8% for the first six months of 2010, compared to 23.1% for the first six months of 2009. To quantify the total impact of and trends related to uninsured accounts, we believe it is beneficial to review the related revenue deductions and the provision for doubtful accounts in combination, rather than separately. At June 30, 2010, our allowance for doubtful accounts represented approximately 94% of the \$4.825 billion total patient due accounts receivable balance. The patient due accounts receivable balance represents the estimated uninsured portion of our accounts receivable.

Equity in earnings of affiliates was \$143 million and \$129 million in the first six months of 2010 and 2009, respectively. Equity in earnings of affiliates relates primarily to our Denver, Colorado market joint venture.

Depreciation and amortization declined \$3 million, from \$713 million in the first six months of 2009 to \$710 million in the first six months of 2010.

Interest expense increased from \$977 million in the first six months of 2009 to \$1.046 billion in the first six months of 2010, due primarily to an increase in the average effective interest rate. Our average debt balance was \$26.609 billion for the first six months of 2010 compared to \$26.643 billion for the first six months of 2009. The average effective interest rate for our long term debt increased from 7.4% for the first six months of 2009 to 7.9% for the first six months of 2010.

During the first six months of 2010, no gains or losses on sales of facilities were recognized. During the first six months of 2009, we recorded a net loss on sales of facilities and other investments of \$8 million.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

**Results of Operations (continued)**

*Six Months Ended June 30, 2010 and 2009 (continued)*

During the first six months of 2010, we recorded impairments of long-lived assets of \$109 million, including an impairment charge of \$56 million for a hospital facility and \$35 million for capitalized engineering and design costs related to certain building safety requirements (California earthquake standards) that have been revised, to adjust the carrying values to estimated fair value. During the first six months of 2009, we recorded asset impairment charges of \$13 million to adjust the carrying value of certain real estate investments to estimated fair value.

The effective tax rate was 33.7% and 35.2% for the first six months of 2010 and 2009, respectively. The effective tax rate computations exclude net income attributable to noncontrolling interests as it relates to consolidated partnerships. Our provision for income taxes for the first six months of 2010 and 2009 was reduced by \$47 million and \$22 million, respectively, related to reductions in interest expense related to taxing authority examinations. Excluding the effect of these adjustments, the effective tax rate for the first six months of 2010 and 2009 would have been 38.2% and 37.3%, respectively.

Net income attributable to noncontrolling interests increased from \$155 million for the first six months of 2009 to \$173 million for the first six months of 2010. The increase in net income attributable to noncontrolling interests related primarily to growth in operating results of hospital joint ventures in two Texas markets.

**Liquidity and Capital Resources**

Cash provided by operating activities totaled \$1.351 billion in the first six months of 2010 compared to \$1.274 billion in the first six months of 2009. The \$77 million increase in cash provided by operating activities in the first six months of 2010 compared to the first six months of 2009 related primarily to a \$57 million increase in net income. We made \$1.373 billion and \$1.587 billion in combined interest and net tax payments in the first six months of 2010 and 2009, respectively. Working capital totaled \$2.395 billion at June 30, 2010 and \$2.264 billion at December 31, 2009. The net increase in working capital at June 30, 2010 compared to December 31, 2009 is due primarily to an increase in prepaids and other receivables.

Cash used in investing activities was \$51 million in the first six months of 2010 compared to \$549 million in the first six months of 2009. Excluding acquisitions, capital expenditures were \$536 million in the first six months of 2010 and \$619 million in the first six months of 2009. We expended \$31 million and \$41 million for acquisitions of nonhospital health care facilities during the first six months of 2010 and 2009, respectively. Capital expenditures are expected to approximate \$1.500 billion in 2010. At June 30, 2010, there were projects under construction which had estimated additional costs to complete and equip over the next five years of approximately \$1.255 billion. We expect to finance capital expenditures with internally generated and borrowed funds. We received \$25 million and \$29 million from sales of hospitals and health care entities during the first six months of 2010 and 2009, respectively. We received cash flows from our investments of \$502 million and \$71 million in the first six months of 2010 and 2009, respectively. During the first six months of 2010, we liquidated certain investments of the insurance subsidiary in order to distribute \$500 million of excess capital to the Company.

Cash used in financing activities totaled \$1.262 billion during the first six months of 2010 compared to \$740 million during the first six months of 2009. During the first six months of 2010, cash flows used in financing activities included payment of cash distributions to stockholders of \$2.251 billion, increases in net borrowings of \$1.187 billion, payments of debt issuance costs of \$25 million and distributions to noncontrolling interests of \$176 million. During the first six months of 2009, cash flows used in financing activities included reductions in net borrowings of \$536 million, payment of debt issuance costs of \$45 million and distributions to noncontrolling interests of \$159 million.

We are a highly leveraged company with significant debt service requirements. Our debt totaled \$26.798 billion at June 30, 2010. Our interest expense was \$1.046 billion for the first six months of 2010 and \$977 million for the first

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

**Liquidity and Capital Resources (continued)**

six months of 2009. The increase in interest expense is due primarily to an increase in the average effective interest rate.

In addition to cash flows from operations, available sources of capital include amounts available under our senior secured credit facilities (\$1.876 billion and \$2.063 billion available as of June 30, 2010 and July 31, 2010, respectively) and anticipated access to public and private debt markets.

Investments of our professional liability insurance subsidiary, to maintain statutory equity and pay claims, totaled \$787 million and \$1.316 billion at June 30, 2010 and December 31, 2009, respectively. Investments were reduced during 2010 as a result of the insurance subsidiary distributing \$500 million of excess capital to the Company. The insurance subsidiary maintained net reserves for professional liability risks of \$555 million and \$590 million at June 30, 2010 and December 31, 2009, respectively. Our facilities are insured by our wholly-owned insurance subsidiary for losses up to \$50 million per occurrence; however, since January 2007, this coverage is subject to a \$5 million per occurrence self-insured retention. Net reserves for the self-insured professional liability risks retained were \$720 million and \$679 million at June 30, 2010 and December 31, 2009, respectively. Claims payments, net of reinsurance recoveries, during the next 12 months are expected to approximate \$256 million. We estimate that approximately \$115 million of the expected net claim payments during the next 12 months will relate to claims in the self-insured retention.

On January 27, 2010, our Board of Directors declared a distribution to the Company's stockholders and holders of vested stock options. The distribution was \$17.50 per share and vested stock option, or \$1.751 billion in the aggregate. The distribution was paid on February 5, 2010 to holders of record on February 1, 2010. The distribution was funded using funds available under our existing senior secured credit facilities and approximately \$100 million of cash on hand.

On May 5, 2010, our Board of Directors declared a distribution to the Company's stockholders and holders of vested stock options. The distribution was \$5.00 per share and vested stock option, or \$500 million in the aggregate. The distribution was paid on May 14, 2010 to holders of record on May 6, 2010. The distribution was funded using funds available under our existing senior secured credit facilities.

On May 5, 2010, our Board of Directors granted approval for the Company to file with the Securities and Exchange Commission a registration statement on Form S-1 relating to a proposed initial public offering of its common stock. We filed the Form S-1 on May 7, 2010. We intend to use the anticipated net proceeds to repay certain of our existing indebtedness, as will be determined prior to our offering, and for general corporate purposes. Upon completion of the offering and in connection with our termination of the management agreement we have with affiliates of the Investors, we will be required to pay a termination fee based upon the net present value of our future obligations under the management agreement.

During February 2009, we issued \$310 million aggregate principal amount of 97/8% senior secured second lien notes due 2017 at a price of 96.673% of their face value, resulting in \$300 million of gross proceeds. During April 2009, we issued \$1.500 billion aggregate principal amount of 81/2% senior secured first lien notes due 2019 at a price of 96.755% of their face value, resulting in \$1.451 billion of gross proceeds. During August 2009, we issued \$1.250 billion aggregate principal amount of 77/8% senior secured first lien notes due 2020 at a price of 98.254% of

their face value, resulting in \$1.228 billion of gross proceeds. During March 2010, we issued \$1.400 billion aggregate principal amount of 7 1/4% senior secured first lien notes due 2020 at a price of 99.095% of their face value, resulting in \$1.387 billion of gross proceeds. After the payment of related fees and expenses, we used the proceeds from these debt issuances to repay outstanding indebtedness under our senior secured term loan facilities.

On April 6, 2010, we entered into an amendment of our senior secured term loan B facility extending the maturity of \$2.0 billion of loans from November 17, 2013 to March 31, 2017 and to increase the ABR margin and LIBOR margin with respect to such extended term loans to 2.25% and 3.25%, respectively.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

**Liquidity and Capital Resources (continued)**

Management believes that cash flows from operations, amounts available under our senior secured credit facilities and our anticipated access to public and private debt markets will be sufficient to meet expected liquidity needs during the next twelve months.

*Market Risk*

We are exposed to market risk related to changes in market values of securities. The investments in debt and equity securities of our wholly-owned insurance subsidiary were \$779 million and \$8 million, respectively, at June 30, 2010. These investments are carried at fair value, with changes in unrealized gains and losses being recorded as adjustments to other comprehensive income. At June 30, 2010, we had a net unrealized gain of \$10 million on the insurance subsidiary's investment securities.

We are exposed to market risk related to market illiquidity. Liquidity of the investments in debt and equity securities of our wholly-owned insurance subsidiary could be impaired by the inability to access the capital markets. Should the wholly-owned insurance subsidiary require significant amounts of cash in excess of normal cash requirements to pay claims and other expenses on short notice, we may have difficulty selling these investments in a timely manner or be forced to sell them at a price less than what we might otherwise have been able to in a normal market environment. At June 30, 2010, our wholly-owned insurance subsidiary had invested \$291 million (\$296 million par value) in tax-exempt student loan auction rate securities (ARS) that continue to experience market illiquidity. It is uncertain if auction-related market liquidity will resume for these securities. We may be required to recognize other-than-temporary impairments on these long-term investments in future periods should issuers default on interest payments or should the fair market valuations of the securities deteriorate due to ratings downgrades or other issue specific factors.

We are also exposed to market risk related to changes in interest rates, and we periodically enter into interest rate swap agreements to manage our exposure to these fluctuations. Our interest rate swap agreements involve the exchange of fixed and variable rate interest payments between two parties, based on common notional principal amounts and maturity dates. The notional amounts of the swap agreements represent balances used to calculate the exchange of cash flows and are not our assets or liabilities. Our credit risk related to these agreements is considered low because the swap agreements are with creditworthy financial institutions. The interest payments under these agreements are settled on a net basis. These derivatives have been recognized in the financial statements at their respective fair values. Changes in the fair value of these derivatives, which are designated as cash flow hedges, are included in other comprehensive income, and changes in the fair value of derivatives which have not been designated as hedges are recorded in operations.

With respect to our interest-bearing liabilities, approximately \$2.497 billion of long-term debt at June 30, 2010 was subject to variable rates of interest, while the remaining balance in long-term debt of \$24.301 billion at June 30, 2010 was subject to fixed rates of interest. Both the general level of interest rates and, for the senior secured credit facilities, our leverage affect our variable interest rates. Our variable debt is comprised primarily of amounts outstanding under the senior secured credit facilities. Borrowings under the senior secured credit facilities bear interest at a rate equal to an applicable margin plus, at our option, either (a) a base rate determined by reference to the higher of (1) the federal funds rate plus 0.50% and (2) the prime rate of Bank of America or (b) a LIBOR rate for the currency of such borrowing for the relevant interest period. The applicable margin for borrowings under the senior secured credit



facilities may fluctuate according to a leverage ratio, with the exception of term loan B where the margin is static. The average effective interest rate for our long-term debt increased from 7.4% for the six months ended June 30, 2009 to 7.9% for the six months ended June 30, 2010.

The estimated fair value of our total long-term debt was \$26.554 billion at June 30, 2010. The estimates of fair value are based upon the quoted market prices for the same or similar issues of long-term debt with the same maturities. Based on a hypothetical 1% increase in interest rates, the potential annualized reduction to future pretax

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

**Liquidity and Capital Resources (continued)**

*Market Risk (continued)*

earnings would be approximately \$25 million. To mitigate the impact of fluctuations in interest rates, we generally target a portion of our debt portfolio to be maintained at fixed rates.

Our international operations and foreign currency denominated loans expose us to market risks associated with foreign currencies. In order to mitigate the currency exposure related to foreign currency denominated debt service obligations, we have entered into cross currency swap agreements. A cross currency swap is an agreement between two parties to exchange a stream of principal and interest payments in one currency for a stream of principal and interest payments in another currency over a specified period. Our credit risk related to these agreements is considered low because the swap agreements are with creditworthy financial institutions.

**Pending IRS Disputes**

The IRS completed its audit of our 2005 and 2006 federal income tax returns during the quarter ended June 30, 2010. We have submitted a protest contesting certain proposed adjustments including the timing of recognition of certain patient service revenues, the deductibility of certain debt retirement costs and our method for calculating the tax allowance for doubtful accounts. Eight taxable periods of HCA and its predecessors ended in 1997 through 2004, for which the primary remaining issue is the computation of the tax allowance for doubtful accounts, were pending before the IRS Examination Division as of June 30, 2010. We expect the IRS Examination Division will begin an audit of the 2007, 2008 and 2009 federal income tax returns for HCA and one or more HCA affiliated partnerships during 2010.

Management believes that HCA, its predecessors, subsidiaries and affiliates properly reported taxable income and paid taxes in accordance with applicable laws and agreements established with the IRS and that final resolution of these disputes will not have a material, adverse effect on our results of operations or financial position. However, if payments due upon final resolution of these issues exceed our recorded estimates, such resolutions could have a material, adverse effect on our results of operations or financial position.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

**Operating Data**

	<b>2010</b>	<b>2009</b>
<b>CONSOLIDATING</b>		
Number of hospitals in operation at:		
March 31	<b>154</b>	155
June 30	<b>154</b>	155
September 30		155
December 31		155
Number of freestanding outpatient surgical centers in operation at:		
March 31	<b>98</b>	97
June 30	<b>98</b>	97
September 30		97
December 31		97
Licensed hospital beds at(a):		
March 31	<b>38,719</b>	38,763
June 30	<b>38,636</b>	38,793
September 30		38,829
December 31		38,839
Weighted average licensed beds(b):		
Quarter:		
First	<b>38,687</b>	38,811
Second	<b>38,607</b>	38,817
Third		38,829
Fourth		38,843
Year		38,825
Average daily census(c):		
Quarter:		
First	<b>21,696</b>	21,701
Second	<b>20,418</b>	20,577
Third		20,087
Fourth		20,256
Year		20,650
Admissions(d):		
Quarter:		
First	<b>398,900</b>	396,200
Second	<b>385,200</b>	387,400
Third		387,600
Fourth		385,300
Year		1,556,500

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

**Operating Data (Continued)**

	<b>2010</b>	<b>2009</b>
Equivalent admissions(e):		
Quarter:		
First	<b>615,500</b>	610,200
Second	<b>617,900</b>	609,900
Third		615,100
Fourth		603,800
Year		2,439,000
Average length of stay (days)(f):		
Quarter:		
First	<b>4.9</b>	4.9
Second	<b>4.8</b>	4.8
Third		4.8
Fourth		4.8
Year		4.8
Emergency room visits(g):		
Quarter:		
First	<b>1,367,100</b>	1,359,700
Second	<b>1,436,200</b>	1,398,000
Third		1,441,200
Fourth		1,394,600
Year		5,593,500
Outpatient surgeries(h):		
Quarter:		
First	<b>190,700</b>	194,400
Second	<b>198,600</b>	200,200
Third		199,100
Fourth		200,900
Year		794,600
Inpatient surgeries(i):		
Quarter:		
First	<b>122,500</b>	122,600
Second	<b>121,800</b>	124,400
Third		125,300
Fourth		122,200
Year		494,500

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

**Operating Data (Continued)**

	<b>2010</b>	<b>2009</b>
Days in accounts receivable(j):		
Quarter:		
First	<b>46</b>	47
Second	<b>44</b>	45
Third		43
Fourth		45
Year		45
Gross patient revenues(k) (dollars in millions):		
Quarter:		
First	\$ <b>31,054</b>	\$ 28,742
Second	<b>30,731</b>	28,500
Third		28,340
Fourth		30,100
Year		115,682
Outpatient revenues as a % of patient revenues(l):		
Quarter:		
First	<b>36%</b>	38%
Second	<b>38%</b>	39%
Third		38%
Fourth		36%
Year		38%
<b>NONCONSOLIDATING(m)</b>		
Number of hospitals in operation at:		
March 31	<b>8</b>	8
June 30	<b>8</b>	8
September 30		8
December 31		8
Number of freestanding outpatient surgical centers in operation at:		
March 31	<b>8</b>	8
June 30	<b>8</b>	8
September 30		8
December 31		8
Licensed hospital beds at:		
March 31	<b>2,369</b>	2,367
June 30	<b>2,369</b>	2,369
September 30		2,369
December 31		2,369

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

**Operating Data (Continued)**

**BALANCE SHEET DATA**

	<b>% of Accounts Receivable</b>			
	<b>Under 91 Days</b>	<b>91</b>	<b>180 Days</b>	<b>Over 180 Days</b>
Accounts receivable aging at June 30, 2010(n):				
Medicare and Medicaid	14%		1%	1%
Managed care and other discounted	18		4	4
Uninsured	16		7	35
<b>Total</b>	<b>48%</b>		<b>12%</b>	<b>40%</b>

- (a) Licensed beds are those beds for which a facility has been granted approval to operate from the applicable state licensing agency.
- (b) Weighted average licensed beds represents the average number of licensed beds, weighted based on periods owned.
- (c) Represents the average number of patients in our hospital beds each day.
- (d) Represents the total number of patients admitted to our hospitals and is used by management and certain investors as a general measure of inpatient volume.
- (e) Equivalent admissions are used by management and certain investors as a general measure of combined inpatient and outpatient volume. Equivalent admissions are computed by multiplying admissions (inpatient volume) by the sum of gross inpatient revenues and gross outpatient revenues and then dividing the resulting amount by gross inpatient revenues. The equivalent admissions computation equates outpatient revenues to the volume measure (admissions) used to measure inpatient volume resulting in a general measure of combined inpatient and outpatient volume.
- (f) Represents the average number of days admitted patients stay in our hospitals.
- (g) Represents the number of patients treated in our emergency rooms.
- (h) Represents the number of surgeries performed on patients who were not admitted to our hospitals. Pain management and endoscopy procedures are not included in outpatient surgeries.
- (i) Represents the number of surgeries performed on patients who have been admitted to our hospitals. Pain management and endoscopy procedures are not included in inpatient surgeries.

- (j) Days in accounts receivable are calculated by dividing the revenues for the period by the days in the period (revenues per day). Accounts receivable, net of allowance for doubtful accounts, at the end of the period is then divided by the revenues per day.
- (k) Gross patient revenues are based upon our standard charge listing. Gross charges/revenues typically do not reflect what our hospital facilities are paid. Gross charges/revenues are reduced by contractual adjustments, discounts and charity care to determine reported revenues.
- (l) Represents the percentage of patient revenues related to patients who are not admitted to our hospitals.
- (m) The nonconsolidating facilities include facilities operated through 50/50 joint ventures which we do not control and are accounted for using the equity method of accounting.
- (n) Accounts receivable aging data is based upon consolidated gross accounts receivable of \$8.285 billion (each 1% is equivalent to approximately \$82.85 million of gross accounts receivable).

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The information called for by this item is provided under the caption "Market Risk" under Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls and Procedures**

HCA's chief executive officer and chief financial officer have reviewed and evaluated the effectiveness of HCA's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934 (the "Exchange Act")) as of the end of the period covered by this quarterly report. Based on that evaluation, the chief executive officer and chief financial officer have concluded HCA's disclosure controls and procedures effectively and timely provide them with material information relating to HCA and its consolidated subsidiaries required to be disclosed in the reports HCA files or submits under the Exchange Act.

#### **Changes in Internal Control Over Financial Reporting**

During the period covered by this report, there have been no changes in our internal control over financial reporting that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

### **Part II: Other Information**

#### **Item 1: Legal Proceedings**

We operate in a highly regulated and litigious industry. As a result, various lawsuits, claims and legal and regulatory proceedings have been and can be expected to be instituted or asserted against us. The resolution of any such lawsuits, claims or legal and regulatory proceedings could materially and adversely affect our results of operations and financial position in a given period.

#### *Government Investigations, Claims and Litigation*

Health care companies are subject to numerous investigations by various governmental agencies. Further, under the federal False Claims Act, private parties have the right to bring *qui tam*, or "whistleblower," suits against companies that submit false claims for payments to, or improperly retain overpayments from, the government. Some states have adopted similar state whistleblower and false claims provisions. Certain of our individual facilities have received, and from time to time, other facilities may receive, government inquiries from federal and state agencies. Depending on whether the underlying conduct in these or future inquiries or investigations could be considered systemic, their resolution could have a material, adverse effect on our financial position, results of operations and liquidity.

In January 2001, we entered into an eight-year Corporate Integrity Agreement ("CIA") with the Office of Inspector General at the Secretary of the Department of Health and Human Services ("OIG"), which expired on January 24, 2009. Under the CIA, we had numerous affirmative obligations, including the requirement to report potential violations of applicable federal health care laws and regulations. Pursuant to these obligations, we reported a number of potential violations of the Stark Law, the Anti-kickback Statute, the Emergency Medical Treatment and Active Labor Act and other laws, most of which we consider to be nonviolations or technical violations. We submitted our final report pursuant to the CIA on April 30, 2009, and in April 2010, we received notice from the OIG that our final report was accepted, relieving us of future obligations under the CIA. However, the government could still determine that our



reporting and/or our resolution of reported issues was inadequate. Violation or breach of the CIA, or violation of federal or state laws relating to Medicare, Medicaid or similar programs, could subject us to substantial monetary fines, civil and criminal penalties and/or exclusion from participation in the Medicare and Medicaid programs. Alleged violations may be pursued by the government or through private *qui tam* actions. Sanctions imposed against us as a result of such actions could have a material, adverse effect on our results of operations or financial position.

*New Hampshire Hospital Litigation*

In 2006, the Foundation for Seacoast Health (the Foundation ) filed suit against HCA in state court in New Hampshire. The Foundation alleged that both the 2006 Recapitalization transaction and a prior 1999 intra-corporate transaction violated a 1983 agreement that placed certain restrictions on transfers of the Portsmouth Regional Hospital. In May 2007, the trial court ruled against the Foundation on all its claims. On appeal, the New Hampshire Supreme Court affirmed the ruling on the Recapitalization, but remanded to the trial court the claims based on the 1999 intra-corporate transaction. The trial court ruled in December 2009 that the 1999 intra-corporate transaction breached the transfer restriction provisions of the 1983 agreement. The court will now conduct additional proceedings to determine whether any harm has flowed from the alleged breach, and if so, what the appropriate remedy should be. The court may consider whether to, among other things, award monetary damages, rescind or undo the 1999 intra-corporate transfer or give the Foundation a right to purchase hospital assets at a price to be determined (which the Foundation asserts should be below the fair market value of the hospital). Trial for the remedies phase is currently set for May 2011.

*General Liability and Other Claims*

We are a party to certain proceedings relating to claims for income taxes and related interest before the IRS Appeals Division. For a description of those proceedings, see Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations Pending IRS Disputes and Note 2 to our condensed consolidated financial statements.

We are also subject to claims and suits arising in the ordinary course of business, including claims for personal injuries or for wrongful restriction of, or interference with, physicians' staff privileges. In certain of these actions the claimants have asked for punitive damages against us, which may not be covered by insurance. In the opinion of management, the ultimate resolution of these pending claims and legal proceedings will not have a material, adverse effect on our results of operations or financial position.

**Item 1A: Risk Factors**

Reference is made to the factors set forth under the caption Forward-Looking Statements in Part I, Item 2 of this Form 10-Q and other risk factors described in our annual report on Form 10-K for the year ended December 31, 2009 and our quarterly report on Form 10-Q for the quarter ended March 31, 2010, which are incorporated herein by reference. There have not been any material changes to the risk factors previously disclosed in our annual report on Form 10-K and our quarterly report on Form 10-Q for the quarter ended March 31, 2010, except as set forth below.

***If we fail to comply with extensive laws and government regulations, we could suffer penalties or be required to make significant changes to our operations.***

The health care industry is required to comply with extensive and complex laws and regulations at the federal, state and local government levels relating to, among other things:

- billing and coding for services and properly handling overpayments;
- relationships with physicians and other referral sources;
- necessity and adequacy of medical care;
- quality of medical equipment and services;

qualifications of medical and support personnel;

confidentiality, maintenance, data breach, identity theft and security issues associated with health-related and personal information and medical records;

the screening, stabilization and transfer of individuals who have emergency medical conditions;

licensure and certification;

hospital rate or budget review;

- preparing and filing of cost reports;
- operating policies and procedures;
- activities regarding competitors; and
- addition of facilities and services.

Among these laws are the federal Anti-kickback Statute, the federal physician self-referral law (commonly called the Stark Law), the federal False Claims Act ( FCA ) and similar state laws. We have a variety of financial relationships with physicians and others who either refer or influence the referral of patients to our hospitals and other health care facilities, and these laws govern those relationships. The Office of Inspector General of the Department of Health and Human Services ( OIG ) has enacted safe harbor regulations that outline practices deemed protected from prosecution under the Anti-kickback Statute. While we endeavor to comply with the applicable safe harbors, certain of our current arrangements, including joint ventures and financial relationships with physicians and other referral sources and persons and entities to which we refer patients, do not qualify for safe harbor protection. Failure to qualify for a safe harbor does not mean the arrangement necessarily violates the Anti-kickback Statute, but may subject the arrangement to greater scrutiny. However, we cannot offer assurance that practices outside of a safe harbor will not be found to violate the Anti-kickback Statute. Allegations of violations of the Anti-kickback Statute may be brought under the federal Civil Monetary Penalty Law, which requires a lower burden of proof than other fraud and abuse laws, including the Anti-kickback Statute.

Our financial relationships with referring physicians and their immediate family members must comply with the Stark Law by meeting an exception. We attempt to structure our relationships to meet an exception to the Stark Law, but the regulations implementing the exceptions are detailed and complex, and we cannot provide assurance every relationship complies fully with the Stark Law. Unlike the Anti-kickback Statute, failure to meet an exception under the Stark Law results in a violation of the Stark Law, even if such violation is technical in nature.

Additionally, if we violate the Anti-kickback Statute or Stark Law, or if we improperly bill for our services, we may be found to violate the FCA, either under a suit brought by the government or by a private person under a *qui tam*, or whistleblower, suit.

If we fail to comply with the Anti-kickback Statute, the Stark Law, the FCA or other applicable laws and regulations, we could be subjected to liabilities, including civil penalties (including the loss of our licenses to operate one or more facilities), exclusion of one or more facilities from participation in the Medicare, Medicaid and other federal and state health care programs and, for violations of certain laws and regulations, criminal penalties. See Business Regulation and Other Factors in our 2009 Form 10-K.

Because many of these laws and their implementing regulations are relatively new, we do not always have the benefit of significant regulatory or judicial interpretation of these laws and regulations. In the future, different interpretations or enforcement of these laws and regulations could subject our current or past practices to allegations of impropriety or illegality or could require us to make changes in our facilities, equipment, personnel, services, capital expenditure programs and operating expenses. A determination we have violated these laws, or the public announcement that we are being investigated for possible violations of these laws, could have a material, adverse effect on our business, financial condition, results of operations or prospects, and our business reputation could suffer significantly. In addition, other legislation or regulations at the federal or state level may be adopted that adversely affect our business.

*If we fail to effectively and timely implement electronic health record systems, our operations could be adversely affected.*

As required by the American Recovery and Reinvestment Act of 2009, the Secretary of the Department of Health and Human Services ( HHS ) is in the process of developing and implementing an incentive payment program for eligible hospitals and health care professionals that adopt and meaningfully use certified electronic health record ( EHR ) technology. HHS intends to use the Provider Enrollment, Chain and Ownership System ( PECOS ) to verify Medicare enrollment prior to making EHR incentive program payments. If our hospitals and employed professionals are unable to meet the requirements for participation in the incentive payment program,

including having an enrollment record in PECOS, we will not be eligible to receive incentive payments that could offset some of the costs of implementing EHR systems. Further, beginning in 2015, eligible hospitals and professionals that fail to demonstrate meaningful use of certified EHR technology will be subject to reduced payments from Medicare. Failure to implement EHR systems effectively and in a timely manner could have a material, adverse effect on our financial position and results of operations.

**Item 2: *Unregistered Sales of Equity Securities and Use of Proceeds***

During the quarter ended June 30, 2010, HCA issued and sold 4,952 shares of common stock in connection with the cashless exercise of stock options for aggregate consideration of \$63,138 resulting in 2,848 net settled shares. HCA also issued and sold 4,952 shares of common stock in connection with the cash exercise of stock options for aggregate consideration of \$63,138. These shares were issued without registration in reliance on the exemptions afforded by Section 4(2) of the Securities Act of 1933, as amended, and Rule 701 promulgated thereunder.

The following table provides certain information with respect to our repurchases of common stock from April 1, 2010 through June 30, 2010.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under Publicly
				Announced Plans or Programs
April 1, 2010 through April 30, 2010	564	\$ 84.71		\$
May 1, 2010 through May 31, 2010				
June 1, 2010 through June 30, 2010				
Total for Second Quarter 2010	564	\$ 84.71		\$

During the second quarter of 2010, we purchased 564 shares pursuant to the terms of the Management Stockholders Agreement and/or separation agreements and stock purchase agreements between former employees and the Company.

**Item 6: *Exhibits***

(a) List of Exhibits:

Exhibit 31.1

	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 32	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of Sarbanes-Oxley Act of 2002.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HCA INC.

By: /s/ R. Milton Johnson  
R. Milton Johnson  
*Executive Vice President and  
Chief Financial Officer*

Date: August 11, 2010



**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 8-K  
CURRENT REPORT PURSUANT  
TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**Date of Report (Date of earliest event reported): June 25, 2010 (June 21, 2010)**

**HCA INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other  
jurisdiction  
of incorporation)

**001-11239**  
(Commission File Number)

**75-2497104**  
(IRS Employer  
Identification No.)

**One Park Plaza, Nashville, Tennessee**  
(Address of principal executive offices)

**37203**  
(Zip Code)

Registrant's telephone number, including area code: **(615) 344-9551**

**Not Applicable**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 5.07. Submission of Matters to a Vote of Security Holders.**

On June 21, 2010, Hercules Holding II, LLC, the holder of 91,845,692 shares, or approximately 97%, of the issued and outstanding shares of capital stock of HCA Inc. (the Company), executed a written consent approving: (1) the Company's Amended and Restated Certificate of Incorporation, (2) an increase in the number of authorized shares of the Company's common stock from One Hundred Twenty-Five Million (125,000,000) to One Billion Eight Hundred Million (1,800,000,000), as reflected in the Company's Amended and Restated Certificate of Incorporation and (3) the adoption of the 2006 Stock Incentive Plan for Key Employees of HCA Inc. and its Affiliates, as Amended and Restated (the Stock Incentive Plan). The consent will become effective on or about July 12, 2010. The written consent contemplates that the Amended and Restated Certificate of Incorporation and the Stock Incentive Plan will become effective immediately prior to and subject to the effectiveness of the registration statement relating to the anticipated initial public offering of the Company's common stock. A notice of the foregoing stockholder action has been sent to the holders of record of the Company's issued and outstanding capital stock as of the close of business on the record date, June 16, 2010.

**SIGNATURES**

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

HCA INC.  
(Registrant)

By: /s/ John M. Franck II  
John M. Franck II  
Vice President and Corporate Secretary

Date: June 25, 2010

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**SCHEDULE 14C INFORMATION**

**Information Statement Pursuant to Section 14(c) of the  
Securities Exchange Act of 1934**

Check the appropriate box:

- Preliminary Information Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14c-5(d)(2))**
- Definitive Information Statement

HCA INC.

(Name of Registrant as Specified in Its Charter)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14c-5(g) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
  - (2) Aggregate number of securities to which transaction applies:
  - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  - (4) Proposed maximum aggregate value of transaction:
  - (5) Total fee paid:
- Fee paid previously with preliminary materials.
- 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:

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

(3) Filing Party:

(4) Date Filed:

**HCA INC.  
One Park Plaza  
Nashville, Tennessee 37203**

**RE: Notice of Action by Written Consent of Stockholders**

Dear Stockholder:

We are notifying our stockholders of record on June 16, 2010 that our Board of Directors has approved and a stockholder representing approximately 97% of our outstanding common stock on June 16, 2010 has executed a written consent approving: (1) our Amended and Restated Certificate of Incorporation, (2) an increase in the number of authorized shares of our common stock from One Hundred Twenty-Five Million (125,000,000) to One Billion Eight Hundred Million (1,800,000,000), as reflected in our Amended and Restated Certificate of Incorporation and (3) the adoption of the 2006 Stock Incentive Plan for Key Employees of HCA Inc. and its Affiliates, as Amended and Restated (the "Stock Incentive Plan").

A copy of the Amended and Restated Certificate of Incorporation, in substantially the form to be filed with the Secretary of State of the State of Delaware, is attached to this information statement as Appendix A. A copy of the Stock Incentive Plan is attached to this information statement as Appendix B.

Under the General Corporation Law of the State of Delaware, stockholder action may be taken by written consent without a meeting of stockholders. The written consent of the holder of a majority of our outstanding common stock is sufficient under the General Corporation Law of the State of Delaware and our existing Amended and Restated Certificate of Incorporation and Bylaws to approve the action described above. Accordingly, the action described above will not be submitted to you and our other stockholders for a vote. This letter and the accompanying information statement are intended to notify you of the aforementioned stockholder action in accordance with applicable Securities and Exchange Commission ( "SEC" ) rules as a result of our common stock being registered with the SEC. Pursuant to the applicable SEC rules, this corporate action will be effective 20 calendar days after the date of the initial mailing of the accompanying information statement, or on or about July 12, 2010.

Under Section 228(e) of the General Corporation Law of the State of Delaware, where stockholder action is taken without a meeting by less than unanimous written consent, prompt notice of the taking of such corporate action must be given to those stockholders who have not consented in writing and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for such meeting had been the date that written consents signed by a sufficient number of holders to take the action were delivered to the corporation as provided in subsection (c) of Section 228. This letter is also intended to serve as the notice required by Section 228(e) of the General Corporation Law of the State of Delaware.

An information statement containing a detailed description of the matters adopted by written consent accompanies this notice. You are urged to read the information statement in its entirety for a description of the action taken by the holder of a majority of the voting power of the Company. **HOWEVER, WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.** We are only furnishing you an information statement as a matter of regulatory compliance with SEC rules. No action is required of you. The Company will mail or make available this information statement to stockholders on or about June 22, 2010.

References to HCA, the Company, we, us, or our in this notice and information statement refer to HCA Inc. and affiliates unless otherwise indicated by context.

By order of the Board of Directors,

John M. Franck II  
*Vice President and Corporate Secretary*

Nashville, TN  
June 22, 2010

**NOTICE OF INTERNET AVAILABILITY OF INFORMATION STATEMENT MATERIALS**

Important Notice Regarding the Availability of Information Statement Materials

Pursuant to rules promulgated by the SEC, we have elected to provide access to this information statement both by sending you this information statement and by notifying you of the availability of such on the Internet.

This information statement is available at: <https://materials.proxyvote.com/404119>.

The proposals acted upon by written consent were for approval of (1) our Amended and Restated Certificate of Incorporation, (2) an increase in the number of authorized shares of our common stock from One Hundred Twenty-Five Million (125,000,000) to One Billion Eight Hundred Million (1,800,000,000), as reflected in our Amended and Restated Certificate of Incorporation and (3) the adoption of the 2006 Stock Incentive Plan for Key Employees of HCA Inc. and its Affiliates, as Amended and Restated.

This corporate action will be effective 20 calendar days after the date of the initial mailing of this information statement, or on or about July 12, 2010. We are not soliciting you for a proxy or for consent authority. We are only furnishing an information statement as a matter of regulatory compliance with SEC rules.



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**HCA INC.  
One Park Plaza  
Nashville, Tennessee 37203**

**INFORMATION STATEMENT**

**WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY. NO ACTION IS REQUIRED OF YOU.**

**QUESTIONS AND ANSWERS**

**Q: Why did I receive the information statement?**

**A:** We sent you the information statement as a matter of regulatory compliance with SEC rules and Delaware law to inform you of the action taken by the holder of a majority of our outstanding common stock by written consent.

**Q: Does this mean HCA's stock is publicly traded?**

**A:** No. Due to the number of HCA stockholders, most of whom are employees, the Company's stock is required to be registered with the SEC, and the Company is required to make certain disclosures with the SEC, such as the information statement. However, HCA's stock is not currently publicly traded. However, on May 7, 2010, HCA filed with the SEC a Registration Statement on Form S-1 giving notice of a proposed initial public offering of HCA's common stock. It is not currently determinable when or if the Registration Statement will be declared effective by the SEC, or if the offering will occur. However, upon the effectiveness of the Registration Statement and listing of our common stock on the New York Stock Exchange ( NYSE ), HCA's common stock will be publicly traded.

**Q: Who sent me this information statement?**

**A:** The information statement was sent to you and paid for by HCA.

**Q: Do I need to return anything?**

**A:** No. The information statement is merely to inform you of the action taken by written consent by holders of a majority of the Company's outstanding common stock. No action is required by you.

**Q: When was this information statement mailed or made available to stockholders?**

**A:** This information statement was first mailed or made available to stockholders on or about June 22, 2010.

**Q: What is an action taken by written consent?**

**A:** Pursuant to Delaware law, any action required to be taken at an annual or special meeting may be taken without a meeting, without prior notice and without a vote, if a consent in writing is signed by the holders of the outstanding stock having more than the minimum number of votes necessary to authorize such action at a meeting at which all shares entitled to vote thereon were present and voted.

**Q: Why was there no special meeting?**

**A:** Because Delaware law allows action to be taken by written consent, and holders of a majority of our outstanding shares of common stock acted by written consent, a special meeting was not necessary.

**Q: What actions were taken by written consent?**

**A:** The holder of a majority of our outstanding common stock executed a written consent approving (1) our Amended and Restated Certificate of Incorporation, (2) an increase in the number of authorized shares of our common stock from One Hundred Twenty-Five Million (125,000,000) to One Billion Eight Hundred Million (1,800,000,000), as reflected in our Amended and Restated Certificate of Incorporation and (3) the adoption of the Stock Incentive Plan.

**Q: Do I need to vote on these matters?**

**A:** No. Since holders of a majority of our common stock have already executed a written consent, your vote is not necessary.

**Q: How many votes were required to approve the proposals?**

**A:** The approval and adoption of the action taken by written consent requires the consent of the holders of a majority of the shares of our outstanding common stock.

**Q: How many shares were voted for the actions?**

**A:** The record date for the action taken by written consent is June 16, 2010. We had 94,635,289 outstanding shares of our common stock on the record date. Each share of our common stock is entitled to one vote. The holder of 91,845,692 shares of our common stock, representing approximately 97% of our outstanding common stock shares entitled to vote on June 16, 2010 executed a written consent. The written consent of the holder of a majority of our outstanding common stock will be sufficient under the General Corporation Law of the State of Delaware and our existing Amended and Restated Certificate of Incorporation and Bylaws to approve the actions described above.

**Q: When will the corporate action be effected?**

**A:** Pursuant to applicable SEC rules, the earliest date on which this corporate action may be effected is 20 calendar days after the date of the initial mailing of this information statement. Accordingly, we anticipate the action taken by written consent being effective on or about July 12, 2010. The written consent contemplates that the Amended and Restated Certificate of Incorporation and the Stock Incentive Plan will be effective immediately prior to and subject to the effectiveness of the registration statement relating to the anticipated initial public offering of our common stock.

**Q: Am I entitled to dissenter's rights?**

**A:** No.

## **BACKGROUND**

On November 17, 2006, we completed our merger (the Merger) with Hercules Acquisition Corporation, pursuant to which we were acquired by Hercules Holding II, LLC (Hercules Holding), a Delaware limited liability company owned by a private investor group comprised of affiliates of, or funds sponsored by, Bain Capital Partners, LLC (Bain Capital), Kohlberg Kravis Roberts & Co. (KKR), Merrill Lynch Global Private Equity (MLGPE) (each a Sponsor), affiliates of Citigroup Inc. (Citigroup) and Bank of America Corporation (together, the Sponsor Assignees) and affiliates of HCA founder, Dr. Thomas F. Frist, Jr., (the Frist Entities, and together with the Sponsors and the Sponsor Assignees, the Investors) and by members of management and certain other investors (the Management Participants). The Merger, the financing transactions related to the Merger and other related transactions are collectively referred to in this information statement as the Recapitalization. The Merger was accounted for as a recapitalization in our financial statements, with no adjustments to the historical basis of our assets and liabilities. As a result of the Recapitalization, our outstanding capital stock is owned by the Investors and the Management Participants. On April 29, 2008, we registered our common stock pursuant to Section 12(g) of the Securities Exchange Act of 1934, as amended (the Exchange Act), thus subjecting us to the reporting requirements of Section 13(a) of the Exchange Act. Our common stock is not currently traded on a national securities exchange.

On May 7, 2010, HCA filed with the SEC a Registration Statement on Form S-1 giving notice of a proposed initial public offering of HCA's common stock (the Registration Statement). It is not currently determinable when or if the Registration Statement will be declared effective by the SEC, or if the offering will occur. However, upon the effectiveness of the Registration Statement and listing of our common stock on the NYSE, HCA's common stock will be publicly traded. The Amended and Restated Certificate of Incorporation, the increase in authorized shares and the Stock Incentive Plan were approved by our Board of Directors and majority stockholder to be effective immediately prior to and subject to the effectiveness of the registration statement relating to the anticipated initial public offering of our common stock.

### **ACTION 1 AMENDMENT AND RESTATATEMENT OF CERTIFICATE OF INCORPORATION**

Our Board of Directors has approved and the holder of 91,845,692 shares of our common stock, representing approximately 97% of the shares of our common stock entitled to vote on the record date, has executed a written consent approving an amendment and restatement of our Amended and Restated Certificate of Incorporation in order to effect a 5.5 for 1 stock split and to make certain changes to the Amended and Restated Certificate of Incorporation to reflect the Company's status as a publicly traded company following completion of its proposed initial public offering. The full text of the Amended and Restated Certificate of Incorporation is set forth as [Appendix A](#) of this information statement. The Amended and Restated Certificate of Incorporation was approved by our Board of Directors and majority stockholder to be effective and filed immediately prior to the effectiveness of the anticipated initial public offering of our common stock.

#### **Reasons for the Amended and Restated Certificate of Incorporation**

On May 7, 2010, HCA filed with the SEC a Registration Statement on Form S-1 giving notice of a proposed initial public offering of HCA's common stock. It is not currently determinable when or if the Registration Statement will be declared effective by the SEC, or if the offering will occur. If the offering does not occur, the Amended and Restated Certificate of Incorporation will not be filed with the Delaware Secretary of State and will not become effective. However, upon the effectiveness of the Registration Statement and listing of our common stock on the NYSE, HCA's common stock will be publicly traded.

The Board of Directors of the Company deemed it advisable and in the best interest of the Company and its stockholders to amend and restate the Company's Amended and Restated Certificate of Incorporation to effect a 5.5 for 1 stock split and to add certain provisions and make certain changes suitable to the Company's anticipated status as a publicly traded company following the proposed initial public offering. A summary of the Amended and Restated Certificate of Incorporation is set forth below, but such summary is qualified in its entirety by reference to the Amended and Restated Certificate of Incorporation, itself, a copy of which is attached as Appendix A and incorporated herein by reference.

## Summary of Amended and Restated Certificate of Incorporation

### Common Stock

The Amended and Restated Certificate of Incorporation authorizes the issuance of One Billion Eight Hundred Million (1,800,000,000) shares of common stock, par value \$.01 per share.

*Voting Rights.* Under the terms of the Amended and Restated Certificate of Incorporation, each holder of the common stock is entitled to one vote for each share on all matters submitted to a vote of the stockholders, including the election of directors. Our stockholders do not have cumulative voting rights. Because of this, the holders of a majority of the shares of common stock entitled to vote and present in person or by proxy at any annual meeting of stockholders can elect all of the directors standing for election, if they should so choose.

*Dividends.* Subject to preferences that may be applicable to any then outstanding preferred stock, holders of common stock are entitled to receive ratably those dividends, if any, as may be declared from time to time by the Board of Directors out of legally available assets or funds.

*Liquidation.* In the event of our liquidation, dissolution, or winding up, holders of common stock will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of all of our debts and other liabilities and the satisfaction of any liquidation preference granted to the holders of any outstanding shares of preferred stock.

*Rights and Preferences.* Holders of common stock have no preemptive or conversion rights, and there are no redemption or sinking fund provisions applicable to the common stock. The rights, preferences, and privileges of the holders of common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock which we may designate in the future.

### Preferred Stock

The Amended and Restated Certificate of Incorporation authorizes our Board of Directors, without further action by the stockholders, to issue up to Two Hundred Million (200,000,000) shares of preferred stock, par value \$.01 per share, in one or more classes or series, to establish from time to time the number of shares to be included in each such class or series, to fix the rights, preferences, and privileges of the shares of each such class or series and any qualifications, limitations, or restrictions thereon.

### Stock Split

The Amended and Restated Certificate of Incorporation provides that, upon the filing and effectiveness of the Amended and Restated Certificate of Incorporation with the Secretary of State of the State of Delaware (the *Effective Time*), a forward split (the *Forward Split*) of our issued and outstanding common stock (including treasury stock) will occur whereby each outstanding share of common stock of the Company (the *Old Common Stock*) shall be automatically split up, reclassified and converted into 5.5 shares of common stock (the *New Common Stock*), thereby increasing the number of outstanding shares of our common stock to approximately 520,494,089 shares (based on June 16, 2010 outstanding shares).

The Forward Split shall occur without any further action on the part of the Company or the holders of shares of New Common Stock and whether or not certificates representing such holders' shares prior to the Forward Split are surrendered for cancellation. No fractional interest in a share of New Common Stock shall be deliverable upon the Forward Split. Stockholders who otherwise would have been entitled to receive any fractional interests in the New

Common Stock, in lieu of receipt of such fractional interest, shall be entitled to receive from the Company an amount in cash equal to the fair value of such fractional interest as of the Effective Time.

The Forward Split will be effected on a stockholder-by-stockholder (as opposed to certificate-by-certificate) basis. Certificates or book-entries dated as of a date prior to the Effective Time representing outstanding shares of Old Common Stock shall, immediately after the Effective Time, represent a number of shares equal



to the same number of shares of New Common Stock as is reflected on the face of such certificates or book-entries, multiplied by 5.5 and rounded down to the nearest whole number. The Company may, but shall not be obliged to, issue new certificates evidencing the shares of New Common Stock outstanding as a result of the Forward Split unless and until the certificates evidencing the shares held by a holder prior to the Forward Split are either delivered to the Company or its transfer agent, or the holder notifies the Company or its transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the Company to indemnify the Company from any loss incurred by it in connection with such certificates.

### **Board of Directors**

The Amended and Restated Certificate of Incorporation provides for a Board of Directors of not less than three members, the exact number to be determined from time to time by resolution adopted by the affirmative vote of a majority of the total number of directors then in office. The Amended and Restated Certificate of Incorporation provides that directors will be elected to hold office for a term expiring at the next annual meeting of stockholders and until a successor is duly elected and qualified or until his or her earlier death, resignation, disqualification or removal. Newly created directorships and vacancies may be filled, so long as there is at least one remaining director, only by the Board of Directors.

### **Amendment to Bylaws**

The Amended and Restated Certificate of Incorporation provides that the Board of Directors is expressly authorized to make, alter, amend, change, add to or repeal the Bylaws of the Company by the affirmative vote of a majority of the total number of directors then in office. Prior to the Trigger Date (as defined below), any amendment, alteration, change, addition or repeal of the Bylaws of the Company by the stockholders of the Company shall require the affirmative vote of the holders of a majority of the outstanding shares of the Company entitled to vote on such amendment, alteration, change, addition or repeal. On or following the Trigger Date, any amendment, alteration, change, addition or repeal of the Bylaws of the Company by the stockholders of the Company shall require the affirmative vote of the holders of at least seventy-five percent (75%) of the outstanding shares of the Company, voting together as a class, entitled to vote on such amendment, alteration, change, addition or repeal.

For purposes of the Amended and Restated Certificate of Incorporation, (i) **Trigger Date** is defined as the first date on which Hercules Holding (or its successor) ceases, or in the event of a liquidation of Hercules Holding, the Equity Sponsors (as defined below) and their affiliates, collectively, cease, to beneficially own (directly or indirectly) shares representing a majority of the then issued and outstanding common stock of the Company (it being understood that the retention of either direct or indirect beneficial ownership of a majority of the then issued and outstanding shares of common stock by Hercules Holding (or its successor) or the Equity Sponsors and their affiliates, as applicable, shall mean that the Trigger Date has not occurred) and (ii) the **Equity Sponsors** shall mean each of Bain Capital, KKR, BAML Capital Partners, Citigroup, Bank of America Corporation, and Dr. Thomas F. Frist, Jr. and their respective affiliates, subsidiaries, successors and assignees (other than the Company and its subsidiaries).

### **Limitation of Liability**

The Amended and Restated Certificate of Incorporation provides that, to the fullest extent permitted by the General Corporation Law of the State of Delaware, no director of the Company shall be liable to the Company or its stockholders for monetary damages arising from a breach of fiduciary duty owed to the Company or its stockholders.

### **Indemnification**

The Amended and Restated Certificate of Incorporation provides that:

we will indemnify our directors and officers to the fullest extent permitted by the General Corporation Law of the State of Delaware;

we may advance expenses to our directors and officers in connection with a legal proceeding to the fullest extent permitted by law; and

the rights provided in our Amended and Restated Certificate of Incorporation are not exclusive.

The Amended and Restated Certificate of Incorporation also permits us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in connection with their services to us, regardless of whether the Company would have the power to indemnify such person against such expenses, liability or loss under the General Corporation Law of the State of Delaware.

### **Special Meetings of Stockholders**

The Amended and Restated Certificate of Incorporation provides that special meetings of stockholders of the Company may be called only by either the Board of Directors, pursuant to a resolution adopted by the affirmative vote of the majority of the total number of directors then in office, or by the Chairman of the Board or the Chief Executive Officer of the Company; provided that, prior to the Trigger Date, special meetings of stockholders of the Company may also be called by the secretary of the Company at the request of the holders of a majority of the outstanding shares of common stock.

### **Action on Written Consent**

Pursuant to the Amended and Restated Certificate of Incorporation, prior to the Trigger Date, stockholders may take action by written consent; however, following the Trigger Date, any action required or permitted to be taken at an annual or special meeting of stockholders of the Company may be taken only upon the vote of the stockholders at an annual or special meeting duly called and may not be taken by written consent of the stockholders.

### **Corporate Opportunities**

The Amended and Restated Certificate of Incorporation provides that we renounce any interest in the business opportunities of the Investors and of our directors who are affiliated with the Investors, other than directors employed by us, and that neither our directors affiliated with the Investors, other than directors employed by us, nor the Investors have any obligation to offer us those opportunities, except that the forgoing have an obligation to communicate business opportunities offered to such persons expressly in his or her capacity as a director or officer of the Company.

### **Amendment to Amended and Restated Certificate of Incorporation**

The Amended and Restated Certificate of Incorporation provides that on or following the Trigger Date, the affirmative vote of the holders of at least seventy-five percent (75%) of the voting power of all outstanding shares of the Company entitled to vote generally in the election of directors, voting together in a single class, shall be required to adopt any provision inconsistent with, to amend or repeal any provision of, or to adopt a bylaw inconsistent with certain specified provisions of the Amended and Restated Certificate of Incorporation.

### **Effective Date**

The Amended and Restated Certificate of Incorporation will become effective as of the date it is filed with the Secretary of State of the State of Delaware, which we expect to occur immediately prior to and subject to the effectiveness of the registration statement relating to the anticipated initial public offering of our common stock.

**ACTION 2 INCREASE IN NUMBER OF AUTHORIZED SHARES OF COMMON STOCK**

Our Board of Directors has approved and the holder of 91,845,692 shares of our common stock, representing approximately 97% of the shares of our common stock entitled to vote on the record date, has executed a written consent approving an increase in the number of our authorized shares of common stock

from One Hundred Twenty-Five Million (125,000,000) to One Billion Eight Hundred Million (1,800,000,000), as reflected in our Amended and Restated Certificate of Incorporation discussed in Action 1 above. The increase in authorized shares was approved by our Board of Directors and majority stockholder to be effective and the Amended and Restated Certificate of Incorporation be filed immediately prior to and subject to the effectiveness of the anticipated initial public offering of our common stock as discussed in Action 1 above.

### **Reasons for the Increase in Authorized Shares of Common Stock**

Our Board of Directors deemed it advisable and in the best interests of the Company to increase the number of authorized shares of common stock in order to provide flexibility to issue shares of common stock in connection with our proposed initial public offering and the shares to be issued as a result of the 5.5 for 1 stock split discussed in more detail in Action 1 above. In addition, our Board considers the increase in the number of authorized shares of common stock desirable and in the best interests of the Company because it would give the Company the necessary flexibility on an ongoing basis to issue common stock in connection with stock dividends and splits, acquisitions, equity financings and for other general corporate purposes. Except for the shares to be issued in connection with the Company's initial public offering and as a result of the 5.5 for 1 stock split, the Company currently has no oral or written plans, arrangements or understandings for the issuance of the additional shares of common stock to be authorized pursuant to this action. The increase in authorized shares will ensure that the Company will continue to have an adequate number of authorized and unissued shares of common stock available for future use.

As is the case with the shares of common stock which are currently authorized but unissued, the Board will have authority to issue the additional shares of common stock from time to time without further action on the part of stockholders except as may be required by applicable law or by the rules of the NYSE or any other stock exchange or market on which the Company's securities may then be listed or authorized for quotation.

The additional number of authorized shares could have the effect of making it more difficult for a third party to take over the Company in a transaction not approved by the Board of Directors. Stockholders do not have any preemptive or other rights to subscribe for any shares of common stock which may in the future be issued by the Company.

### **ACTION 3 APPROVAL OF 2006 STOCK INCENTIVE PLAN FOR KEY EMPLOYEES OF HCA INC. AND ITS AFFILIATES, AS AMENDED AND RESTATED**

Our Board of Directors has approved and the holder of 91,845,692 shares of our common stock, representing approximately 97% of the shares of our outstanding common stock entitled to vote on the record date, has executed a written consent approving the Stock Incentive Plan. The 2006 Stock Incentive Plan for Key Employees of HCA Inc. and its Affiliates (the "Original Plan") was initially entered into by the Company on November 17, 2006 in connection with the Merger.

This summary relates to shares of HCA's common stock, par value \$.01 per share ("Shares" or "Common Stock"), which may be offered to participants pursuant to the Stock Incentive Plan. All references to "Shares" and "Common Stock" and numbers of shares generally in this summary are intended to refer to shares of New Common Stock on a post-split basis.

The amendments, among other things:

provide that the Compensation Committee (the "Committee") may delegate its duties and powers to administer the Stock Incentive Plan to a subcommittee thereof consisting of directors meeting applicable independence standards of Rule 16b-3 of the Exchange Act, NYSE listed company rules and Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code");

provide that a member of the Board of Directors annual retainer, meeting fees and/or other awards or compensation may be in the form of stock options, restricted shares, restricted share units and/or other stock-based awards as determined by the Board of Directors;

provide that the Committee may grant performance-based awards pursuant to Section 162(m) of the Code, subject to certain terms and limitations (see Description of Awards below);

increase the number of shares available for issuance under the Original Plan by 40,000,000 shares (see Securities to be Offered below);

limit the number of shares with respect to which Incentive Stock Options may be granted to no more than 1,000,000 per fiscal year;

provide that the Committee may allow grants to be made in assumption of, or substitution for, outstanding awards previously granted by the Company or an acquired company, and that such grants will not reduce the number of shares available for issuance under the Stock Incentive Plan and also provide that shares under an acquired company's plan may be used for grants to employees of such acquired company and shall not reduce the number of shares available for issuance under the Stock Incentive Plan;

allow the Committee, after a change in control to (i) accelerate payment of earned, but unpaid Performance-Based Awards, (ii) end all in-progress performance periods for Performance-Based Awards and either (A) deem that all Performance-Based Awards should be paid at target or (B) determine to what extent all Performance-Based Awards have been earned;

provide that the Committee may specify in a grant that the participant's rights, payments and benefits are subject to reduction, cancellation, forfeiture or recoupment upon the occurrence of certain specified events; and

extend the termination date of the Stock Incentive Plan to the date that is ten years from the effective date.

The amendments to the Stock Incentive Plan also include additional amendments to add certain provisions and make certain changes suitable to the Company's anticipated status as a publicly traded company following the proposed initial public offering of our common stock, as well as miscellaneous clarifications to plan language. The Stock Incentive Plan will become effective immediately prior to and subject to the effectiveness of the registration statement related to the anticipated initial public offering of our common stock.

The Original Plan authorized the issuance of up to 10,656,130 shares (on a pre-split basis), or 10% of the fully diluted number of shares of our then authorized common stock as of the effective date of the Original Plan. Increasing the number of shares available for issuance under the Stock Incentive Plan will enable the Company to continue to attract, retain, and motivate key officers, employees and directors.

As of May 31, 2010:

311,876 shares (on a pre-split basis) were available for grant in the aggregate under the Original Plan; and

options representing 10,249,626 shares (on a pre-split basis) were outstanding under the Original Plan.

### **General Plan Information**

The principal features of the Stock Incentive Plan are summarized below, but such summary is qualified in its entirety by reference to the Stock Incentive Plan itself, a copy of which is attached as [Appendix B](#) and incorporated herein by reference.

All awards of stock options, stock appreciation rights and other stock-based awards made to Stock Incentive Plan participants and all shares of Common Stock issued upon exercise of such awards are subject to the terms and conditions (including certain restrictions) set forth in the Stock Incentive Plan, the Grant Agreement (as hereinafter defined), the Management Stockholder s Agreement and the Sale Participation Agreement (both as defined in the Stock Incentive Plan), to the extent applicable to the awards and such Shares.



The purposes of the Stock Incentive Plan are:

- (i) to promote the long term financial interests and growth of HCA and its subsidiaries by attracting and retaining management and other personnel with the training, experience and ability to enable them to make a substantial contribution to the success of HCA's business;
- (ii) to motivate management personnel by means of growth-related incentives to achieve long range goals; and
- (iii) to further the alignment of interests of participants with those of the stockholders of HCA through opportunities for increased stock, or stock-based, ownership in HCA.

The Stock Incentive Plan was approved by the stockholders of HCA on June 21, 2010 and will become effective immediately prior to and subject to the effectiveness of the registration statement relating to anticipated initial public offering of our common stock, and unless terminated earlier by HCA's Board of Directors, the Stock Incentive Plan will terminate the date that is ten years from the effective date. However, awards granted on or prior to the termination may extend beyond that date.

The Stock Incentive Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended.

The Committee (or, if the Board of Directors takes an action in place of the Committee, the Board of Directors) conducts the general administration of the Stock Incentive Plan in accordance with the Stock Incentive Plan's provisions. The Committee is appointed by and serves at the pleasure of the HCA Board of Directors. The Committee may adopt its own rules of procedure, and action of a majority of the members of the Committee taken at a meeting, or action taken without a meeting by unanimous written consent, constitutes action by the Committee. The Committee has the power and authority to administer, construe and interpret the Stock Incentive Plan, and to make rules for carrying it out and to make changes in such rules. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Stock Incentive Plan in the manner and to the extent the Committee deems necessary or desirable. Any such interpretations, rules and administration must be consistent with the basic purposes of the Stock Incentive Plan. The Committee has the full power and authority to establish the terms and conditions of any grant under the Stock Incentive Plan, consistent with the provisions of the Stock Incentive Plan, and to waive any such terms and conditions at any time (including, without limitation, accelerating or waiving any vesting conditions).

The Committee may delegate its duties and powers in whole or in part to any subcommittee thereof consisting solely of at least two individuals who are intended to qualify as "Non-Employee Directors" within the meaning of Rule 16b-3 under the Exchange Act (or any successor rule thereto), "independent directors" within the meaning of NYSE listed company rules and "outside directors" within the meaning of Section 162(m) of the Code (or any successor section thereto), to the extent Rule 16b-3 under the Exchange Act and Section 162(m) of the Code, respectively, are applicable to the Company and the Stock Incentive Plan; provided, however, that the Board of Directors may, in its sole discretion, take any action designated to the Committee under the Stock Incentive Plan as it may deem necessary. The Committee may delegate to HCA's Chief Executive Officer and to other senior officers of HCA its duties under the Stock Incentive Plan, subject to applicable law and such conditions and limitations as the Committee may prescribe, except that only the Committee may designate and make awards to Stock Incentive Plan participants. The Committee may employ counsel, consultants, accountants, appraisers, brokers or other persons. The Committee, HCA and the officers and directors of HCA shall be entitled to rely upon the advice, opinions or valuations of any such persons. All actions taken and all interpretations and determinations made by the Committee in good faith shall be final and binding upon all Stock Incentive Plan participants and their beneficiaries or successors.

Subject to the provisions of the Stock Incentive Plan, the Committee may from time to time grant awards of stock options, stock appreciation rights, other stock-based awards, dividend equivalent rights, non-employee director grants or performance-based awards to Stock Incentive Plan participants, in such form and having such terms, conditions and limitations as the Committee may determine. The terms, conditions and limitations of each award under the Stock Incentive Plan must be evidenced by a written agreement executed by HCA and the participant ( Grant Agreement ), in a form approved by the Committee, consistent, however, with the

terms of the Stock Incentive Plan; provided, however, that such Grant Agreement will contain provisions dealing with the treatment of awards in the event of the termination of employment or other service relationship, death or disability of a participant, and may also include provisions concerning the treatment of awards in the event of a change in control of HCA. The Committee has the authority to make amendments to any terms and conditions applicable to outstanding awards as are consistent with the Stock Incentive Plan, provided that no such action may modify such awards that disadvantages participants in more than a *de minimis* way but less than a material way without approval by a majority of affected participants and, provided further, that, except for adjustments under the adjustment provisions of the Stock Incentive Plan or as a result of a merger, consolidation or similar event, no such action may materially disadvantage a participant with respect to outstanding awards without the participant's consent except as such modification is provided for or contemplated in the terms of the Grant Agreement or the Stock Incentive Plan.

### **Securities to be Offered**

The total number of shares of Common Stock available for awards under the Stock Incentive Plan is the sum of (i) 40,000,000 shares and (ii) the number of shares available for grant under the Stock Incentive Plan as of the effective date of the amendment and restatement of the Stock Incentive Plan, subject to adjustment as provided for in the Stock Incentive Plan. The number of shares of Common Stock with respect to which options may be granted after the effective date of the Stock Incentive Plan is no more than 1,000,000 per fiscal year. Unless restricted by applicable law, shares of Common Stock related to awards that are forfeited, terminated, settled for cash, canceled without the delivery of shares of Common Stock, expire unexercised, are withheld to pay taxes or exercise prices or are repurchased by HCA will immediately become available for new awards.

Awards may, in the discretion of the Committee, be made under the Stock Incentive Plan in assumption of, or in substitution for, outstanding awards previously granted by the Company or any of its subsidiaries or a company acquired by the Company or with which the Company combines. The number of shares of Common Stock underlying awards made in assumption of, or in substitution for, outstanding awards previously granted by a company acquired by the Company or any of its subsidiaries or with which the Company or any of its subsidiaries combines shall not be counted against the aggregate number of shares of Common Stock available for awards under the Stock Incentive Plan, nor shall the shares of Common Stock subject to such substitute awards become available for new awards under the circumstances described in the prior paragraph. In addition, in the event that a company acquired by the Company or any of its subsidiaries or with which the Company or any of its subsidiaries combines has shares available under a pre-existing plan approved by stockholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for awards and shall not reduce the shares of Common Stock authorized for issuance under the Stock Incentive Plan; provided that awards using such available shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not employees or directors of the Company or any of its subsidiaries prior to such acquisition or combination.

In the event of any change in or exchange of, the outstanding Common Stock by reason of a stock dividend, stock split, extraordinary distribution, reorganization, recapitalization, merger, consolidation, spin-off, combination, combination or transaction or exchange of shares of Common Stock, any equity restructuring (as defined under Financial Accounting Standards Board Accounting Standards Codification ( FASB ASC ) Topic 718) or other corporate change, or any distribution to stockholders other than regular cash dividends, or any transaction similar to any of the foregoing, the Committee will in an equitable and proportionate manner as it deems reasonably necessary to address on an equitable basis the effect of such event, and in such manner as is consistent with Section 162(m), 422, and 409A of the Code and the regulations thereunder, make such substitution or adjustment, if any, (a) as to the

number and kind of shares of Common Stock subject to the Stock Incentive Plan and available for or covered by awards, (b) as to share prices per share of Common

Stock related to outstanding awards, or by providing for an equivalent award in respect of securities of the surviving entity of any merger, consolidation, or other transaction or event having a similar effect, or (c) by providing for a cash payment to the holder of an outstanding award, and make such other revisions to outstanding awards as it deems, in good faith, are equitably required (including, without limitation, to the exercise price of stock options).

The Stock Incentive Plan provides that, unless the Committee determines otherwise, no benefit or promise under the Stock Incentive Plan will be secured by any specific assets of HCA, nor shall any assets of HCA, be designated as attributed or allocated to the satisfaction of HCA's obligations under the Stock Incentive Plan. Neither the Stock Incentive Plan nor any award thereunder will create or be construed to create a fiduciary relationship between the Company or any subsidiary or affiliate thereof and a participant or any other person. To the extent that any person acquires a right to receive payments from the Company or any subsidiary or affiliate thereof pursuant to an award, such right will be no greater than the right of any secured general creditor of the Company or any subsidiary or affiliate thereof.

The Committee may, in its sole discretion, specify in any grant made on or after the effective date of the amendment and restatement of the Stock Incentive Plan that the participant's rights, payments, and benefits shall be subject to reduction, cancellation, forfeiture or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of a grant. Such events may include, but shall not be limited to, termination of employment for cause, termination of the participant's provision of services to the Company or any of its subsidiaries, breach of noncompetition, confidentiality, or other restrictive covenants that may apply to the participant, or restatement of the Company's financial statements to reflect adverse results from those previously released financial statements, as a consequence of errors, omissions, fraud, or misconduct.

No awards shall be made under the Stock Incentive Plan beyond ten years after the effective date of the Stock Incentive Plan, but the terms of awards made on or before the expiration of the Stock Incentive Plan may extend beyond such expiration. At the time an award is made or amended or the terms or conditions of an award are changed in accordance with the terms of the Stock Incentive Plan or the Grant Agreement, the Committee may provide for limitations or conditions on such award.

Unless otherwise expressly provided in the Stock Incentive Plan or in an applicable Grant Agreement, any grant made under the Stock Incentive Plan, and the authority of the Board of Directors or the Committee to amend, alter, adjust, suspend, discontinue or terminate any such grant or to waive any conditions or rights under any such grant shall, continue after the tenth anniversary of the effective date of the Stock Incentive Plan.

### **Who May Participate**

Grants under the Stock Incentive Plan may be awarded to Employees or other persons having a relationship with HCA or any of its subsidiaries or affiliates. As of June 16, 2010, approximately 1,660 individuals were eligible to participate in the Stock Incentive Plan. However, the Company has not at the present time determined who will receive the shares of Common Stock that will be authorized for issuance under the Stock Incentive Plan or how they will be allocated. Employees are persons, including officers, in the regular employment of HCA (or any subsidiary or affiliate of HCA), who, in the opinion of the Committee, are, or are expected to be, involved in the management, growth or protection of some part or all of the business of HCA. As used herein and in the Stock Incentive Plan, the term participant means an Employee, non-employee member of the Board of Directors, consultant or other person having a relationship with HCA (or any subsidiary or affiliate of HCA), to whom one or more awards have been made pursuant to the Stock Incentive Plan and remain outstanding.

### **Description of Awards**

*Stock Options.* Options to purchase Common Stock ( Stock Options ) may be granted to participants under the Stock Incentive Plan. At the time of grant, the Committee shall determine the option exercise period, the option exercise price, vesting requirements, and such other terms, conditions or restrictions on the grant or

exercise of the option as the Committee deems appropriate including, without limitation, the right to receive dividend equivalent payments on vested options. The exercise price per share of a Stock Option will be determined by the Committee and may not be less than the fair market value of HCA's Common Stock on the date the Stock Option is granted (subject to later adjustment pursuant to the Stock Incentive Plan). In addition to other restrictions contained in the Stock Incentive Plan, a Stock Option granted under the Stock Incentive Plan may not be exercised more than 10 years after the date it is granted. Payment of the Stock Option exercise price shall be made (i) in cash, (ii) with the consent of the Committee, in shares of Common Stock (any such Shares valued at fair market value on the date of exercise) having an aggregate fair market value equal to the aggregate exercise price for the shares of Common Stock being purchased and that the participant has held for at least six months (or such other period of time as may be required to attain tax or financial reporting treatments that are not considered to be adverse to the Company), (iii) through the withholding of shares of Common Stock (any such shares of Common Stock valued at fair market value on the date of exercise) otherwise issuable upon the exercise of the Stock Option in a manner that is compliant with applicable law, (iv) if there is a public market for the shares of Common Stock at such time, to the extent permitted by, and subject to such rules as may be established by the Committee, through delivery of irrevocable instructions to a broker to sell shares of Common Stock obtained upon the exercise of the Stock Option and to deliver promptly to the Company an amount out of the proceeds of such sale equal to the aggregate exercise price for the shares of Common Stock being purchased, or (v) a combination of the foregoing methods, in each such case in accordance with the terms of the Stock Incentive Plan, the Grant Agreement and of any applicable guidelines of the Committee in effect at the time.

*Stock Appreciation Rights.* The Committee may grant Stock Appreciation Rights (as hereinafter defined) independent of, or in connection with, the grant of a Stock Option or a portion thereof. Each Stock Appreciation Right shall be subject to such other terms as the Committee may determine; however, the exercise price per Share of a Stock Appreciation Right shall in no event be less than the fair market value on the date the Stock Appreciation Right is granted. Each Stock Appreciation Right granted independent of a Stock Option shall be defined as a right of a Stock Incentive Plan participant, upon exercise of such Stock Appreciation Right, to receive an amount equal to the product of (i) the excess of (A) the fair market value on the exercise date of one share of Common Stock over (B) the exercise price per share of such Stock Appreciation Right, multiplied by (ii) the number of shares of Common Stock covered by the Stock Appreciation Right. Payment of the Stock Appreciation Right shall be made in shares of Common Stock or in cash, or partly in shares of Common Stock and partly in cash (any such Shares valued at the fair market value on the date of the payment), all as shall be determined by the Committee.

*Other Stock-Based Awards.* The Committee may grant or sell awards of Shares, awards of restricted Shares and awards that are valued in whole or in part by reference to, or are otherwise based on the fair market value of, Shares (including, without limitation, restricted stock units). Such Other Stock-Based Awards shall be in such form, and dependent on such conditions, as the Committee may determine, including, without limitation, the right to receive, or vest with respect to, one or more Shares (or the equivalent cash value of such Shares) upon the completion of a specified period of service, the occurrence of an event and/or the attainment of performance objectives. Other Stock-Based Awards may be granted alone or in addition to any other awards under the Stock Incentive Plan. Subject to the provisions of the Stock Incentive Plan, the Committee shall determine to whom and when Other Stock-Based Awards will be made, the number of Shares to be awarded under (or otherwise related to) such Other Stock-Based Awards; whether such Other Stock-Based Awards shall be settled in cash, Shares or a combination of cash and Shares; and all other terms and conditions of such awards (including, without limitation, the vesting provisions thereof and provisions ensuring that all Shares so awarded and issued shall be fully paid and non-assessable).

*Dividend Equivalent Rights.* The Committee may grant Dividend Equivalent Rights either alone or in connection with the grant of a Stock Option, Stock Appreciation Right, Other Stock-Based Award, or director grant described in the paragraph below. A Dividend Equivalent Right shall be the right to receive a payment in respect of one Share (whether or not subject to a Stock Option) equal to the amount of any dividend paid in respect of one Share held by a

stockholder of HCA. Each Dividend Equivalent Right shall be subject to such terms as the Committee may determine. All dividend or dividend equivalents which are not paid currently



may, at the Committee's discretion, accrue interest, be reinvested into additional Shares, or, in the case of dividends or dividend equivalents credited in connection with Performance-Based Awards be credited as additional Performance-Based Awards and be paid to the participant if and when, and to the extent that, payment is made pursuant to such grant. The total number of Shares available for grant under the Stock Incentive Plan shall not be reduced to reflect any dividends or dividend equivalents that are reinvested into additional Shares or credited as Performance-Based Awards.

*Director Grants.* The Board of Directors may provide that all or a portion of any member of the Board of Directors annual retainer, meeting fees and/or other awards or compensation as determined by the Board of Directors, be payable (either automatically or at the election of such member) in the form of non-qualified Stock Options, restricted shares, restricted share units and/or Other Stock-Based Awards, including unrestricted Shares. The Board of Directors shall determine the terms and conditions of any such grants, including the terms and conditions which shall apply upon a termination of such Board of Directors member's service as a member of the Board of Directors, and shall have full power and authority in its discretion to administer such grants, subject to the terms of the Stock Incentive Plan and applicable law.

*Performance-Based Awards.* During any period when Section 162(m) of the Code is applicable to the Company and the Stock Incentive Plan, the Committee, in its sole discretion, may award grants which are denominated in Shares or cash (which, for avoidance of doubt, may include a grant of Stock Options, Stock Appreciation Rights, Other Stock-Based Awards, or Dividend Equivalent Rights) (such grants, Performance-Based Awards), which grants may, but for the avoidance of doubt are not required to, be granted in a manner which is intended to be deductible by the Company under Section 162(m) of the Code (or any successor section thereto). Such Performance-Based Awards shall be in such form, and dependent on such conditions, as the Committee shall determine, including, without limitation, the right to receive, or vest with respect to, one or more Shares or the cash value of the grant upon the completion of a specified period of service, the occurrence of an event and/or the attainment of performance objectives. Performance-Based Awards may be granted alone or in addition to any other awards granted under the Stock Incentive Plan. Subject to the provisions of the Stock Incentive Plan, the Committee shall determine to whom and when Performance-Based Awards will be made, the number of Shares or aggregate amount of cash to be awarded under (or otherwise related to) such Performance-Based Awards, whether such Performance-Based Awards shall be settled in cash, Shares or a combination of cash and Shares, and all other terms and conditions of such grants (including, without limitation, the vesting provisions thereof and provisions ensuring that all Shares so awarded and issued, to the extent applicable, shall be fully paid and non-assessable).

A participant's Performance-Based Award shall be determined based on the attainment of written performance goals approved by the Committee for a performance period established by the Committee (A) while the outcome for that performance period is substantially uncertain and (B) no more than 90 days after the commencement of the performance period to which the performance goal relates or, if less, the number of days which is equal to 25 percent of the relevant performance period. The performance goals, which must be objective, shall be based upon one or more of the following criteria: (i) consolidated income before or after taxes (including income before interest, taxes, depreciation and amortization); (ii) EBITDA; (iii) adjusted EBITDA; (iv) operating income; (v) net income; (vi) net income per Share; (vii) book value per Share; (viii) return on members' or stockholders' equity; (ix) expense management; (x) return on investment; (xi) improvements in capital structure; (xii) profitability of an identifiable business unit or product; (xiii) maintenance or improvement of profit margins; (xiv) stock price; (xv) market share; (xvi) revenue or sales; (xvii) costs; (xviii) cash flow; (xix) working capital; (xx) multiple of invested capital; (xxi) total return; and (xxii) such other objective performance criteria as determined by the Committee in its sole discretion to the extent such criteria would be a permissible performance criteria under Section 162(m) of the Code. The foregoing criteria may relate to the Company, one or more of its subsidiaries or one or more of its or their divisions or units, or any combination of the foregoing, and may be applied on an absolute basis and/or be relative to one or more peer group companies or indices, or any combination thereof, all as the Committee shall determine. The

Committee may appropriately adjust any evaluation of performance under criteria set forth in the Stock Incentive Plan to exclude any of the following events that occurs during a performance period: (1) gains or losses on sales of assets, (2) asset impairments or write-downs, (3) litigation or claim

judgments or settlements, (4) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results, (5) accruals for reorganization and restructuring programs, (6) any extraordinary non-recurring items as described in FASB ASC Topic 225-20 and/or in management's discussion and analysis of financial condition and results of operations appearing in the Company's annual report to stockholders for the applicable year, and (7) the effect of adverse or delayed federal, state or local governmental or regulatory action; provided that the Committee commits to make any such adjustments within the 90 days following the commencement of each performance period (or such other time as may be required or permitted by Section 162(m) of the Code).

The maximum amount of a Performance-Based Award during a fiscal year to any participant shall be: (x) with respect to Performance-Based Awards that are denominated in Shares, 1,000,000 per fiscal year and (y) with respect to Performance-Based Awards that are denominated in cash, \$5,000,000 per fiscal year. To the extent that a Performance-Based Award may be earned over a period that is longer than one fiscal year, the foregoing limitations shall apply to each full or partial fiscal year during or in which such grant may be earned.

The Committee shall determine whether, with respect to a performance period, the applicable performance goals have been met with respect to a given participant and, if they have, during any period when Section 162(m) of the Code is applicable to the Company and the Stock Incentive Plan and such Performance-Based Award is intended to be deductible by the Company under Section 162(m) of the Code, shall so certify and ascertain the amount of the applicable Performance-Based Award. No Performance-Based Awards will be paid for such performance period until such certification, to the extent applicable, is made by the Committee. The amount of the Performance-Based Award actually paid to a given participant may be less than the amount determined by the applicable performance goal formula, at the discretion of the Committee. The amount of the Performance-Based Award determined by the Committee for a performance period shall be paid to the participant at such time as determined by the Committee in its sole discretion after the end of such performance period; provided, however, that a participant may, if and to the extent permitted by the Committee and consistent with the provisions of Sections 162(m) and 409A of the Code, to the extent applicable, elect to defer payment of a Performance-Based Award.

#### **Determination of Fair Market Value of Common Stock**

The fair market value of the Common Stock means, on a per Share basis, on any given date, the closing trading price of the Common Stock on the NYSE, unless otherwise determined by the Board of Directors.

#### **Assignment of Awards**

Other than as specifically provided in the Management Stockholder's Agreement between the participant and HCA or Sale Participation Agreement between the participant and Hercules Holdings, if applicable to a grant, no benefit under the Stock Incentive Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge, and any attempt to do so shall be void. If no Management Stockholder's Agreement or Sale Participation Agreement is applicable to a grant, then except as otherwise provided in the Stock Incentive Plan, a Grant Agreement, or by the Committee at or after grant, no grant shall be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a participant, except by will or the laws of descent and distribution; provided, however, that no such transfer of a grant by will or by laws of descent and distribution shall be effective to bind the Company unless the Company shall have been furnished with written notice thereof and an authenticated copy of the will and/or such other evidence as the Committee may deem necessary or appropriate to establish the validity of the transfer. No benefit under the Stock Incentive Plan shall, prior to receipt thereof by the participant, be in any manner liable for or subject to the debts, contracts, liabilities, engagements, or torts of the participant.

## Resale Restrictions

Any resales of Shares received by participants pursuant to the Stock Incentive Plan may be limited as provided in an applicable Management Stockholder's Agreement. Additionally, to the extent the Common Stock described herein is not then registered with the SEC, any resales of Shares received by participants pursuant to the Stock Incentive Plan must be made in reliance upon exemptions from registration under the Securities Act of 1933, as amended (the Securities Act). Additional restrictions on transfer may be imposed by state, local or foreign securities commissions or regulators, as applicable. To the extent a participant is an affiliate of HCA (as defined in the Securities Act), additional restrictions may be imposed on resale, regardless of whether the Common Stock is then registered under the Securities Act, including as provided in Rule 144 under the Securities Act.

## Change in Control Provisions

In the event of a Change in Control, as defined in the Stock Incentive Plan, (i) if determined in the applicable Grant Agreement or otherwise determined by the Committee in its sole discretion, any outstanding awards then held by participants which are unexercisable or otherwise unvested or subject to lapse restrictions may automatically be deemed exercisable or otherwise vested or no longer subject to lapse restrictions, as the case may be, as of immediately prior to such Change in Control and (ii) the Committee may, to the extent determined by the Committee to be permitted under Section 409A of the Code, but shall not be obligated to, (A) cancel such awards for fair value (as determined in the sole discretion of the Committee) which, in the case of Stock Options and Stock Appreciation Rights, may equal the excess, if any, of value of the consideration to be paid in the Change in Control transaction to holders of the same number of Shares subject to such Stock Options or Stock Appreciation Rights (or, if no consideration is paid in any such transaction, the fair market value of the Shares subject to such Stock Options or Stock Appreciation Rights) over the aggregate option price of such Stock Options or the aggregate exercise price of such Stock Appreciation Rights, as the case may be, (B) provide for the issuance of substitute awards that will substantially preserve the otherwise applicable terms of any affected awards previously granted under the Stock Incentive Plan as determined by the Committee in its sole discretion or (C) provide that for a period of at least 15 days prior to the Change in Control, any Stock Options or Stock Appreciation Rights shall be exercisable as to all Shares subject thereto and that upon the occurrence of the Change in Control, such Stock Options or Stock Appreciation Rights shall terminate and be of no further force and effect; provided, however, that subpart (ii) shall not apply to a Change in Control under clause (C) of such definition that occurs due to a gradual sell down of voting stock of the Company by the Investors (as defined in the Stock Incentive Plan) or their affiliates.

In connection with the foregoing, the Committee may, in its discretion, provide that in the event of a Change in Control, (i) any outstanding Performance-Based Awards relating to performance periods ending prior to the Change in Control which have been earned but not paid shall become immediately payable and (ii) all then-in-progress performance periods for Performance-Based Awards that are outstanding shall end, and either (A) any or all Participants shall be deemed to have earned an award equal to the relevant target award opportunity for the performance period in question, or (B) at the Committee's discretion, the Committee shall determine the extent to which performance criteria have been met with respect to each such Performance-Based award.

A Change in Control shall mean (as defined in the Stock Incentive Plan), in one or more of a series of transactions, (i) the transfer or sale of all or substantially all of the assets of HCA to a person (or group of persons acting in concert) who is not an Investor, an affiliate of any of the Investors or any entity in which any Investor holds, directly or indirectly, a majority of the economic interests in such entity (an Unaffiliated Person); (ii) a merger, consolidation, recapitalization or reorganization of HCA with or into another Unaffiliated Person, or a transfer or sale of the voting stock of HCA, an Investor, or any affiliate of any of the Investors to an Unaffiliated Person, in any such event that results in more than 50% of the Common Stock of HCA (or any resulting company after a merger) being held by an Unaffiliated Person; or (iii) a merger, consolidation, recapitalization or reorganization of HCA with or into another

Unaffiliated Person, or a transfer or sale by HCA, an Investor or any affiliate of any of the Investors, in any such event after which the Investors and their affiliates (x) collectively own less than 15% of the Common Stock of and (y) collectively have the

ability to appoint less than 50% of the directors to the Board of Directors of HCA (or any resulting company after a merger).

### **Amendment and Termination**

HCA's Board of Directors may at any time amend, suspend or terminate the Stock Incentive Plan except that no such action, other than an action under the adjustment provisions of the Stock Incentive Plan or as a result of a merger, consolidation or similar event, may be taken which would, without stockholder approval, increase the aggregate number of shares of Common Stock available for awards under the Stock Incentive Plan, decrease the price of outstanding awards, change the requirements relating to the Committee, extend the term of the Stock Incentive Plan or otherwise require the approval of the stockholders of the Company to the extent such approval is required by or desirable to satisfy the requirements of, in each case, any applicable law, regulation or other rule, including, the listing standards of the securities exchange, which is, at the applicable time, the principal market for shares of Common Stock. However, no amendment, suspension or termination of the Stock Incentive Plan may disadvantage participants in more than a *de minimis* way but less than a material way without the consent of a majority of the affected participants and no such action shall materially disadvantage a participant (without their consent) with respect to any outstanding grants, other than as contemplated by the Stock Incentive Plan or the Grant Agreement.

### **Withholding Taxes**

HCA shall have the right to deduct from any payment made under the Stock Incentive Plan any federal, state or local income or other taxes required by law to be withheld with respect to such payment. It shall be a condition to the obligation of HCA to deliver Shares upon the exercise of a Stock Option that the participant pays to HCA such amount as may be requested by HCA for the purpose of satisfying any liability for such withholding taxes; provided, however, that a participant may satisfy the statutory amount of such taxes due upon exercise of any Stock Option through the withholding of Shares (valued at fair market value on the date of exercise) otherwise issuable upon the exercise of such Stock Option. For awards other than Stock Options, the Committee may in its discretion permit a participant to satisfy or arrange to satisfy, in whole or in part, the tax obligations incident to an grant by: (a) electing to have the Company withhold Shares or other property otherwise deliverable to such participant pursuant to the grant (provided, however, that the amount of any Shares so withheld shall not exceed the amount necessary to satisfy required federal, state local and foreign withholding obligations using the minimum statutory withholding rates for federal, state, local and/or foreign tax purposes, including payroll taxes, that are applicable to supplemental taxable income) and/or (b) tendering to the Company Shares owned by such participant (or by such participant and his or her spouse jointly) and purchased or held for the requisite period of time as may be required to avoid the Company's or the affiliates' or subsidiaries' incurring an adverse accounting charge, based, in each case, on the fair market value of the Shares on the payment date as determined by the Committee. All such elections shall be irrevocable, made in writing, signed by the participant, and shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.

### **Certain Federal Income Tax Consequences**

*The following is a brief summary of certain federal income tax aspects of awards under the Stock Incentive Plan based upon the United States federal income tax laws in effect on the date hereof. This summary is not intended to be exhaustive and the exact tax consequences to any participant will depend upon his or her particular circumstances and other factors. Participants may also be subject to certain United States state and local taxes and foreign taxes, which are not described herein. The Stock Incentive Plan participants are encouraged to consult their own tax advisors with respect to any state tax considerations or particular federal tax implications of awards granted under the Stock Incentive Plan.*

PURSUANT TO THE MANAGEMENT STOCKHOLDER S AGREEMENT WHERE APPLICABLE, TO THE EXTENT THAT ANY SHARES TO BE TRANSFERRED TO THE PARTICIPANT ARE SUBJECT TO A SUBSTANTIAL RISK OF FORFEITURE (WITHIN THE MEANING OF TREASURY REGULATION SECTION 1.83-3(c) APPLICABLE TO THE TRANSFER OF SUCH STOCK) AT THE TIME OF

SUCH TRANSFER, THE PARTICIPANT IS REQUIRED, UNLESS HCA SHALL AGREE OTHERWISE WITH SUCH PARTICIPANT, TO MAKE A SECTION 83(b) ELECTION WITH RESPECT TO SUCH SHARES WITHIN THIRTY DAYS AFTER THE TRANSFER.

*Stock Options.* The grant of a non-qualified stock option with an exercise price equal to the fair market value of the Common Stock on the date of grant is not generally a taxable event. Subject to the discussion Section 83(b) Considerations below, on the exercise of a Stock Option, a participant will recognize ordinary income to the extent that the fair market value of the Common Stock acquired pursuant to the exercise of the Stock Option, as of the exercise date, is greater than the exercise price of the Stock Option. Any income recognized by the participant as a result of the exercise of a Stock Option (including by reason of making the Section 83(b) Election (as defined below)) will be compensation income and will be subject to income and employment tax withholding at the time the Common Stock is acquired. If a Stock Option held by a participant is purchased by HCA, such participant will recognize ordinary income in an amount equal to the amount paid by HCA for such option.

*Section 83(b) Considerations.* Participants who acquire shares of Common Stock subject to a substantial risk of forfeiture (within the meaning of Treasury Regulation Section 1.83-3(c)) through the exercise of Stock Options are generally required, under the Management Stockholder's Agreement, to make a Section 83(b) election (a Section 83(b) Election) with respect to such shares of Common Stock within 30 days after the date of purchase. If Common Stock acquired upon the exercise of a Stock Option is subject to a substantial risk of forfeiture and a participant was not required to make a Section 83(b) Election, such participant would be subject to tax at ordinary income rates on the excess, if any, of the fair market value of the Common Stock, on the date or dates that the Common Stock becomes free of the transfer and forfeiture restrictions, over the price paid for such Common Stock. A participant would be required to include that amount in income whether or not such Common Stock was sold or marketable on such date or dates. In contrast, a participant who makes the Section 83(b) Election will be required to include in income the difference, if any, between the fair market value of the Common Stock acquired on the exercise date and the exercise price of the Stock Option and would not be subject to United States federal income tax upon the lapsing of any such transfer or forfeiture restrictions. Any further appreciation in the fair market value of such Common Stock generally will be taxed as a capital gain, rather than as ordinary income, as discussed more fully below. In addition, a participant who makes a Section 83(b) Election may choose when to recognize such capital gain, because once the Section 83(b) Election has been made, no other taxable event occurs with respect to such Common Stock until the disposition of such Common Stock.

A Section 83(b) Election may be disadvantageous, however, if the participant was required to include amounts in income as a result of making the Section 83(b) Election and the Common Stock subsequently decreases in value, inasmuch as any losses recognized on a subsequent disposition of such Common Stock would be capital losses, the deductibility of which is subject to certain limitations. Additionally, if the participant ultimately forfeits the Common Stock (pursuant to restrictions in the Management Stockholder's Agreement), no deduction will be available to such participant with respect to any income inclusion that resulted from the Section 83(b) Election.

There can be no assurances as to whether the applicable tax rates will change or whether the value of the Common Stock will appreciate. A participant who purchases Common Stock subject to a substantial risk of forfeiture is urged to consult his or her personal tax advisor regarding the effects of a Section 83(b) Election.

The following discussion assumes that the Section 83(b) Election is made when applicable.

*Sale of Common Stock.* The sale or other taxable disposition of Common Stock acquired upon the exercise of a Stock Option will be a taxable event. In general, the participant selling such Common Stock will recognize gain or loss equal to the difference between the amount realized by such participant upon such sale or disposition and the participant's adjusted tax basis in such Common Stock. A participant's adjusted tax basis in Common Stock purchased upon



exercise of a Stock Option will generally be the amount paid for such shares plus the amount, if any, of ordinary income recognized on purchase. Any gain or loss resulting from a sale or disposition of Common Stock obtained by the participant, either purchased or through the exercise of an Option, generally will be taxed as capital gain or loss if such Common Stock was a capital asset in the

hands of the participant and will be taxed as long-term capital gain or loss if at the time of any such sale or disposition the participant has held such Common Stock for more than one year. The time that such participant holds a Stock Option (rather than the Common Stock attributable to such Stock Option) is not taken into account for purposes of determining whether the participant has held such Common Stock for more than one year. In addition, there are limits on the deductibility of capital losses by the participant. The tax consequences described above may differ, however, in the case of a sale or other taxable disposition of Common Stock to HCA, particularly if the participant has not experienced a meaningful reduction in his or her proportionate interest in HCA as a result of such transaction.

*Stock Appreciation Rights.* When a Stock Appreciation Right is granted, there are no income tax consequences for the participant or HCA. The exercise of a Stock Appreciation Right will result in the participant recognizing ordinary income on the value of the Stock Appreciation Right at the time of exercise. HCA will be allowed a deduction for the amount of ordinary income recognized by a participant with respect to a Stock Appreciation Right. The participant also is subject to capital gains treatment on the subsequent sale of any Common Stock acquired through the exercise of a Stock Appreciation Right award. For this purpose, the participant's basis in the Common Stock is its fair market value at the time the Stock Appreciation Right is exercised (or at the time of grant, if an election under Section 83(b) is made).

*Other Stock-Based Awards.* A participant who is granted any other stock-based award will generally recognize, in the year of grant (or, if later, payment in case of restricted stock units and similar awards), ordinary income equal to the fair market value of the cash or other property received. If such other stock-based award is in the form of property that is subject to restrictions, the participant might not recognize ordinary income until the restrictions lapse, unless the participant makes a Section 83(b) Election. HCA is entitled to a deduction for the amount of ordinary income recognized by the participant with respect to the other stock-based award in the same year as the ordinary income is recognized by the participant.

*Dividend Equivalent Rights.* A participant who is granted Dividend Equivalent Rights either alone or in connection with the grant of a Stock Option, Stock Appreciation Right or certain other stock-based awards generally will recognize, in the year such Dividend Equivalent Rights are paid in cash, compensation income equal to the amount of the payment; provided, that if the Dividend Equivalent Rights are paid in the form of Common Stock subject to transfer and forfeiture restrictions, the considerations set forth above in *Certain Federal Income Tax Consequences Section 83(b) Considerations* will apply. Dividends paid to a participant on account of Dividend Equivalent Rights granted with respect to other stock-based awards with respect to which the participant has made a valid Section 83(b) Election may qualify for the reduced tax rates applicable to qualified dividends if certain other conditions are met. Participants eligible to make Section 83(b) Elections are urged to consult their personal tax advisors regarding the effects of a Section 83(b) Election. HCA is entitled to a deduction for the amount of ordinary income recognized by the participant with respect to the Dividend Equivalent Rights in the same year as the ordinary income is recognized by the participant.

*Performance-Based Awards.* Payments made under performance awards are taxable as ordinary income at the time an individual attains the performance goals and the payments are made available to, and are transferable by, the participant. Participants receiving performance awards settled in shares of the Company's common stock will recognize ordinary income equal to the fair market value of the shares of the Company's common stock received as the performance goals are met and such shares vest, less any amount paid by the participant for the performance shares, unless the participant makes an election under Section 83(b) of the Code to be taxed at the time of the grant. A Section 83(b) election may not be available with respect to certain forms of performance awards. The participant is also subject to capital gain or loss treatment on the subsequent sale of any of the Company's common stock awarded to a participant as a performance award. Unless a participant makes a Section 83(b) election, his or her basis in the stock is its fair market value at the time the performance goals are met and the shares become vested.

Section 162(m) of the Code generally disallows a public company's tax deduction for compensation paid in excess of \$1 million in any tax year to its chief executive officer and certain other most highly compensated executives. However, compensation that qualifies as performance-based compensation is excluded from this \$1 million deduction limit and therefore remains fully deductible by the company that pays it. HCA generally

intends that options granted with an exercise price at least equal to 100% of fair market value of the underlying shares of common stock at the date of grant qualify as performance-based compensation so that these awards will not be subject to the Section 162(m) deduction limitations. In addition, the Committee may also grant certain performance awards pursuant to the Stock Incentive Plan that may qualify as performance-based compensation. HCA will not necessarily limit executive compensation to amounts deductible under Section 162(m) of the Code, however, if such limitation is not in the best interests of HCA and its stockholders.

The Stock Incentive Plan is not intended to be qualified under Section 401(a) of the Code.

### Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides certain information as of December 31, 2009 with respect to our equity compensation plans:

<b>Plan Category</b>	<b>(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights</b>	<b>(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights</b>	<b>(c) Number of Securities Remaining for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))</b>
Equity compensation plans approved by security holders	11,527,000	\$ 52.78	392,400
Equity compensation plans not approved by security holders		\$	
Total	11,527,000	\$ 52.78	392,400

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND  
MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The following table sets forth information regarding the beneficial ownership of our common stock as of May 31, 2010 for:

each person who is known by us to own beneficially more than 5% of the outstanding shares of our common stock;

each of our directors;

each of our executive officers named in the Summary Compensation Table; and

all of our directors and executive officers as a group.

The percentages of shares outstanding provided in the tables are based on 94,635,289 shares of our common stock, par value \$0.01 per share, outstanding as of May 31, 2010. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Shares issuable upon the exercise of options that are exercisable within 60 days of April 30, 2010 are considered outstanding for the purpose of calculating the percentage of outstanding shares of our 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 HCA Inc., One Park Plaza, Nashville, Tennessee 37203.

Name of Beneficial Owner	Number of Shares	Percent
Hercules Holding II, LLC	91,845,692(1)	97.1%
Christopher J. Birosak	(1)	
Jack O. Bovender, Jr.	552,843(2)	*
Richard M. Bracken	563,580(3)	*
John P. Connaughton	(1)	
James D. Forbes	(1)	
Kenneth W. Freeman	(1)	
Thomas F. Frist III	(1)	
William R. Frist	(1)	
Christopher R. Gordon	(1)	
Samuel N. Hazen	243,143(4)	*
R. Milton Johnson	354,442(5)	*
Michael W. Michelson	(1)	
James C. Momtazee	(1)	
Stephen G. Pagliuca	(1)	
W. Paul Rutledge	179,935(6)	*
Nathan C. Thorne	(1)	
Beverly B. Wallace	163,664(7)	*
All directors and executive officers as a group (28 persons)	2,441,244(8)	2.5%

\* Less than one percent.

- (1) Hercules Holding holds 91,845,692 shares, or approximately 97.1%, of our outstanding common stock. Hercules Holding is held by a private investor group, including affiliates of Bain Capital, KKR and MLGPE (previously the private equity arm of Merrill Lynch & Co., Inc., which is a wholly-owned subsidiary of Bank of America Corporation), and affiliates of HCA founder Dr. Thomas F. Frist, Jr., including Mr. Thomas F. Frist III and Mr. William R. Frist, who serve as directors. Messrs. Connaughton, Gordon and Pagliuca are affiliated with Bain Capital, whose affiliated funds may be deemed to have indirect beneficial ownership of 23,373,333 shares, or 24.7%, of our outstanding common stock through their interests

in Hercules Holding. Messrs. Freeman, Michelson and Momtazee are affiliated with KKR, which indirectly holds 23,373,332 shares, or 24.7%, of our outstanding common stock through the interests of certain of its affiliated funds in Hercules Holding. Messrs. Birosak, Forbes and Thorne are affiliated with Bank of America Corporation, which indirectly holds 23,373,333 shares, or 24.7%, of our outstanding common stock through the interests of certain of its affiliated funds in Hercules Holding and 980,393, or 1.0%, of our outstanding common stock through Banc of America Securities LLC. Thomas F. Frist III and William R. Frist may each be deemed to indirectly, beneficially hold 17,804,125 shares, or 18.8%, of our outstanding common stock through their interests in Hercules Holding. Each of such persons, other than Hercules Holding, disclaims membership in any such group and disclaims beneficial ownership of these securities, except to the extent of its pecuniary interest therein. The principal office addresses of Hercules Holding are c/o Bain Capital Partners, LLC, 111 Huntington Avenue, Boston, MA 02199, c/o Kohlberg Kravis Roberts & Co. L.P., 2800 Sand Hill Road, Suite 200, Menlo Park, CA 94025, c/o Merrill Lynch Global Private Equity, Four World Financial Center, Floor 23, New York, NY 10080 and c/o Dr. Thomas F. Frist, Jr., 3100 West End Ave., Suite 500, Nashville, TN 37203.

- (2) Includes 242,721 shares issuable upon exercise of options. Effective December 15, 2009, Mr. Bovender retired as executive Chairman of the Board.
- (3) Includes 482,097 shares issuable upon exercise of options.
- (4) Includes 209,171 shares issuable upon exercise of options.
- (5) Includes 311,669 shares issuable upon exercise of options.
- (6) Includes 147,185 shares issuable upon exercise of options.
- (7) Includes 161,264 shares issuable upon exercise of options.
- (8) Includes 2,013,633 shares issuable upon exercise of options. Does not include shares beneficially owned by Mr. Bovender, who retired as executive Chairman of the Board effective December 15, 2009.

## **EXECUTIVE COMPENSATION**

### **Compensation Risk Assessment**

In consultation with the Compensation Committee, members of Human Resources, Legal, Enterprise Risk Management and Internal Audit, management conducted an assessment of whether the Company's compensation policies and practices encourage excessive or inappropriate risk taking by our employees, including employees other than our named executive officers. This assessment included a review of the risk characteristics of our business and the design of our incentive plans and policies. Although a significant portion of our executive compensation program is performance-based, the Compensation Committee has focused on aligning the Company's compensation policies with the long-term interests of the Company and avoiding rewards or incentive structures that could create unnecessary risks to the Company.

Management reported its findings to the Compensation Committee, which agreed with management's assessment that our plans and policies do not encourage excessive or inappropriate risk taking and determined such policies or practices are not reasonably likely to have a material, adverse effect on the Company.

### **Compensation Discussion and Analysis**

The Compensation Committee (the Committee ) of the Board of Directors is generally charged with the oversight of our executive compensation and rewards programs. The Committee is currently composed of John P. Connaughton, James D. Forbes and Michael W. Michelson. In early 2009, the Committee also included George A. Bitar, and determinations with respect to 2009 compensation were made by such Committee. Responsibilities of the Committee include the review and approval of the following items:

Executive compensation strategy and philosophy;

Compensation arrangements for executive management;



Design and administration of the annual cash-based Senior Officer Performance Excellence Program ( PEP );

Design and administration of our equity incentive plans;

Executive benefits and perquisites (including the HCA Restoration Plan and the Supplemental Executive Retirement Plan); and

Any other executive compensation or benefits related items deemed appropriate by the Committee.

In addition, the Committee considers the proper alignment of executive pay policies with Company values and strategy by overseeing executive compensation policies, corporate performance measurement and assessment, and Chief Executive Officer performance assessment. The Committee may retain the services of independent outside consultants, as it deems appropriate, to assist in the strategic review of programs and arrangements relating to executive compensation and performance.

The following executive compensation discussion and analysis describes the principles underlying our executive compensation policies and decisions as well as the material elements of compensation for our named executive officers. Our named executive officers for 2009 were:

*Richard M. Bracken*, Chairman and Chief Executive Officer;

*R. Milton Johnson*, Executive Vice President and Chief Financial Officer;

*Beverly B. Wallace*, President Shared Services Group;

*Samuel N. Hazen*, President Western Group;

*W. Paul Rutledge*, President Central Group; and

*Jack O. Bovender, Jr.*, Executive Chairman of the Board (Retired).

Effective December 31, 2008, Mr. Bovender retired as Chief Executive Officer but retained the role of executive Chairman of the Board, and effective January 1, 2009, Mr. Bracken was appointed to serve as Chief Executive Officer and President of the Company. Mr. Bovender retired as executive Chairman of the Board on December 15, 2009, and Mr. Bracken assumed the additional responsibilities as Chairman of the Board at such time.

As discussed in more detail below, the material elements and structure of the named executive officers' compensation program were negotiated and determined in connection with the Recapitalization, subject to annual adjustments in the Committee's discretion.

### ***Compensation Philosophy and Objectives***

The core philosophy of our executive compensation program is to support the Company's primary objective of providing the highest quality health care to our patients while enhancing the long term value of the Company to our stockholders. Specifically, the Committee believes the most effective executive compensation program (for all executives, including named executive officers):

Reinforces HCA's strategic initiatives;

Aligns the economic interests of our executives with those of our stockholders; and

Encourages attraction and long term retention of key contributors.

The Committee is committed to a strong, positive link between our objectives and our compensation and benefits practices.

Our compensation philosophy also allows for flexibility in establishing executive compensation based on an evaluation of information prepared by management or other advisors and other subjective and objective considerations deemed appropriate by the Committee, subject to any contractual agreements with our executives. The Committee will also consider the recommendations of our Chief Executive Officer. This

flexibility is important to ensure our compensation programs are competitive and that our compensation decisions appropriately reflect the unique contributions and characteristics of our executives.

***Compensation Structure and Benchmarking***

Our compensation program is heavily weighted towards performance-based compensation, reflecting our philosophy of increasing the long-term value of the Company and supporting strategic imperatives. Total direct compensation and other benefits consist of the following elements:

**Total Direct Compensation**

- Base Salary
- Annual Cash-Based Incentives (offered through our PEP)
- Long-Term Equity Incentives (in the form of Stock Options)

**Other Benefits**

- Retirement Plans
- Limited Perquisites and Other Personal Benefits
- Severance Benefits

The Committee does not support rigid adherence to benchmarks or compensatory formulas and strives to make compensation decisions which effectively support our compensation objectives and reflect the unique attributes of the Company and each executive. Our general practice, however, with respect to pay positioning, is that executive base salaries and annual incentive (PEP) target values should generally position total annual cash compensation between the median and 75th percentile of similarly-sized general industry companies. We utilize the general industry as our primary source for competitive pay levels because HCA is significantly larger than its industry peers. See the discussion of benchmarking below for further information. The named executive officers' pay fell within the range noted above for jobs with equivalent market comparisons.

The cash compensation mix between salary and PEP has historically been more weighted towards salary than competitive practice among our general industry peers would suggest. Over time, we have made steps towards a mix of cash compensation that will place a greater emphasis on annual performance-based compensation.

Although we look at competitive long-term equity incentive award values in similarly-sized general industry companies when assessing the competitiveness of our compensation programs, we do not make annual executive option grants (and we did not base our initial post-Recapitalization 2007 stock option grants on these levels) since equity is structured differently in closely held companies than in publicly-traded companies. As is typical in similar situations, the Investors wanted to share a certain percentage of the equity with executives shortly after the consummation of the Recapitalization and establish performance objectives and incentives up front in lieu of annual grants to ensure our executives' long-term economic interests would be aligned with those of the Investors. This pool of equity was then further allocated based on the executives' responsibilities and anticipated impact on, and potential for, driving Company strategy and performance. The resulting total direct pay mix on a cumulative basis, is heavily weighted towards performance-based pay (PEP plus stock options) rather than fixed pay, which the Committee believes reflects the compensation philosophy and objectives discussed above.

In accordance with agreements entered into at the time of the Recapitalization, our named executive officers received the 2x Time Options (as defined below) in 2009 with an exercise price equal to two times the share price at the Recapitalization (or \$102.00). The Committee allocated those options in consultation with our Chief Executive Officer based on past executive contributions and future anticipated impact on Company objectives. For additional information regarding the 2x Time Options, see Elements of Compensation Long-Term Equity Incentive Awards: Options below.

***Compensation Process***

The Committee ensures executives' pay levels are materially consistent with the compensation strategy described above, in part, by conducting annual assessments of competitive executive compensation. Management (but no named executive officer), in collaboration with the Committee's independent consultant, Semler

Brossy Consulting Group, LLC, collects and presents compensation data from similarly-sized general industry companies, based to the extent possible on comparable position matches and compensation components. The following nationally recognized survey sources were utilized in anticipation of establishing 2009 executive compensation:

<b>Survey</b>	<b>Revenue Scope</b>
Towers Perrin Executive Compensation Database	Greater than \$20B
Hewitt Total Compensation Measurement	\$10B - \$25B
Hewitt Total Compensation Measurement	Greater than \$25B

These particular revenue scopes were selected because they were the closest approximations to HCA's revenue size. Each survey that provided an appropriate position match and sufficient sample size to be used in the compensation review was weighted equally. For this purpose, the two Hewitt survey cuts were considered as one survey, and we used a weighted average of the two surveys (65% for the \$10B - \$25B cut and 35% for the Greater than \$25B).

Data was also collected from health care providers within our industry including Community Health Systems, Inc., Health Management Associates, Inc., Kindred Healthcare, Inc., LifePoint Hospitals, Inc., Tenet Healthcare Corporation and Universal Health Services, Inc. These health care providers are used only to obtain a general understanding of current industry compensation practices since we are significantly larger than these companies. CEO and CFO compensation data was also collected and reviewed for large public health care companies which included, in addition to health care providers, companies in the health insurance, pharmaceutical, medical supplies and related industries. This peer group's 2008 revenues ranged from \$7.2 billion to \$81.2 billion with median revenues of \$21.3 billion. The companies in this analysis included Abbott Laboratories, Aetna Inc., Amgen Inc., Baxter International Inc., Boston Scientific Corporation, Bristol-Myers Squibb Company, CIGNA Corporation, Coventry Health Care, Inc., Express Scripts, Inc., Humana Inc., Johnson & Johnson, Eli Lilly and Company, Medco Health Solutions Inc., Merck & Co., Inc., Pfizer Inc., Quest Diagnostics Incorporated, Schering-Plough Corporation, Tenet Healthcare Corporation, Thermo Fisher Scientific Inc., UnitedHealth Group Incorporated, WellPoint, Inc. and Wyeth.

Consistent with our flexible compensation philosophy, the Committee is not required to approve compensation precisely reflecting the results of these surveys, and may also consider, among other factors (typically not reflected in these surveys): the requirements of the applicable employment agreements, the executive's individual performance during the year, his or her projected role and responsibilities for the coming year, his or her actual and potential impact on the successful execution of Company strategy, recommendations from our Chief Executive Officer and compensation consultants, an officer's prior compensation, experience, and professional status, internal pay equity considerations, and employment market conditions and compensation practices within our peer group. The weighting of these and other relevant factors is determined on a case-by-case basis for each executive upon consideration of the relevant facts and circumstances.

### ***Employment Agreements***

In connection with the Recapitalization, we entered into employment agreements with each of our named executive officers and certain other members of senior management to help ensure the retention of those executives critical to the future success of the Company. Among other things, these agreements set the executives' compensation terms, their rights upon a termination of employment, and restrictive covenants around non-competition, non-solicitation, and confidentiality. These terms and conditions are further explained in the remaining portion of this Compensation Discussion and Analysis and under Narrative Disclosure to Summary Compensation Table and 2009 Grants of Plan-Based Awards Table - Employment Agreements.

In light of Mr. Bovender's retirement from the position of Chief Executive Officer, effective December 31, 2008, and continuing service to the Company as executive Chairman until December 15, 2009, the Company entered into an Amended and Restated Employment Agreement with Mr. Bovender, effective December 31, 2008. The material amendments to Mr. Bovender's prior employment agreement as set forth in the Amended and Restated Employment Agreement are described below under Severance and Change in Control

Benefits Mr. Bovender's Continuing Severance Benefits and under Narrative Disclosure to Summary Compensation Table and 2009 Grants of Plan-Based Awards Table Employment Agreements.

The Company also amended Mr. Bracken's employment agreement, effective January 1, 2009, to reflect his appointment to the position of Chief Executive Officer.

### *Elements of Compensation*

#### *Base Salary*

Base salaries are intended to provide reasonable and competitive fixed compensation for regular job duties. The threshold base salaries for our executives are set forth in their employment agreements. We did not increase named executive officer base salaries in 2009, other than an increase in Mr. Johnson's base salary, as detailed below, in order to better align his salary with market for his position as Chief Financial Officer based on general industry surveys. In light of Mr. Bovender's retirement from the position of Chief Executive Officer and continuing role as executive Chairman and Mr. Bracken's assumption of the responsibilities of Chief Executive Officer, Mr. Bovender's base salary for 2009 was reduced to \$1.144 million (as described further in Narrative Disclosure to Summary Compensation Table and 2009 Grants of Plan-Based Awards Table Employment Agreements Mr. Bovender's Employment Agreements ), and Mr. Bracken's 2009 base salary was increased to \$1.325 million. Similarly, taking into consideration the additional responsibilities being assumed by the position of Executive Vice President and Chief Financial Officer and relevant market comparables from the survey data, Mr. Johnson's 2009 salary was set at \$850,000, reflecting an increase of approximately 7.6% from his 2008 salary. In light of actual total cash compensation realized for 2009 and current target cash compensation opportunities levels, no merit base salary increases are planned for 2010 at this time. Mr. Rutledge's salary will be increased by 3.7% effective April 1, 2010 as an internal equity adjustment to internal peer roles.

#### *Annual Incentive Compensation: PEP*

The PEP is intended to reward named executive officers for annual financial performance, with the goals of providing high quality health care for our patients and increasing stockholder value. Accordingly, in 2008, the Company's 2008-2009 Senior Officer Performance Excellence Program, as amended (the 2008-2009 PEP ), was approved by the Committee to cover annual cash incentive awards for both 2008 and 2009. Each named executive officer in the 2008-2009 PEP was initially assigned a maximum 2009 annual award target expressed as a percentage of salary ranging from 72% to 132%, which under the terms of the 2008-2009 PEP applies to the lesser of (a) the named executive officer's 2009 base salary, or (b) 125% of the named executive officer's 2008 base salary. The Committee had the discretion to reduce, but not increase, the 2009 Threshold, Target and Maximum percentages as set forth in the 2008-2009 PEP. Mr. Bovender's 2009 PEP target and an additional one-time \$250,000 bonus opportunity based on his contributions to certain legislative initiatives as determined by the Committee were set forth in his Amended Employment Agreement, as described in Narrative Disclosure to Summary Compensation Table and 2009 Grants of Plan-Based Awards Table Employment Agreements Mr. Bovender's Employment Agreement. The Committee set Mr. Bracken's 2009 target percentage at 130% of his 2009 base salary in connection with his appointment as Chief Executive Officer and amended the 2008-2009 PEP to set Mr. Johnson's 2009 target percentage at 80% of his 2009 base salary in light of the additional responsibilities assumed by the position of Executive Vice President and Chief Financial Officer. The 2009 target percentage for each of Ms. Wallace and Messrs. Hazen and Rutledge was set at 66% of their respective 2009 base salaries (see individual targets in the table below). These targets were intended to provide a meaningful incentive for executives to achieve or exceed performance goals.

The 2008-2009 PEP was designed to provide 100% of the target award for target performance, 50% of the target award for a minimum acceptable (threshold) level of performance, and a maximum of 200% of the target award for

maximum performance, while no payments were to be made for performance below threshold levels. The Committee believes this payout curve is consistent with competitive practice. More importantly, it



promotes and rewards continuous growth as performance goals have consistently been set at increasingly higher levels each year. Actual awards under the PEP are generally determined using the following two steps:

1. The executive's conduct must reflect our mission and values by upholding our Code of Conduct and following our compliance policies and procedures. This step is critical to reinforcing our commitment to integrity and the delivery of high quality health care. In the event the Committee determines the participant's conduct during the fiscal year is not in compliance with the first step, he or she will not be eligible for an incentive award.

2. The actual award amount is determined based upon Company performance. In 2009, the PEP for all named executive officers, other than Mr. Hazen and Mr. Rutledge, incorporated one Company financial performance measure, EBITDA, defined in the 2008-2009 PEP as earnings before interest, taxes, depreciation, amortization, minority interest expense (now, net income attributable to noncontrolling interests), gains or losses on sales of facilities, gains or losses on extinguishment of debt, asset or investment impairment charges, restructuring charges, and any other significant nonrecurring non-cash gains or charges (but excluding any expenses for share-based compensation under ASC 718, *Compensation-Stock Compensation* (ASC 718)) (EBITDA). The Company EBITDA target for 2009, as adjusted, was \$4.768 billion for the named executive officers. Mr. Hazen's 2009 PEP, as the Western Group President, was based 50% on Company EBITDA and 50% on Western Group EBITDA (with a Western Group EBITDA target for 2009 of \$2.352 billion, as adjusted) to ensure his accountability for his group's results. Similarly, Mr. Rutledge's 2009 PEP, as the Central Group President, was based 50% on Company EBITDA and 50% on Central Group EBITDA (with a Central Group EBITDA target for 2009 of \$1.137 billion, as adjusted). The Committee chose to base annual incentives on EBITDA for a number of reasons:

It effectively measures overall Company performance;

It can be considered an important surrogate for cash flow, a critical metric related to paying down the Company's significant debt obligation;

It is the key metric driving the valuation in the internal Company model, consistent with the valuation approach used by industry analysts; and

It is consistent with the metric used for the vesting of the financial performance portion of our option grants.

These EBITDA targets should not be understood as management's predictions of future performance or other guidance and investors should not apply these in any other context. Our 2009 threshold and maximum goals were set at approximately +/- 3.6% of the target goal to reflect likely performance volatility. EBITDA targets were linked to the Company's short-term and long-term business objectives to ensure incentives are provided for appropriate annual growth.

Upon review of the Company's 2009 financial performance, the Committee determined that Company EBITDA performance for the fiscal year ended December 31, 2009 was above the maximum performance levels as set by the Compensation Committee, as adjusted; likewise, the EBITDA performance of the Western Group and Central Group also exceeded the maximum performance targets, as adjusted.

**2009 Adjusted      2009 Actual**