HCA INC/TN
Form PRER14A
September 18, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:

þ Preliminary Proxy Statement

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

o Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

HCA INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

o No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

Common stock, par value $.01 per share, of HCA Inc. and nonvoting common stock, par value $.01 per share, of HCA Inc. (collectively, the HCA Common Stock)

(2) Aggregate number of securities to which transaction applies:
409,547,671 shares of HCA Common Stock; 28,045,175 options to purchase HCA Common Stock; restricted share units with respect to 134,261 shares of HCA Common Stock; Warrants with respect to 16,910 shares of HCA Common Stock.

(3)

Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):
The transaction value was determined based upon the sum of (a) $51.00 per share of 409,547,671 shares of HCA Common Stock, (b) $51.00 minus the weighted average exercise price of $39.40 per share of outstanding options to purchase 24,941,169 shares of HCA Common Stock, (c) $51.00 minus the weighted average exercise price of $20.34 per share of outstanding options to purchase 3,104,006 shares of HCA Common Stock, (d) $51.00 per share of restricted share units with respect to 134,261 shares of HCA Common Stock; and (e) $51.00 minus the exercise price of $2.29 per share of outstanding warrants to purchase 16,910 shares of HCA Common Stock.

(4) Proposed maximum aggregate value of transaction:

$21,279,088,602.46

(5) Total fee paid:

$2,276,862.48

þ Fee paid previously with preliminary materials.

o 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:

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One Park Plaza
Nashville, Tennessee 37203

, 2006

Dear Fellow Shareholder:

On July 24, 2006, HCA Inc., a Delaware corporation (HCA or the Company), entered into an Agreement and Plan of Merger (the merger agreement) with Hercules Holding II, LLC, a Delaware limited liability company (Parent), and Hercules Acquisition Corporation, a Delaware corporation and a wholly-owned subsidiary of Parent (Merger Sub). Parent is currently owned by private equity funds sponsored by Bain Capital Partners, LLC, Kohlberg Kravis Roberts & Co. L.P. and Merrill Lynch Global Partners, Inc. (d/b/a Merrill Lynch Global Private Equity). Under the terms of the merger agreement, Merger Sub will be merged with and into the Company, with the Company continuing as the surviving corporation (the merger). If the merger is completed, you will be entitled to receive $51.00 in cash for each share of HCA common stock that you own.

A special meeting of our shareholders will be held on , 2006, at .m., local time, to vote on a proposal to adopt the merger agreement so that the merger can occur. The special meeting will be held at HCA s executive offices located at One Park Plaza, Nashville, Tennessee 37203. Notice of the special meeting and the related proxy statement is enclosed.

The accompanying proxy statement gives you detailed information about the special meeting and the merger and includes the merger agreement as Annex A. The receipt of cash in exchange for shares of HCA common stock in the merger will constitute a taxable transaction to U.S. persons for U.S. federal income tax purposes. We encourage you to read the proxy statement and the merger agreement carefully.

Our board of directors has determined that the merger is advisable and that the terms of the merger are fair to and in the best interests of HCA and its shareholders (other than HCA founder and director Dr. Thomas F. Frist, Jr., members of Dr. Frist s family and his and their affiliates, affiliates of Parent and certain executive officers and other members of senior management of HCA who will invest in equity securities of the surviving corporation in connection with the merger as further described in the accompanying proxy statement), and approved the merger agreement and the transactions contemplated thereby, including the merger. This recommendation is based, in large part, upon the unanimous recommendation of the special committee of the board of directors consisting of five independent and disinterested directors.

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

Whether or not you plan to attend the special meeting, please complete, date, sign and return, as promptly as possible, the enclosed proxy in the accompanying reply envelope, or submit your proxy by telephone or the Internet. Shareholders who attend the meeting may revoke their proxies and vote in person.

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

Sincerely,

Frederick W. Gluck	Jack O. Bovender, Jr.
Chairman of the Special Committee	*Chairman of the Board and Chief Executive Officer*

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

The proxy statement is dated , 2006, and is first being mailed to shareholders on or about , 2006.

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One Park Plaza
Nashville, Tennessee 37203
NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
To Be Held On , 2006

Dear Shareholder:

PLEASE TAKE NOTICE that a special meeting of shareholders of HCA Inc., a Delaware corporation (the Company), will be held on , , 2006, at .m. local time, at the Company s executive offices located at One Park Plaza, Nashville, Tennessee, for the following purposes:

1. To consider and vote on a proposal to adopt the Agreement and Plan of Merger (the merger agreement), dated as of July 24, 2006, by and among the Company, Hercules Holding II, LLC, a Delaware limited liability company (Parent), and Hercules Acquisition Corporation, a Delaware corporation and a wholly-owned subsidiary of Parent (Merger Sub), as the merger agreement may be amended from time to time.

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

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

The record date for the determination of shareholders entitled to notice of and to vote at the special meeting is , 2006. Accordingly, only shareholders of record as of that date will be entitled to notice of and to vote at the special meeting or any adjournment or postponement thereof. A list of our shareholders will be available at our principal executive offices at One Park Plaza, Nashville, Tennessee, during ordinary business hours for ten days prior to the special meeting.

We urge you to read the accompanying proxy statement carefully as it sets forth details of the proposed merger and other important information related to the merger.

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

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

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

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

By Order of the Board of Directors,

John M. Franck II
Vice President and Corporate Secretary

Nashville, Tennessee
, 2006

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References to HCA, the Company, we, our or us in this proxy statement refer to HCA Inc. and its affiliates u otherwise indicated by context.

SUMMARY TERM SHEET

This Summary Term Sheet, together with the Questions and Answers About the Special Meeting and the Merger, summarizes the material information in the proxy statement. You should carefully read this entire proxy statement and the other documents to which this proxy statement refers you for a more complete understanding of the matters being considered at the special meeting. In addition, this proxy statement incorporates by reference important business and financial information about HCA. You may obtain the information incorporated by reference into this proxy statement without charge by following the instructions in Where You Can Find More Information beginning on page 92.

The Merger and the Merger Agreement

The Parties to the Merger (see page 15). HCA, a Delaware corporation, is one of the leading health care services companies in the United States. Hercules Holding II, LLC, a Delaware limited liability company (Parent), was formed solely for the purpose of effecting the merger (as defined below) and the transactions related to the merger. Parent has not engaged in any business except in furtherance of this purpose. Hercules Acquisition Corporation, a Delaware corporation and a direct wholly-owned subsidiary of Parent (Merger Sub), was formed solely for the purpose of effecting the merger. Merger Sub has not engaged in any business except in furtherance of this purpose. Parent is currently owned by private equity funds sponsored by Bain Capital Partners, LLC (Bain), Kohlberg Kravis Roberts & Co. L.P. (KKR) and Merrill Lynch Global Partners, Inc. (d/b/a Merrill Lynch Global Private Equity) (Merrill Lynch Global Private Equity) (collectively referred to in this proxy statement as the sponsors). The sponsors, collectively, with HCA founder and director Dr. Thomas F. Frist, Jr. and certain entities affiliated with Dr. First (the Frist Entities) who have committed to contribute a portion of their shares of HCA Common Stock to Parent in connection with the merger in exchange for a portion of the equity securities of Parent (which right may be assigned, in part, to Dr. Frist and other permitted assignees) are sometimes collectively referred to in this proxy statement as the Investor Group.

The Merger. You are being asked to vote to adopt an agreement and plan of merger (the merger agreement) providing for the recapitalization of HCA by Parent. Pursuant to the merger agreement, Merger Sub will merge with and into HCA (the merger). HCA will be the surviving corporation in the merger (the surviving corporation) and will continue to do business as HCA following the merger. As a result of the merger, HCA will cease to be an independent, publicly traded company. See The Merger Agreement beginning on page 62.

Merger Consideration. If the merger is completed, you will be entitled to receive $51.00 in cash, without interest and less any applicable withholding taxes, for each share of HCA capital stock (consisting of common stock, par value $.01 per share, and nonvoting common stock, par value $.01 per share (collectively, the HCA Common Stock)) that you own. See The Merger Agreement Merger Consideration beginning on page 62.

Treatment of Outstanding Options, Restricted Shares and Restricted Share Units. Upon consummation of the merger, except as otherwise agreed by a holder and Parent, all outstanding options to acquire HCA Common Stock will become fully vested and immediately exercisable. All such options (other than certain options held by certain Management Rollover Holders (as defined below under *Interests of the Company s Directors and Executive Officers in the Merger*)) not exercised prior to the merger will be cancelled and converted into the right to receive a cash payment equal to the number of shares of HCA Common Stock underlying the options multiplied by the amount (if any) by which $51.00 exceeds the option exercise price, without interest and less any applicable withholding taxes. Additionally, except as otherwise agreed by a holder and Parent, all shares of restricted stock and restricted share units will vest and those shares or units will be

cancelled and converted into the right to receive a cash payment equal to the number of outstanding restricted shares or restricted share units multiplied by $51.00 (together with the value of any deemed dividend equivalents accrued but unpaid with respect to restricted share units), without interest and less any applicable withholding taxes. Certain options to purchase HCA Common Stock held by certain of the Management Rollover Holders that are not exercised prior to consummation of the merger will be converted into options to acquire shares of common stock of the surviving corporation. See Special Factors Interests of the Company s Directors and Executive Officers in the Merger and The Merger Agreement Treatment of Options and Other Awards beginning on pages 51 and 62, respectively.

Conditions to the Merger (see page 69). The consummation of the merger depends on the satisfaction or waiver of a number of conditions, including the following:

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

no injunction, judgment, order or law which prohibits, restrains or renders illegal the consummation of the merger shall be in effect;

the waiting period (and any extension thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act), must have expired or been terminated;

HCA s and Parent s and Merger Sub s respective representations and warranties in the merger agreement must be true and correct as of the closing date in the manner described under the caption The Merger Agreement Conditions to the Merger beginning on page 69; and

HCA and Parent and Merger Sub must have performed in all material respects all obligations that each is required to perform under the merger agreement.

Restrictions on Solicitations of Other Offers (see page 70).

The merger agreement provides that, until 11:59 p.m., New York time, on September 12, 2006 (the go-shop period), we were permitted to initiate, solicit and encourage an acquisition proposal for us (including by way of providing information), and enter into and maintain discussions or negotiations concerning an acquisition proposal for us or otherwise cooperate with or assist or participate in, or facilitate any such inquiries, proposals, discussions or negotiations. Prior to terminating the merger agreement or entering into an acquisition agreement with respect to any such proposal, the Company was required to comply with certain terms of the merger agreement described under The Merger Agreement Recommendation Withdrawal/ Termination in Connection with a Superior Proposal, including negotiating with Parent and Merger Sub in good faith to make adjustments to the merger agreement and, if required, paying a termination fee, see page 71. We did not receive any acquisition proposals during the go-shop period.

The merger agreement provides that from and after the expiration of the go-shop period, we are generally not permitted to:

initiate, solicit or knowingly encourage (including by way of providing information) the submission of any inquiries, proposals or offers or any other efforts or attempts that constitute or may reasonably be expected to lead to, an acquisition proposal for us or engage in any discussions or negotiations (other than with a person who submitted a proposal prior to the expiration of the go-shop period under certain circumstances) with respect thereto, or otherwise knowingly cooperate with or knowingly assist or participate in, or knowingly facilitate any such inquiries, proposals, discussions or negotiations; or

approve or recommend, or publicly propose to approve or recommend, any acquisition proposal for us or enter into any merger agreement, letter of intent, agreement in principle, share purchase agreement, asset

purchase agreement or share exchange agreement, option agreement

or other similar agreement providing for or relating to any acquisition proposal for us or enter into any agreement or agreement in principle requiring us to abandon, terminate or fail to consummate the transactions contemplated by the merger agreement or breach our obligations under the merger agreement or propose or agree to do any of the foregoing.

Notwithstanding these restrictions, under certain circumstances, our board of directors (acting through the special committee if such committee still exists) may respond to a bona fide unsolicited written proposal for an alternative acquisition or terminate the merger agreement and enter into an acquisition agreement with respect to a superior proposal, so long as the Company complies with certain terms of the merger agreement described under The Merger Agreement Recommendation Withdrawal/ Termination in Connection with a Superior Proposal, including negotiating with Parent and Merger Sub in good faith to make adjustments to the merger agreement prior to termination and, if required, paying a termination fee, see page 71.

The merger agreement provides that Dr. Frist shall not be prevented from engaging in a due diligence discussion with any third party who has been provided with and has agreed in writing to comply with the limitations described below if specifically requested to do so by the special committee of HCA s board of directors or Credit Suisse Securities (USA) LLC (Credit Suisse). However, other than with respect to public disclosure obligations required by applicable law, (1) Dr. Frist shall not disclose to any such third party any information regarding the transactions contemplated by the merger agreement or any agreements, understandings or arrangements in connection therewith or any assumptions, information, evaluations or views of Parent and its affiliates, and (2) Dr. Frist shall not be permitted to have any discussions, agreements, understandings or arrangements with any third party regarding any participation, investment, involvement or interest of any nature whatsoever in any form of transaction similar to, or in the alternative to, the transactions contemplated by the merger agreement, including the merger.

Termination of the Merger Agreement (see page 72). The merger agreement may be terminated:

By mutual written consent of HCA, on the one hand, and Parent or Merger Sub, on the other hand;

By either HCA, on the one hand, or Parent or Merger Sub, on the other hand, if:

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

the merger is not completed on or before December 19, 2006, or (if the marketing period (as defined below under The Merger Agreement Marketing Period) has not ended on or before December 19, 2006) on or before January 31, 2007, so long as the failure to complete the merger is not the result of, or caused by, the failure of the terminating party to comply with the terms of the merger agreement; or

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

By Parent or Merger Sub, if:

our board of directors or a committee of our board of directors withdraws, modifies or qualifies, or publicly proposes to withdraw, modify or qualify, in a manner adverse to Parent or Merger Sub, its recommendation that our shareholders adopt the merger agreement, or takes action or makes any public statement in connection with the special meeting inconsistent with such recommendation, or approves or recommends, or resolves to approve or recommend, any takeover proposal by a third party other than the merger; or

we have breached or failed to perform any of our representations, warranties, covenants or agreements under the merger agreement which would give rise to the failure of certain conditions to closing to be satisfied and where that breach or failure to perform cannot be cured by December 19, 2006 (or January 31, 2007 if the termination date is extended as described above); or

By HCA, if:

prior to obtaining the vote of shareholders at the special meeting, we receive a superior proposal and concurrently enter into a definitive agreement with respect to such superior proposal, provided that we have complied with our obligations under the merger agreement described under The Merger Agreement Restrictions on Solicitations of Other Offers and The Merger Agreement Recommendation Withdrawal/Termination in Connection with a Superior Proposal beginning on pages 70 and 71, respectively, and provided that we have paid the termination fee owed to Parent as described under The Merger Agreement Termination Fees beginning on page 73;

Parent or Merger Sub has breached or failed to perform any of its representations, warranties, covenants or agreements under the merger agreement which would give rise to the failure of certain conditions to closing to be satisfied if that breach or failure to perform cannot be cured by December 19, 2006 (or January 31, 2007 if the termination date is extended as described above); or

certain conditions to closing have been satisfied or waived and Parent has not consummated the merger within five calendar days after the final day of the marketing period.

Termination Fees (see page 73). If the merger agreement is terminated under certain circumstances:

the Company will be obligated to pay a termination fee of $500 million as directed by Parent;

the Company will be obligated to pay the expenses of Parent, up to $50 million; or

Parent will be obligated to pay us a termination fee of $500 million. Each member of the Investor Group, including the Frist Entities but not including Dr. Frist, has agreed severally to guarantee the obligation of Parent to pay this termination fee subject to a cap. This cap is equal to such member s pro rata share of $500 million, which share is proportionate to its equity commitment to Parent as compared to the equity commitments of the other guarantors.

The Special Meeting

See Questions and Answers About the Special Meeting and the Merger beginning on page 9 and The Special Meeting beginning on page 16.

Other Important Considerations

The Special Committee and its Recommendation. The special committee is a committee of our board of directors that was formed on June 30, 2006 for the purpose of reviewing, evaluating and, as appropriate, negotiating a possible transaction relating to the sale of the Company. The special committee is comprised of five independent and disinterested directors. The members of the special committee are Frederick W. Gluck, Glenda A. Hatchett, Charles O. Holliday, Jr., T. Michael Long and Kent C. Nelson. The special committee unanimously determined that the merger agreement and the transactions contemplated thereby, including the merger, are fair to and in the best interests of our shareholders (other than Dr. Frist, members of the Frist family and his and their affiliates (including the Frist Entities), holders of shares of HCA Common Stock who are affiliates of Parent and the Management Rollover Holders) (such shareholders being referred to in this proxy statement collectively as the unaffiliated shareholders) and recommended to our board of directors that the merger agreement and the transactions contemplated thereby, including the

merger, be approved and declared advisable by our board of directors and that our board of directors recommend adoption by the shareholders of the merger agreement. For a discussion of the material factors considered by the board of directors and the special committee in reaching its conclusions and the reasons why the board of directors and the special committee determined that the merger is fair, see Special Factors Reasons for the Merger; Recommendation of the Special Committee and of Our Board of Directors; Fairness of the Merger beginning on page 27.

Board Recommendation. The Company s board of directors, acting upon the unanimous recommendation of the special committee, recommends that HCA s shareholders vote FOR the adoption of the merger agreement, and FOR the adjournment of the special meeting, if necessary, to solicit additional proxies. See Special Factors Reasons for the Merger; Recommendation of the Special Committee and of Our Board of Directors; Fairness of the Merger beginning on page 27.

Share Ownership of Directors and Executive Officers. As of , 2006, the record date, the directors and executive officers of HCA (other than Dr. Frist) held and are entitled to vote, in the aggregate, shares of HCA Common Stock representing approximately % of the outstanding shares of the voting HCA Common Stock. The directors and executive officers have informed HCA that they currently intend to vote all of their shares of HCA Common Stock FOR the adoption of the merger agreement and FOR the adjournment proposal, if necessary. In addition, the Frist Entities, representing approximately % of the outstanding shares of the voting HCA Common Stock, have entered into an agreement with the sponsors and certain other equity investors to vote their shares in favor of adopting the merger agreement. It is the current intention of Dr. Frist and members of his immediate family to vote other shares beneficially owned by them, representing approximately % of the outstanding shares of the voting HCA Common Stock, to adopt the merger agreement, other than approximately 109,000 shares that are held by a charitable foundation formed by Dr. Frist, which will not be voted in the merger. See The Special Meeting Voting Rights; Quorum; Vote Required for Approval beginning on page 16.

Interests of the Company s Directors and Executive Officers in the Merger. Upon the consummation of the merger, except as may be agreed by a holder or participant and Parent, (1) all stock options held by our directors and officers will vest and all vested and unexercised stock options will generally be cashed out in an amount equal to the excess (if any) of $51.00 over the option exercise price, (2) all shares of restricted stock and restricted share units will vest, become free of restrictions and will be cashed out at $51.00 per share (together with the value of any deemed dividend equivalents accrued but unpaid with respect to restricted share units), (3) all salary amounts withheld on behalf of the participants in the HCA stock purchase plans through the closing date of the merger will be deemed to have been used to purchase HCA Common Stock under the terms of these plans, using the closing date of the merger as the last date of the applicable offering period under these plans, and converted into the right to receive, effectively, a cash payment equal to the number of shares deemed purchased under these plans multiplied by $51.00, and (4) executives who are covered officers under the 2006 Senior Officer Performance Excellence Program will be paid their 2006 annual bonus at the target level as provided under such program. In addition, under the Company s Supplemental Executive Retirement Plan (the SERP), upon the consummation of the merger, all current participants will become fully vested in their retirement benefits, the normal retirement age for collecting benefits under the SERP will be reduced from 62 to 60, and current participants will be entitled to certain additional benefits upon certain terminations of employment and to certain protections against the amendment or termination of the SERP. Certain of our executive officers (such officers, together with such other employees who are permitted to invest by the payment of cash and/or contribution of their HCA equity securities to the surviving corporation, are sometimes referred to herein collectively as the Management Rollover Holders) have also made commitments to roll over options to purchase HCA Common Stock into and/or otherwise invest in the equity securities of the surviving corporation. The Frist Entities have committed to contribute 15,686,275 shares of HCA Common

Stock to Parent in connection with the merger in exchange for a portion of the equity securities of Parent. In addition, Dr. Frist, certain members of his immediate family and certain entities controlled by them may contribute shares of HCA Common Stock to Parent in connection with the commitment by the Frist Entities. The Frist Entities may also invite certain additional investors selected by them to assume a portion of the Frist Entities equity commitment (the Frist Sell-Down). Participants in the Frist Sell-Down, together with any other assignees of the Frist Entities roll over equity commitment, are collectively referred to as the Frist permitted assignees . The Frist Sell-Down will reduce the Frist Entities equity commitment amount, but the Frist Entities will control in all respects (including voting and disposition) the interests in Parent that the Frist Sell-Down participants are entitled to receive in exchange for funding the Frist Entities equity commitments. The surviving corporation will grant new stock options in the surviving corporation to certain of our executive officers, who will also enter into new employment agreements with the surviving corporation and/or become directors of the surviving corporation. The Frist Entities will have the right to designate two directors of Parent s board of directors after the merger is consummated, and Jack O. Bovender, Jr., the Company s Chairman and Chief Executive Officer, and Richard M. Bracken, the Company s President and a current director, will have the right to serve as directors of the surviving corporation so long as they are officers of the surviving corporation. These and other interests of our executive officers and directors, some of which may be different than those of our shareholders generally, are more fully described, together with a description of the total cash payments our executive officers will receive in connection with the merger, under Special Factors Interests of the Company s Directors and Executive Officers in the Merger beginning on page 51.

Opinions of Credit Suisse Securities (USA) LLC and Morgan Stanley & Co. Incorporated. In connection with the proposed merger, the special committee s financial advisors, Credit Suisse and Morgan Stanley & Co. Incorporated (Morgan Stanley), each have delivered an opinion as to the fairness from a financial point of view to the unaffiliated shareholders of the merger consideration to be received by such holders in the merger.

The full text of the opinions of Credit Suisse and Morgan Stanley, which set forth the procedures followed, assumptions made, matters considered and limitations on review undertaken by Credit Suisse and Morgan Stanley, as applicable, in connection with their opinions, are attached as Annex B and Annex C, respectively, to this proxy statement. **Credit Suisse and Morgan Stanley provided their opinions for the information and assistance of the special committee in connection with its consideration of the merger, and the opinions of Credit Suisse and Morgan Stanley are not recommendations as to how any shareholder should vote or act with respect to any matter relating to the merger.** We encourage you to read the opinions carefully and in their entirety. For a more complete description of the opinions and the review undertaken in connection with such opinions, together with the fees payable to Credit Suisse and Morgan Stanley, see Special Factors Opinions of Financial Advisors beginning on page 32.

Sources of Financing. The merger agreement does not contain any condition relating to the receipt of financing by Parent. HCA and Parent estimate that the total amount of funds necessary to consummate the merger and related transactions, including the new financing arrangements, the refinancing of certain existing indebtedness and the payment of customary fees and expenses in connection with the proposed merger and financing arrangements, will be approximately $26 billion, which is expected to be funded by new credit facilities, private and/or public offerings of debt securities and equity financing. Funding of the equity and debt financing is subject to the satisfaction of the conditions set forth in the commitment letters pursuant to which the financing will be provided. See Special Factors Financing of the Merger beginning on page 46. The following arrangements are in place to provide the necessary financing for the merger, including the payment of related transaction costs, charges, fees and expenses:

Equity Financing. Parent has received roll over commitments from the Frist Entities of 15,686,275 shares of HCA Common Stock which, based on the merger consideration per share of

HCA Common Stock, have an aggregate value of $800 million, and equity commitments from the other members of the Investor Group (other than Dr. Frist) totaling $4.5 billion, for aggregate roll over and equity commitments totaling $5.3 billion.

Debt Financing. Parent has received a debt commitment letter from Bank of America, N.A., Banc of America Bridge LLC, Banc of America Securities LLC, JPMorgan Chase Bank, N.A., J.P. Morgan Securities Inc., Citigroup Global Markets Inc., Merrill Lynch Capital Corporation and Merrill Lynch, Pierce, Fenner & Smith Incorporated to provide (a) up to $16.80 billion of senior secured credit facilities and (b) up to $5.70 billion of senior secured second lien loans under a bridge facility.

Regulatory Approvals (see page 46). Under the HSR Act, and the rules promulgated thereunder by the Federal Trade Commission (FTC), the merger may not be completed until notification and report forms have been filed with the FTC and the Antitrust Division of the Department of Justice (DOJ) and the applicable waiting period has expired or been terminated. HCA and Parent filed notification and report forms under the HSR Act with the FTC and the Antitrust Division on August 7, 2006. The waiting period was terminated on August 18, 2006.

Though not a condition to the consummation of the merger, U.S. federal and state laws and regulations, as well as the laws and regulations of the United Kingdom and Switzerland, may require that we or Parent obtain approvals or certificates of need from, file new license and/or permit applications with, and/or provide notice to, applicable governmental authorities in connection with the merger.

Applicability of Rules Related to Going Private Transactions; Position of Dr. Frist, the Frist Entities, Messrs. Bovender and Bracken, Parent, Merger Sub and the Sponsors as to Fairness and Their Reasons for the Merger (see pages 31-32 and 40-42). The requirements of Rule 13e-3 under the Securities Exchange Act of 1934, as amended (the Exchange Act), apply to the merger because Dr. Frist and Messrs. Bovender and Bracken are deemed to be engaged in a going private transaction under the applicable rules. In addition, the Frist Entities, Parent, Merger Sub and the sponsors could be deemed to be engaged in a going private transaction under these rules. To comply with the requirements of Rule 13e-3, our board of directors, Dr. Frist, the Frist Entities, Messrs. Bovender and Bracken, Parent, Merger Sub and the sponsors make certain statements as to, among other matters, their purposes and reasons for the merger, and their belief as to the fairness of the merger to our unaffiliated shareholders.

Each of the special committee and the board of directors has determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable, fair to and in the best interests of our unaffiliated shareholders. In evaluating the merger, the special committee consulted with its independent legal and financial advisors, reviewed a significant amount of information and considered a number of factors and procedural safeguards set forth below in Special Factors Reasons for the Merger; Recommendation of the Special Committee and of Our Board of Directors; Fairness of the Merger. Based upon the foregoing, and consistent with its general recommendation to shareholders, the special committee and our board of directors believe that the merger agreement and the merger are substantively and procedurally fair to our unaffiliated shareholders.

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

of an applicable exemption or a correct taxpayer identification number and otherwise comply with the applicable requirements of the backup withholding rules. You should consult your own tax advisor for a full understanding of how the merger will affect your federal, state and local and/or foreign taxes and, if applicable, the tax consequences of the receipt of cash in connection with the cancellation of your options to purchase shares of HCA Common Stock, your shares of restricted stock and/or your restricted share units, including the transactions described in this proxy statement relating to our other equity compensation and benefit plans. See Special Factors Material U.S. Federal Income Tax Consequences of the Merger to Our Shareholders beginning on page 58.

Appraisal Rights. Under Delaware law, holders of HCA Common Stock who do not vote in favor of adopting the merger agreement will have the right to seek appraisal of the fair value of their shares as determined by the Delaware Court of Chancery if the merger is completed, but only if they comply with all requirements of Delaware law, which are summarized in this proxy statement. This appraisal amount could be more than, the same as or less than the amount a shareholder would be entitled to receive under the terms of the merger agreement. Any holder of HCA Common Stock intending to exercise such holder s appraisal rights, among other things, must submit a written demand for an appraisal to us prior to the vote on the adoption of the merger agreement and must not vote or otherwise submit a proxy in favor of adoption of the merger agreement. Your failure to follow exactly the procedures specified under Delaware law will result in the loss of your appraisal rights. See The Special Meeting Rights of Shareholders Who Object to the Merger and Dissenters Rights of Appraisal beginning on pages 18 and 76, respectively, and the text of the Delaware appraisal rights statute reproduced in its entirety as Annex D.

Market Price of HCA Common Stock (see page 87). The closing sale price of HCA Common Stock on the New York Stock Exchange (the NYSE) on July 18, 2006, the last trading day prior to press reports of rumors regarding a potential acquisition of HCA, was $43.29 per share. The $51.00 per share to be paid for each share of HCA Common Stock in the merger represents a premium of approximately 18% to the closing price on July 18, 2006.

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

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

Q. When and where is the special meeting?

A. The special meeting of shareholders of HCA will be held on , , 2006, at .m. local time, at the Company s executive offices located at One Park Plaza, Nashville, Tennessee 37203.

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

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

to adopt the merger agreement;

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

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

Q. How does HCA s board of directors recommend that I vote on the proposals?

A. The board of directors recommends that you vote:

FOR the proposal to adopt the merger agreement; and

FOR the adjournment proposal.

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

A. All holders of HCA Common Stock are entitled to notice, but only shareholders of record holding voting HCA Common Stock as of the close of business on , 2006, the record date for the special meeting, are entitled to vote at the special meeting. As of the record date, there were approximately shares of voting HCA Common Stock outstanding. Approximately holders of record held such shares. Every holder of voting HCA Common Stock is entitled to one vote for each such share the shareholder held as of the record date.

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

Q. What vote is required for HCA s shareholders to adopt the merger agreement? How do HCA s directors and officers intend to vote?

A. An affirmative vote of the holders of a majority of all outstanding shares of HCA Common Stock entitled to vote on the matter is required to adopt the merger agreement. Our directors and executive officers have informed us that they currently intend to vote all of their shares of HCA Common Stock for the adoption of the merger agreement. In addition, the Frist Entities (representing approximately % of the voting HCA Common Stock outstanding) have entered into an agreement with the

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sponsors and certain other equity investors pursuant to which they have agreed to vote their shares in favor of the adoption of the merger agreement. It is also the current intention of Dr. Frist and members of his immediate family to vote other shares beneficially owned by them, representing approximately % of the outstanding shares of the voting HCA Common Stock, to adopt the merger agreement, other than approximately 109,000 shares that are held by a charitable foundation formed by Dr. Frist, which will not be voted in the merger.

Q. What vote is required for HCA s shareholders to approve the proposal to adjourn the special meeting, if necessary, to solicit additional proxies?

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

Q. Who is soliciting my vote?

A. This proxy solicitation is being made and paid for by HCA. In addition, we have retained Georgeson Inc. to assist in the solicitation. We will pay Georgeson Inc. approximately $20,000 plus out-of-pocket expenses for its assistance. Our directors, officers and employees may also solicit proxies by personal interview, mail, e-mail, telephone, facsimile or by other means of communication. These persons will not be paid additional remuneration for their efforts. We will also request brokers and other fiduciaries to forward proxy solicitation material to the beneficial owners of shares of HCA Common Stock that the brokers and fiduciaries hold of record. We will reimburse them for their reasonable out-of-pocket expenses.

Q. What do I need to do now?

A. Even if you plan to attend the special meeting, after carefully reading and considering the information contained in this proxy statement, if you hold your shares in your own name as the shareholder of record, please vote your shares by completing, signing, dating and returning the enclosed proxy card; using the telephone number printed on your proxy card; or using the Internet voting instructions printed on your proxy card. You can also attend the special meeting and vote, or change your prior vote, in person. **Do NOT enclose or return your stock certificate(s) with your proxy.** If you hold your shares in street name through a broker, bank or other nominee, then you received this proxy statement from the nominee, along with the nominee s proxy card which includes voting instructions and instructions on how to change your vote.

Q: How do I vote? How can I revoke my vote?

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

if you hold your shares in your name as a shareholder of record, by notifying our Vice President and Corporate Secretary, John M. Franck II, at One Park Plaza, Nashville, Tennessee 37203;

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

by submitting a later-dated proxy card; or

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

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Q: Can I vote by telephone or electronically?

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

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

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

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

Q: What do I do if I have money in the HCA Stock Fund of the HCA 401(k) Plan?

A: If you have money invested in the HCA Stock Fund of the HCA 401(k) Plan, you do not actually own shares of HCA Common Stock. You are instead credited with equivalent shares, which consist of your interest in both shares of HCA Common Stock and cash that are held by the HCA Stock Fund of the 401(k) Plan. The number of equivalent shares you hold on any given day is equal to your interest in the value of the HCA Common Stock and the cash held by the HCA Stock Fund, divided by the closing market price per share of HCA Common Stock on the NYSE on that day.

In accordance with the 401(k) Plan, the shares held in the HCA Stock Fund are typically voted at the direction of our plan administration committee, which is made up of certain members of our management, and not by individual plan participants. However, the plan administration committee has determined to engage an independent fiduciary to vote the shares held in the HCA Stock Fund in connection with the merger. Additionally, the plan administration committee has decided to offer participants pass-through voting rights based on a participant s interest or equivalent shares in the HCA Stock Fund. You may exercise these pass-through voting rights only by completing and returning the voting instruction card for participants in the HCA Stock Fund of the HCA 401(k) Plan you received with this proxy statement in accordance with the procedures included therewith, or by following the instructions for voting by telephone or the Internet described in the voting instruction card, and before the deadline noted below. **If your voting instructions are received by 6:00 a.m., local time, in Nashville, Tennessee on , 2006, the independent fiduciary will submit a proxy that reflects your instructions. If your voting instructions are not received by the date and time specified above, the independent fiduciary will vote the shares of HCA Common Stock allocable to your interest in the HCA Stock Fund in accordance with its independent and sole discretion, and all such shares will be voted in the same manner.** Your voting instructions will be kept confidential as required by the terms of the HCA 401(k) Plan. You may **not** vote in person at the special meeting.

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

A. If you also hold shares in street name, directly as a record holder or otherwise through the Company s stock purchase plans, or if you have money invested in the HCA Stock Fund of the HCA 401(k) Plan, you may receive more than one proxy and/or set of voting instructions relating to the special meeting. **These should each be voted and/or returned separately as described elsewhere in this proxy statement in order to ensure that all of your shares are voted.**

Q. How are votes counted?

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

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

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

Q: Who will count the votes?

A: A representative of our transfer agent, National City Bank, will count the votes and act as an inspector of election. Questions concerning stock certificates or other matters pertaining to your shares may be directed to National City Bank at 1-800-622-6757.

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

A. We are working toward completing the merger as quickly as possible, and we anticipate that it will be completed in the fourth quarter of 2006. In order to complete the merger, we must obtain shareholder approval and the other closing conditions under the merger agreement must be satisfied or waived (as permitted by law). In addition, Parent is not obligated to complete the merger until the expiration of a 20-business day marketing period that it may use to complete its financing for the merger. The marketing period begins to run after we have obtained the shareholder approval and satisfied other conditions under the merger agreement; provided that if the marketing period would not end on or before December 19, 2006, the marketing period will commence no earlier than January 2, 2007. See The Merger Agreement Marketing Period and The Merger Agreement Conditions to the Merger beginning on pages 68 and 69, respectively.

Q. Should I send in my stock certificates now?

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

Q. How can I obtain additional information about HCA?

A.

We will provide a copy of our Annual Report to Shareholders and/or our Annual Report on Form 10-K for the year ended December 31, 2005, excluding certain of its exhibits, and other filings,

including our reports on Form 10-Q, with the Securities and Exchange Commission (SEC) without charge to any shareholder who makes a written or oral request to the Office of Investor Relations, HCA Inc., One Park Plaza, Nashville, Tennessee 37203; (615) 344-9551. Our Annual Report on Form 10-K and other SEC filings also may be accessed on the world wide web at http://www.sec.gov or on the Investor Relations page of the Company s website at http://www.hcahealthcare.com. Our website address is provided as an inactive textual reference only. The information provided on our website is not part of this proxy statement, and therefore is not incorporated by reference. For a more detailed description of the information available, please refer to Where You Can Find More Information beginning on page 92.

Q. Who can help answer my questions?

A. If you have additional questions about the merger after reading this proxy statement, please call our proxy solicitor, Georgeson Inc., toll-free at (888) 264-7052 (banks and brokerage firms call collect at (212) 440-9800).

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

and other risks detailed in our current filings with the SEC, including our most recent filings on Form 10-Q and 10-K. See Where You Can Find More Information beginning on page 92. Many of the factors that will determine our future results are beyond our ability to control or predict. In light of the significant uncertainties inherent in the forward-looking statements contained herein, readers should not place undue reliance on forward-looking statements, which reflect management s views only as of the date hereof. We cannot guarantee any future results, levels of activity, performance or achievements. The statements made in this proxy statement represent our views as of the date of this

proxy statement, and it should not be assumed that the statements made herein remain accurate as of any future date. Moreover, we assume no obligation to update forward-looking statements or update the reasons that actual results could differ materially from those anticipated in forward-looking statements, except as required by law.

THE PARTIES TO THE MERGER

HCA

HCA is a Delaware corporation with its headquarters in Nashville, Tennessee. We are one of the leading health care services companies in the United States. HCA 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 and partnerships and joint ventures in which such subsidiaries are partners. As of June 30, 2006, we operated 176 hospitals, 92 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 seven hospitals and nine freestanding surgery centers which are accounted for using the equity method. Our facilities are located in 21 states, England and Switzerland.

HCA s primary objective is to provide the communities we serve a comprehensive array of quality health care services in the most cost-effective manner possible. Our general, acute care hospitals typically provide a full range of services to accommodate such medical specialties as internal medicine, general surgery, cardiology, oncology, neurosurgery, orthopedics and obstetrics, as well as diagnostic and emergency services. Outpatient and ancillary health care services are provided by our general, acute care hospitals, freestanding surgery centers, diagnostic centers and rehabilitation facilities. Our psychiatric hospitals provide a full range of mental health care services through inpatient, partial hospitalization and outpatient settings.

HCA s principal executive offices are located at One Park Plaza, Nashville, Tennessee 37203, and our telephone number is (615) 344-9551. For more information about HCA, please visit our website at www.hcahealthcare.com. Our website address is provided as an inactive textual reference only. The information provided on our website is not part of this proxy statement, and therefore is not incorporated by reference. HCA is publicly traded on the NYSE under the symbol HCA.

Parent

Hercules Holding II, LLC, which we refer to as Parent, is a Delaware limited liability company that was formed solely for the purpose of acquiring HCA. Parent has not engaged in any business except as contemplated by the merger agreement. The principal office addresses of Parent 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 and c/o Merrill Lynch Global Private Equity, Four World Financial Center, Floor 23, New York, NY 10080. The telephone number at each of the principal offices is (617) 516-2000, (650) 233-6560 and (212) 449-1000, respectively.

Merger Sub

Hercules Acquisition Corporation, which we refer to as Merger Sub, is a Delaware corporation that was formed solely for the purpose of completing the proposed merger. Upon the consummation of the proposed merger, Hercules Acquisition Corporation will cease to exist and HCA will continue as the surviving corporation. Hercules Acquisition Corporation is wholly-owned by Parent and has not engaged in any business except as contemplated by the merger agreement. The principal office addresses of Merger Sub 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 and c/o Merrill Lynch Global Private Equity, Four World Financial Center, Floor 23, New York, NY 10080. The telephone number at each of the principal offices is (617) 516-2000, (650) 233-6560 and (212) 449-1000, respectively.

Additional information concerning these transaction participants is set forth on Annex E to this proxy statement.

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THE SPECIAL MEETING

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

Date, Time and Place of the Special Meeting

The special meeting is scheduled to be held as follows:

Date: , 2006

Time: .m., local time

Place: One Park Plaza
Nashville, Tennessee 37203

Proposals to be Considered at the Special Meeting

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

Record Date

We have fixed the close of business on , 2006 as the record date for the special meeting, and only holders of record of voting HCA Common Stock on the record date are entitled to vote at the special meeting. On the record date, there were shares of HCA Common Stock outstanding and entitled to vote.

Voting Rights; Quorum; Vote Required for Approval

Each share of voting HCA Common Stock entitles its holder to one vote on all matters properly coming before the special meeting. The presence in person or representation by proxy of shareholders entitled to cast a majority of the votes of all issued and outstanding shares entitled to vote, shall constitute a quorum for the purpose of considering the proposals. Shares of voting HCA Common Stock represented at the special meeting but not voted, including shares of HCA Common Stock for which proxies have been received but for which shareholders have abstained, will be treated as present at the special meeting for purposes of determining the presence or absence of a quorum for the transaction of all business. In the event that a quorum is not present at the special meeting, it is expected that the meeting will be adjourned or postponed to solicit additional proxies.

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

The proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies requires the affirmative vote of the holders of a majority of the outstanding shares of HCA Common

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

As of , 2006, the record date, the directors and executive officers of HCA (other than Dr. Frist) held and are entitled to vote, in the aggregate, shares of HCA Common Stock, representing approximately % of the outstanding voting HCA Common Stock. The directors and executive officers have informed HCA that they currently intend to vote all of their shares of HCA Common Stock FOR the adoption of the merger agreement and FOR the adjournment proposal. In addition, the Frist Entities, representing approximately % of the outstanding shares of voting HCA Common Stock, have entered into an agreement with the sponsors and certain other equity investors to vote their shares in favor of adopting the merger agreement. It is also the current intention of Dr. Frist and members of his immediate family to vote other shares beneficially owned by them, representing approximately % of the outstanding shares of the voting HCA Common Stock, to adopt the merger agreement, other than approximately 109,000 shares that are held by a charitable foundation formed by Dr. Frist which will not be voted in the merger. If our directors (including persons related to Dr. Frist and the Frist Entities) and executive officers vote their shares in favor of adopting the merger agreement, % of the outstanding shares of voting HCA Common Stock will have voted for the proposal to adopt the merger agreement. This means that additional holders of approximately % of all shares entitled to vote at the special meeting would need to vote for the proposal to adopt the merger agreement in order for it to be adopted.

Voting and Revocation of Proxies

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

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

You have the right to revoke your proxy at any time before the vote taken at the special meeting:

- if you hold your shares in your name as a shareholder of record, by notifying our Vice President and Corporate Secretary, John M. Franck II, at One Park Plaza, Nashville, Tennessee 37203;
- by attending the special meeting and voting in person (your attendance at the meeting will not, by itself, revoke your proxy; you must vote in person at the meeting);
- by submitting a later-dated proxy card; or
- if you have instructed a broker, bank or other nominee to vote your shares, by following the directions received from your broker, bank or other nominee to change those instructions.

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

Rights of Shareholders Who Object to the Merger

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

To exercise your appraisal rights, you must submit a written demand for appraisal to the Company before the vote is taken on the merger agreement and you must not vote in favor of the adoption of the merger agreement. Your failure to follow exactly the procedures specified under Delaware law will result in the loss of your appraisal rights. See Dissenters Rights of Appraisal beginning on page 76 and the text of the Delaware appraisal rights statute reproduced in its entirety as Annex D.

Solicitation of Proxies

This proxy solicitation is being made and paid for by HCA on behalf of its board of directors. In addition, we have retained Georgeson Inc. to assist in the solicitation. We will pay Georgeson Inc. approximately $20,000 plus out-of-pocket expenses for their assistance. Our directors, officers and employees may also solicit proxies by personal interview, mail, e-mail, telephone, facsimile or other means of communication. These persons will not be paid additional remuneration for their efforts. We will also request brokers and other fiduciaries to forward proxy solicitation material to the beneficial owners of shares of HCA Common Stock that the brokers and fiduciaries hold of record. We will reimburse them for their reasonable out-of-pocket expenses. In addition, we will indemnify Georgeson Inc. against any losses arising out of that firm s proxy soliciting services on our behalf.

Other Business

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

Questions and Additional Information

If you have more questions about the merger or how to submit your proxy, or if you need additional copies of this proxy statement or the enclosed proxy card or voting instructions, please call our proxy solicitor, Georgeson Inc., toll-free at (888) 264-7052 (banks and brokerage firms call collect at (212) 440-9800), or contact HCA in writing at our principal executive offices at One Park Plaza, Nashville, Tennessee 37203, Attention: John M. Franck II, Vice President and Corporate Secretary, or by telephone at (615) 344-9551.

Availability of Documents

The reports, opinions or appraisals referenced in this proxy statement and filed as exhibits to the Schedule 13E-3 filed by the Company concurrently with this proxy statement will be made available for inspection and copying at the principal executive offices of the Company during its regular business hours by any interested holder of HCA Common Stock.

SPECIAL FACTORS

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

Background of the Merger

The Company regularly reviews and evaluates its business strategy and strategic alternatives with the goal of enhancing shareholder value. As part of these reviews, management and the board of directors on various occasions have received advice from Merrill Lynch, Pierce, Fenner & Smith Incorporated (Merrill Lynch), one of the Company s financial advisors. Merrill Lynch has advised the Company in connection with various transactions over the last several years, including, most recently, in connection with the Company s repurchase of its outstanding shares in a modified Dutch auction tender offer completed in November 2005.

Throughout early 2006, at the request of management, Merrill Lynch reviewed with management various strategic alternatives including potential acquisition opportunities (including domestic for-profit and not-for-profit hospital providers, international hospital providers and other ancillary healthcare providers) and other financial alternatives for the Company, including further leveraged recapitalizations. On April 5, 2006, Merrill Lynch met with management to discuss trends in leveraged buyout transactions (including increased activity within the private equity community and conditions in the leveraged lending markets) and, based on management s January 2006 projections, reviewed a hypothetical leveraged buyout transaction involving the Company at a per share price ranging from $55.00 to $59.00. The hypothetical transaction assumed that the Company would perform in accordance with the projections that had been provided by management to Merrill Lynch in January 2006, assumed a leverage ratio of six times debt to earnings before interest, taxes, depreciation and amortization, and assumed that the Company s existing $8.8 billion of public indebtedness would remain outstanding. Management subsequently advised Merrill Lynch that the January 2006 financial projections that Merrill Lynch had used in its analysis had been revised downward by management in light of the Company s operating results for the year to date and provided these revised projections to Merrill Lynch. After reviewing these revised projections, Merrill Lynch advised management that, although a leveraged buyout transaction could potentially be achieved based on the revised projections, the transaction would likely be at a price range below the range previously reviewed with management. The January 2006 projections, the revised projections provided to Merrill Lynch in April 2006 and a further revised downward set of projections prepared in May 2006 are all described below under Important Information About HCA Projected Financial Information.

Following the receipt of Merrill Lynch s advice that a leveraged buyout transaction could potentially be achieved based on the revised April projections, management decided that it would be appropriate to explore further the feasibility of such a transaction. On or about April 20, 2006, Dr. Frist and management contacted representatives of Bain and KKR to set up a meeting with Dr. Frist and members of management to explore the feasibility of a leveraged buyout transaction involving the Company. On or around this time, Merrill Lynch introduced management to Merrill Lynch Global Private Equity, Merrill Lynch s private equity affiliate.

On April 22, 23 and 24, 2006, the Company entered into confidentiality agreements with each member of the sponsors.

On April 24, 2006, in response to Dr. Frist s and management s requests for a meeting, management, Dr. Frist and Merrill Lynch met with representatives of the sponsors to discuss, on a preliminary basis, the feasibility of a leveraged buyout transaction of the Company by the sponsors. Representatives of the sponsors advised management and Dr. Frist that they would perform a preliminary analysis and report to management and Dr. Frist their conclusions regarding the feasibility of such a transaction.

On May 3, 2006, representatives of the sponsors advised management and Merrill Lynch of their preliminary conclusion that an acquisition of the Company in a leveraged buyout transaction was feasible

and requested permission for the sponsors and their potential financing sources to perform a due diligence review of the Company so that the sponsors could confirm this view and begin to formulate a proposal. On May 4, 2006, management advised Mr. Frederick W. Gluck, presiding director of the board of directors, and several other directors individually, of the sponsors preliminary view of the feasibility of a leveraged buyout transaction. Mr. Gluck agreed with management that a special meeting of the board of directors should be called to consider the matter.

At a special meeting of the board of directors held by telephone on May 8, 2006, management advised the board of directors of the discussions that had taken place to date with the sponsors with respect to the exploration of the feasibility of a possible leveraged buyout transaction involving the Company. Management also advised the board of directors of the sponsors request to perform due diligence to confirm their preliminary view regarding the feasibility of such a transaction. Messrs. Bovender and Bracken and Dr. Frist left the meeting and the board of directors met in executive session with a representative of Bass, Berry & Sims PLC (Bass Berry), the Company s regular corporate counsel, who reviewed the board of directors fiduciary duties in connection with the request of the sponsors. The board of directors then discussed generally the strategic alternatives available to the Company, including a leveraged buyout transaction. After discussion, the board of directors determined to defer any decision on whether to permit the sponsors to perform a due diligence review of the Company until the May 24, 2006 regularly scheduled meeting of the board of directors, in order to receive additional information regarding all strategic alternatives available to the Company.

A meeting of the board of directors was held on May 24, 2006. At the meeting, Dr. Frist and Messrs. Bovender and Bracken excused themselves and the board of directors met in executive session with a representative of Bass Berry who reviewed the board of directors fiduciary duties in connection with its evaluation of possible strategic alternatives to be discussed at the meeting. Management and Dr. Frist then rejoined the meeting and the board of directors received a report from management on the Company s year-to-date operations through April and conducted other regular business. The board of directors continued its meeting on May 25, 2006, at which representatives of Merrill Lynch reviewed with the board of directors the strategic alternatives for the Company that management, with the assistance of Merrill Lynch, had reviewed since a meeting of the board of directors in September 2005, the issues currently affecting the healthcare industry generally as well as the Company, and strategic alternatives for the Company going forward, including continuing as a stand-alone company, or effecting acquisitions, both in the United States and internationally, spin-offs or divestitures of selected assets, additional stock repurchases, a leveraged recapitalization or a leveraged buyout transaction. Merrill Lynch noted that, despite the strategic initiatives that the Company had taken over the last several years, its valuation, along with that of its peers, had suffered because of the key trends impacting the industry generally, namely inconsistent revenues and increasing levels of bad debt because of the increasing numbers of uninsured patients. Merrill Lynch also noted that, because of the Company s size, it was difficult to find actionable strategic opportunities that could move the needle. Merrill Lynch further noted that an open market repurchase strategy would not substantially change the growth profile of the Company, and that the Company s significant purchases of its stock in the recent past had not proven to be a significant long-term catalyst to higher stock prices. In connection with its review of a possible, significant leveraged recapitalization that would deliver a meaningful return to our shareholders, Merrill Lynch noted that such a recapitalization would provide a limited return given the increased cost of debt financing, would make the Company vulnerable to a credit downgrade and would curtail the Company s ability to execute significant acquisitions for some period of time. Merrill Lynch also noted that HCA as a private company could incur leverage substantially greater than the leverage investors would likely find acceptable for HCA as a public company. Messrs. Bovender and Bracken and the representatives of Merrill Lynch were then excused from the meeting, and Dr. Frist addressed the board of directors regarding his views of the proposed transaction in light of his long history with, and knowledge of the businesses of, the Company and in his capacity as a founder of the Company. Dr. Frist noted that the Company s earnings before interest, taxes, depreciation and amortization and the Company s stock price had both been relatively flat for the past several years and that the proposed transaction would offer shareholders an opportunity to immediately realize the value of their common stock at a fair price. Dr. Frist also noted his view of the

disadvantages of HCA s public company status, in particular, the complexity and expense of operating a public company. Dr. Frist then excused himself from the meeting, and the board of directors met in executive session with a representative of Bass Berry. In executive session, the board of directors discussed the strategic alternatives presented at the meeting and discussed the sponsors request for permission to perform due diligence on the Company so that the sponsors could confirm their preliminary view regarding the feasibility of a leveraged buyout transaction involving the Company. After discussion, the board of directors met in executive session and, after consideration of Merrill Lynch s presentation of the Company s strategic alternatives, decided to allow the sponsors and Banc of America Securities LLC (Banc of America Securities), a potential financing source, to undertake a due diligence investigation of the Company. As a condition to their due diligence, the board of directors required each sponsor to enter into a more extensive confidentiality agreement, and Banc of America Securities to enter into an appropriate confidentiality agreement, in each case containing, among other things, standstill provisions. In addition, the board of directors authorized Mr. Gluck in his capacity as presiding director of the board of directors to oversee the due diligence process and to report to the board of directors on the process and any decisions made. The board of directors also instructed management not to negotiate with the sponsors representatives regarding the terms on which management might participate with the sponsors in a transaction involving the Company. In light of the possibility that the Company might explore a leveraged buyout transaction in which Dr. Frist and members of management might participate, the board of directors also discussed at the May 25 executive session the desirability of establishing a special committee comprised of directors who were independent of the Company, the sponsors, management and Dr. Frist. In connection with its review of the strategic alternatives available to the Company at the May 25 board of directors meeting, the board of directors directed management to retain McKinsey & Company (McKinsey) on behalf of the Company to analyze the projections for the Company prepared by management in light of McKinsey s previous work for the Company and its expertise in the healthcare industry generally.

The sponsors commenced a due diligence review of the Company on May 26, 2006. As part of its due diligence, the sponsors requested that the Company permit them to engage McKinsey as a consultant. Mr. Gluck, acting for the board of directors, denied this request but agreed that the results of McKinsey s analyses could be shared and discussed with the sponsors.

On June 16, 2006, the board of directors met by telephone in executive session without Dr. Frist and Messrs. Bovender and Bracken and with a representative of Bass Berry participating, and discussed further the desirability of establishing a special committee comprised of directors who were independent of the Company, the sponsors, management and Dr. Frist. Mr. Gluck reviewed the steps he had taken, in his capacity as presiding director, to prepare the board of directors to meet its responsibilities in the event the transaction was determined to be feasible and one that the board of directors determined should be explored further, including interviews of potential independent legal and financial advisors who were experienced in advising special committees in similar situations.

The sponsors requested that Citigroup Global Markets Inc. (Citigroup), another potential financing source, be permitted to conduct due diligence. Mr. Gluck, on behalf of the board of directors, agreed provided that Citigroup would agree not to, without the prior written consent of the Company, enter into any exclusive agreement or arrangement with any sponsor to provide or arrange financing in connection with a possible transaction involving the Company. On June 26, 2006, Citigroup entered into a confidentiality agreement containing that provision.

On June 30, 2006, the sponsors representatives contacted management and stated that the sponsors had conducted sufficient due diligence to confirm their view that a leveraged buyout involving the Company was feasible and that the sponsors expected to be in a position to determine whether to submit a proposal regarding such a transaction by July 14, 2006. The sponsors also requested the ability to include additional equity and financing sources in the due diligence process as well as the ability to engage in discussions with management and Dr. Frist regarding their participation in such a transaction.

At a special meeting of the board of directors held by telephone on June 30, 2006, management advised the board of directors about the sponsors conclusions and requests, and the board of directors, acting in executive session without Dr. Frist and Messrs. Bovender and Bracken participating, established a special committee consisting of Mr. Gluck (as Chairman), Mr. C. Michael Armstrong, Mr. Charles O. Holliday, Jr., Mr. T. Michael Long and Mr. Kent C. Nelson. The special committee was delegated the full power and authority to, among other things, review, evaluate and, if appropriate, negotiate a possible acquisition of the Company by the sponsors and any alternatives thereto and, as appropriate, reject or recommend to the full board of directors a proposed transaction with the sponsors or any alternative thereto.

Following the board of directors meeting on June 30, the special committee held a telephonic meeting to consider the retention of independent counsel and financial advisors. Mr. Gluck noted that, as he had informed the board of directors at its June 16 meeting, he had interviewed possible legal and financial advisors. After discussion, the special committee determined to engage Shearman & Sterling LLP (Shearman & Sterling) as its legal advisor. Representatives of Shearman & Sterling joined the meeting and discussed the terms under which the special committee might engage a financial advisor to the special committee. Representatives of Credit Suisse were then invited to join the meeting and, along with Shearman & Sterling, discussed with the special committee certain preliminary matters relating to the special committee process. The Credit Suisse representatives then left the meeting, and, after discussion, the special committee determined to engage Credit Suisse as its financial advisor. In light of his role as a senior advisor to our board of directors and his knowledge of the Company, and at the request of the special committee, a senior representative of Bass Berry agreed to be available to the special committee as requested and to maintain confidential all matters relating to the special committee, including the substance of any deliberations and any process it may adopt in connection with any possible transaction involving the Company. This senior representative of Bass Berry attended this telephonic meeting on June 30 and each meeting of the special committee thereafter.

A meeting of the special committee was held by telephone on July 3, 2006. At the meeting, representatives of Shearman & Sterling reviewed with the special committee its fiduciary duties in connection with its consideration of a possible proposal by the sponsors and all alternatives thereto. The special committee also discussed with its advisors the requests that had been made by the sponsors for the Company s approval for discussions between the sponsors and additional potential debt and equity sources, members of management of the Company and Dr. Frist. After discussion, the special committee determined that the sponsors should not be permitted to approach additional debt or equity financing sources at that time. The special committee also determined that, provided that no exclusive arrangement be entered into between the Frist family and the sponsors regarding a potential transaction involving the Company, the sponsors should be permitted to have preliminary discussions with Dr. Frist regarding his support for a potential transaction and the terms on which he and other members of his family might participate in a potential transaction. The special committee authorized management to engage at the Company s expense legal counsel to represent management in connection with the proposed transaction and determined that the sponsors could have preliminary discussions with management regarding the general terms on which management might participate in a transaction.

On July 5, 2006, at the request of the special committee, management met with representatives of Credit Suisse in Nashville and gave a presentation regarding the Company s financial results and projections.

On July 7, 2006, Mr. Gluck had conversations with the other members of the special committee regarding the desirability of engaging Morgan Stanley as an additional financial advisor to the special committee. The special committee members agreed that the special committee should engage Morgan Stanley as an additional financial advisor to the special committee, because of the size and complexity of the potential transaction.

On July 10, 2006, Mr. Armstrong submitted his resignation from the special committee in order to avoid any appearance of a possible conflict of interest as a result of his position as a director of Citigroup,

which had been identified as a potential financing source for the sponsors. On July 11, 2006, the board of directors of the Company appointed Ms. Glenda A. Hatchett to the special committee to replace Mr. Armstrong.

On July 11, 2006, representatives of Credit Suisse and Shearman & Sterling met with representatives of McKinsey to review McKinsey s analyses to date of the Company and its prospects, which analyses are summarized under Important Information About HCA Projected Financial Information beginning on page 83. Also on July 11, 2006, representatives of Credit Suisse, Morgan Stanley and Shearman & Sterling met with representatives of the sponsors, Merrill Lynch and Citigroup as well as the sponsors legal advisors, at Credit Suisse s offices in New York. During the meeting, representatives of the sponsors made a presentation to representatives of Credit Suisse, Morgan Stanley and Shearman & Sterling regarding their views of the Company s prospects and strategic alternatives. In particular, the sponsors noted that they believed that the Company was operating in a challenging environment, that its growth had decelerated, and that it lacked actionable strategic alternatives that could drive shareholder value. The sponsors also noted that the Company s earnings per share over the past several years had frequently been below Wall Street consensus and that analysts were increasingly focused on the impact of insurance gains and reserve reversals on the Company s earnings per share. The sponsors discussed their views of the present value of the Company s future stock price through 2009, and noted that McKinsey s view of the projected growth in earnings of the Company through 2009 was less optimistic than management s projections. The sponsors also discussed their views regarding the likely trading ranges of the Company s stock in light of the Company s preliminary second quarter results and prospects for the remainder of 2006 and 2007.

A meeting of the special committee was held by telephone on the evening of July 11. At the meeting, the special committee reviewed with its financial and legal advisors the process under which the special committee would receive and respond to a proposal from the sponsors. The special committee noted the advantages of reaching a decision regarding whether to proceed with a transaction with the sponsors before the date on which the Company expected to announce its second quarter results (which on the basis of preliminary results the special committee understood would not meet Wall Street expectations), and of avoiding the disruption to the Company and its operations that would occur following the public announcement by the Company of its receipt of a proposal from the sponsors if such a proposal, and any ensuing proposals, were unacceptable to the special committee. In light of these advantages, the special committee determined to pursue a process whereby any proposal by the sponsors would be considered by the special committee and, if acceptable to the special committee, would be negotiated prior to, and any definitive agreement in connection with such proposal would be announced simultaneously with, the Company s announcement of its second quarter results. The special committee also discussed that it would be willing to proceed with a process on this basis only if the financial and other terms of the proposal were sufficiently attractive to the special committee, including that the special committee would retain the ability to solicit and accept alternative proposals for the acquisition of the Company even after the execution of a definitive agreement with the sponsors. The special committee authorized its advisors to pursue this process with the advisors to the sponsors. In response to the request made by the sponsors to representatives of the special committee, the special committee also authorized the sponsors to approach JPMorgan Chase Bank about possible participation as a financing source, provided that JPMorgan Chase Bank would agree not to, without the prior written consent of the Company, enter into any exclusive agreement or arrangement with any sponsor to provide or arrange financing in connection with a possible transaction involving the Company.

Also at the July 11 meeting, the special committee formally approved the engagement of Morgan Stanley as a second financial advisor to the special committee, which engagement had been agreed by the special committee on July 7, 2006.

Following their respective retentions, each of Credit Suisse, Morgan Stanley and Shearman & Sterling conducted a due diligence review of the Company, including meetings and discussions with various members of senior management of the Company.

On July 14, 2006, representatives of Credit Suisse and Morgan Stanley met with management to review various strategic alternatives that might be available to the Company, and representatives of Shearman & Sterling and of Simpson Thacher & Bartlett LLP (Simpson), counsel to the sponsors, discussed the principal terms of a potential merger agreement that might be entered into in the event the special committee determined to pursue a proposal by the sponsors. Also on July 14, representatives of Merrill Lynch informed representatives of Credit Suisse that the sponsors would be prepared to submit a proposal to acquire the Company for $48.75 per share in cash, subject to negotiation of an acceptable merger agreement, the ability of the sponsors to arrange financing on acceptable terms and the ability of the sponsors to reach acceptable arrangements with members of senior management and Dr. Frist.

An all-day meeting of the special committee was held on July 17, 2006 at the offices of Shearman & Sterling in New York. At the meeting, representatives of Shearman & Sterling again reviewed with the special committee its fiduciary duties in connection with its consideration of a possible proposal by the sponsors and all alternatives thereto, and representatives of Credit Suisse reported on the July 14 conversation with Merrill Lynch. Messrs. Bovender, Bracken and Johnson, members of senior management of the Company, then joined the meeting and provided the special committee with a report on the Company s financial results through June 30, 2006. McKinsey then reviewed with the special committee its analyses of the Company s growth prospects over the next three years, which forecasted EBITDA growth through 2009 that was lower than management s forecast for the same period (see Important Information About HCA Projected Financial Information).

At the July 17 meeting, representatives of Credit Suisse and Morgan Stanley provided the special committee with an assessment of various strategic alternatives available to the Company and reviewed with the special committee their preliminary financial analyses. In reviewing the strategic alternatives available to the Company, representatives of Credit Suisse and Morgan Stanley discussed recent operational and financial initiatives of the Company; that there were a limited number of opportunities to grow the Company through acquisitions given the Company s size relative to possible targets; that spin-offs or divestitures of underperforming assets could create value but that there may be potential for dissynergies upon separation of assets; that a leveraged recapitalization could create an immediate return of capital to shareholders but could reduce the financial flexibility of the Company due to higher leverage levels; and that there were a limited number of potential strategic acquirers to which the Company could be sold or merged, and that the Company could be subject to significant risks if such a transaction did not close. After discussion, the special committee instructed its advisors to inform representatives of the sponsors that the special committee would not be prepared to pursue a proposal unless it was at a significantly higher price than the $48.75 per share price proposed by the sponsors, that the price proposed by the sponsors did not reflect the long term value of the Company or provide sufficient value to shareholders as compared to other alternatives and that, unless the sponsors were prepared to make a proposal at a significantly higher price, the special committee would terminate discussions with the sponsors and instruct management to proceed with its plans to announce the Company s second quarter earnings.

Immediately after the July 17 meeting, the special committee s advisors informed the sponsors representatives of the special committee s position.

On July 18, 2006, representatives of the sponsors contacted representatives of Credit Suisse by telephone and informed them that the sponsors would be willing to submit a proposal for a sale of the Company at $50.50 per share, subject to the same conditions as their prior indication. Credit Suisse reported the sponsors increased price indication at a meeting of the special committee held by telephone shortly thereafter. Dr. Frist had asked for an opportunity to present to the special committee his views of the proposed transaction in light of his long history with, and knowledge of the businesses of, the Company and in his capacity as a founder of the Company. The special committee, in response to this request, permitted Dr. Frist to join the meeting by telephone. He joined the meeting briefly to review with the special committee the reasons why he thought the Company should be taken private at this time, assuming that the price to be paid in such transaction was fair, including that the Company s earnings before interest, taxes, depreciation and amortization and the Company s stock price had both been relatively flat for the past several years and that the proposed transaction would offer shareholders an opportunity to

immediately realize the value of their common stock at a fair price. Dr. Frist also noted his view of the disadvantages of HCA s public company status, in particular, the emphasis placed by public markets on short-term returns and the complexity and expense of operating a public company. Dr. Frist then left the meeting. The special committee returned immediately to its previous discussion with its advisors regarding the revised indication from the sponsors. After this discussion, the special committee instructed its advisors to inform the representatives of the sponsors that the special committee would not pursue a proposal at $50.50 per share, but would consider a proposal at $52.00 per share.

In the evening on July 18, representatives of Merrill Lynch contacted the special committee s advisors and informed them that the sponsors would be prepared to submit their best and final offer of $50.75 per share, subject to the same conditions as their prior indication. The special committee reconvened its meeting to discuss the revised price indication. After discussion, the special committee instructed its advisors to tell the sponsors representatives that the special committee would only be prepared to pursue a proposal at $51.00 per share. Later in the evening on July 18, representatives of the sponsors contacted the special committee s advisors and informed them that the sponsors would be willing to submit a proposal for the Company at $51.00 per share, subject to the same conditions as their prior indication.

A telephonic meeting of the special committee was held the morning of July 19, 2006. At the meeting, the special committee s advisors updated the special committee regarding the sponsors willingness to submit a proposal at $51.00 per share. In light of this information, the special committee authorized its legal and financial advisors to continue discussions with the sponsors representatives to determine whether a definitive agreement could be reached. The sponsors were also authorized to commence discussions with management and Dr. Frist regarding the specific terms of their participation in a potential transaction.

On July 19, 2006, Simpson delivered an initial draft of a merger agreement to Shearman & Sterling. Shearman & Sterling delivered comments on the draft merger agreement to Simpson on July 21, 2006.

During the period from July 21 through July 23, 2006, the parties negotiated the terms of the draft merger agreement and the separate guarantee agreements to be entered into by the funds sponsored by Bain, KKR and Merrill Lynch Global Private Equity and the Frist Entities, under which the funds and the Frist Entities would guarantee the payment of the termination fee payable by Parent and Merger Sub under the merger agreement in certain circumstances. In addition, during the period from July 20 through July 23, 2006, management, the sponsors and legal counsel for management negotiated the terms on which management would participate in the transaction, including employment terms, severance, investment commitment, incentive equity and representation on the board of directors of Parent. During these negotiations, the sponsors indicated that it was critical to their willingness to proceed with the proposed transaction that certain members of the Senior Management Group (as defined on page 55 of this proxy statement) reach preliminary agreement with the sponsors regarding their participation in the transaction. During the same period, the sponsors and legal counsel to Dr. Frist negotiated the terms on which Dr. Frist would participate in the transaction, including the Frist Entities rollover equity commitment and representation on the board of directors of Parent. As instructed by the special committee, the management discussions were conditioned on management s agreement that it would not commit to be exclusive to the sponsors, and accordingly would be available to enter into similar discussions and arrangements with any subsequent bidder for the Company.

At a meeting of the special committee held at Shearman & Sterling s offices in New York on July 23, 2006, representatives of Shearman & Sterling reviewed with the special committee its fiduciary duties, the terms of the merger agreement and guarantees, and the issues in the merger agreement that remained open. The special committee gave guidance to Shearman & Sterling as to how to respond to these issues, in particular with respect to the length of the go-shop period, and related termination fee provisions, including that the Company should be required to pay a lower termination fee to the sponsors if it accepted an alternative superior proposal that had been made during the go-shop period, as opposed to the termination fee payable by the Company and the sponsors under other circumstances. Also at the July

23 meeting, representatives of Credit Suisse and Morgan Stanley reviewed with the special committee their financial analyses of the $51.00 per share merger consideration and again reviewed with the special committee the strategic alternatives for the Company that had been reviewed in detail with the special committee at the July 17, 2006 meeting. Following the financial advisors presentation, the special committee adjourned its meeting until later in the day to allow its legal advisors to negotiate with the sponsors representatives regarding the outstanding merger agreement issues.

Over the course of the day on July 23, 2006, the parties and their respective advisors finalized the terms of the merger agreement. At the reconvened meeting of the special committee on July 23, Shearman & Sterling described how the principal unresolved issues discussed earlier in the day had been resolved, as well as the terms on which management and Dr. Frist would participate in the transaction. Each of Credit Suisse and Morgan Stanley rendered to the special committee an oral opinion, which opinion was subsequently confirmed in writing, to the effect that, as of that date and based upon and subject to the assumptions, limitations, qualifications and other matters described in its opinion, the merger consideration was fair, from a financial point of view, to the unaffiliated shareholders. After considering the proposed terms of the merger agreement and other transaction agreements and the various presentations of its legal and financial advisors, the special committee unanimously resolved to recommend that the board of directors approve and declare advisable the merger agreement and the merger and that the board of directors resolve to recommend that the Company s shareholders adopt the merger agreement.

The Company s board of directors met thereafter and received the same presentation from management as management had made to the special committee on July 17, 2006. In addition, McKinsey gave to the board of directors the same presentation that it had given to the special committee on July 17. The board of directors (excluding Dr. Frist and Messrs. Bovender, Bracken and Armstrong) then received presentations from the special committee s legal and financial advisors, as well as the recommendation of the special committee. Following these presentations and discussions among the members of the board of directors and their advisors, members of the board of directors determined to adjourn until early in the morning of July 24.

The Company s board of directors (excluding Dr. Frist and Messrs. Bovender, Bracken and Armstrong) met again early in the morning of July 24, 2006. Following discussions among and questions by the members of the board of directors to the special committee s financial and legal advisors, the Company s board of directors, by unanimous action of the directors present, approved and declared advisable the merger agreement and the merger and resolved to recommend that the Company s shareholders adopt the merger agreement.

After the July 24 meeting of the Company s board of directors, the Company, Parent and Merger Sub executed the merger agreement and issued a press release announcing the merger and describing the go-shop period prior to the opening of trading on the NYSE.

During the period from July 24, 2006 through September 12, 2006, under the supervision of the special committee, representatives of Credit Suisse and Morgan Stanley contacted parties that they believed, based on size and business interests, would be capable of, and might be interested in, consummating an acquisition of the Company. During this period, Credit Suisse and Morgan Stanley contacted or were contacted by twenty-three parties. As of the date of this proxy statement, no party has submitted a proposal to pursue a transaction involving the Company.

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

The Special Committee

The special committee, acting with the advice and assistance of its independent legal and financial advisors, evaluated and negotiated the merger proposal, including the terms and conditions of the merger agreement, with Parent and Merger Sub. The special committee unanimously determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable, fair to and in the best interests of the Company and our unaffiliated shareholders and recommended to our board of directors that (i) the board of directors approve and declare advisable the merger agreement and the transactions contemplated thereby, including the merger and (ii) the board of directors recommend the adoption by our shareholders of the merger agreement.

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

its belief that the merger was more favorable to unaffiliated shareholders than the alternative of remaining a stand-alone, independent company, because of the uncertain returns to such shareholders if the Company remained independent in light of the Company s business, operations, financial condition, strategy and prospects (taking into account, in particular, management s financial projections of the future financial performance and earnings of the Company (see Important Information About HCA Projected Financial Information); recent industry trends, as discussed with McKinsey, management and the special committee s financial advisors; McKinsey s analyses, which forecasted earnings before interest, taxes, depreciation and amortization growth through 2009 that was lower than management s forecast for the same period (see Important Information About HCA Projected Financial Information); and the analyses reviewed with the special committee s financial advisors on July 17, 2006), as well as the risks involved in achieving those returns, the nature of the industry in which the Company competes, and general industry, economic, market and regulatory conditions, both on an historical and on a prospective basis;

its belief that the merger was more favorable to unaffiliated shareholders than the potential value that might result from other alternatives available to the Company, including the alternatives of pursuing other strategic initiatives such as additional stock repurchases, spin-offs or divestitures of selected assets, potential acquisitions or a leveraged recapitalization, given the potential rewards, risks and uncertainties associated with those alternatives, as reviewed with the special committee s financial advisors on July 17, 2006 (see Special Factors Background of the Merger beginning on page 19);

the special committee s belief that $51.00 per share was at the high end of the range that could be payable in a leveraged buyout transaction involving the Company, as reviewed by Credit Suisse and Morgan Stanley with the special committee in connection with their financial analyses described in Opinions of Financial Advisors Financial Analyses ;

the fact that the Company s performance during the second quarter of 2006, and its prospects for the remainder of 2006 and 2007, could result in a decrease in the Company s stock price, at least in the short to medium term;

McKinsey s analysis that the Company s EBITDA growth through 2009 would be lower than that currently being forecast by management and that, while improvements in the Company s operating performance could yield EBITDA results in excess of those forecast by either McKinsey or management, the achievement of such improvements was uncertain and would be subject to execution risk (see Important Information About HCA Projected Financial Information);

the current and historical market prices of the HCA Common Stock, including the market price of the HCA Common Stock relative to those of other industry participants and general market indices, including the fact that

the Company has generally traded in-line with other industry

participants and that the stock price performance of the Company and other industry participants had declined as compared to the S&P 500 Index since the second quarter of 2005; the fact that the cash merger price of $51.00 per share represented a premium of approximately 18% to the closing share price of the HCA Common Stock on July 18, 2006, the last trading day prior to press reports of rumors regarding a potential acquisition of the Company, and the special committee s belief that the cash merger price of $51.00 per share would represent a greater premium to the Company s stock price following the announcement of the Company s second quarter earnings;

the information contained in the financial presentations of Credit Suisse and Morgan Stanley, including the separate opinions of Credit Suisse and Morgan Stanley as to the fairness, from a financial point of view, to the unaffiliated shareholders, of the merger consideration to be received by such holders in the merger (see Special Factors Opinions of Financial Advisors);

the efforts made by the special committee and its advisors to negotiate and execute a merger agreement favorable to the Company;

the financial and other terms and conditions of the merger agreement as reviewed by the special committee, including the fact that the merger would not be subject to a financing condition, and the fact that they were the product of negotiations between the parties;

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

the fact that the terms of the merger agreement provided the Company a 50-day post-signing go-shop period during which the Company solicited additional interest in transactions involving the Company and, after such 50-day period, permit the Company to respond to unsolicited proposals under certain circumstances (for additional information regarding the results of the Company s solicitations during the go-shop period see page 26 of this proxy statement in the section Background of the Merger);

the fact that, subject to compliance with the terms and conditions of the merger agreement, the Company is permitted to change its recommendation or terminate the merger agreement, prior to the adoption of the merger agreement by our shareholders, in order to approve an alternative transaction proposed by a third party that is a superior proposal as defined in the merger agreement, upon the payment to Parent of: (i) a $300 million termination fee (representing approximately 1.4% of the total equity value of the transaction) in the event that such proposal was made during the 50-day go-shop period, or (ii) a $500 million termination fee (representing approximately 2.4% of the total equity value of the transaction) in the event that such proposal was made by a third-party after the end of the go-shop period;

the fact that members of the Company s management who plan to participate in the transaction did not commit to be exclusive to the sponsors and are therefore available to enter into discussions and arrangements with any subsequent bidder for the Company, and the fact that Dr. Frist can, subject to certain limitations, participate in due diligence discussions with third parties who are contemplating making a proposal to acquire the Company;

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

the commitment made by Parent and Merger Sub to treat the Company s employees in a fair and equitable manner, including to provide (for one year from the effective date of the merger) each employee of the Company with at least the same level of salary or hourly wage rate, commission structure and opportunities, and/or cash bonus opportunities under annual programs (other than equity-based compensation or award opportunities) that was provided to such employee immediately prior to the merger and to provide employee severance, pension and welfare benefits (other than equity-based benefits) to employees that are no less favorable in the aggregate than those provided to employees immediately prior to the merger; and

the fact that the Company would not have to establish damages in the event of a failure of the merger to be consummated under certain circumstances in light of the $500 million termination fee payable by Parent.

In addition, the special committee believed that sufficient procedural safeguards were and are present to ensure the fairness of the merger and to permit the special committee to represent effectively the interests of the Company s unaffiliated shareholders without retaining an unaffiliated representative to act solely on behalf of the Company s unaffiliated shareholders. The special committee considered a number of factors relating to these procedural safeguards, including those discussed below, each of which it believed supported its decision and provided assurance of the fairness of the merger to the unaffiliated shareholders of the Company:

the fact that, other than for customary fees payable to members of the special committee (that were not contingent on the special committee s recommendation of a transaction or the consummation of a transaction), the directors (other than Dr. Frist and Messrs. Bovender and Bracken) will not receive any consideration in connection with the merger that is different from that received by any other unaffiliated shareholder of the Company;

the fact that negotiations were conducted under the oversight of a special committee comprised solely of independent directors who are not employees of the Company and who have no financial interest in the merger that is different from that of the unaffiliated shareholders of the Company;

the fact that the special committee retained and received advice and assistance from its own independent financial and legal advisors in evaluating, negotiating and recommending the terms of the merger agreement;

the fact that the special committee had ultimate authority to decide whether or not to proceed with a transaction or any alternative thereto, subject to our board of directors approval of the merger agreement;

the fact that the financial and other terms and conditions of the merger agreement were the product of negotiations between the special committee and its independent advisors, on the one hand, and the sponsors and their advisors, on the other hand;

the fact that the opinions of Credit Suisse and Morgan Stanley each address the fairness, from a financial point of view, to the unaffiliated shareholders, of the merger consideration to be received by such holders in the merger;

the fact that the Company is permitted under certain circumstances to solicit and respond to inquiries regarding acquisition proposals and, upon payment of a termination fee, to terminate the merger agreement in order to complete a superior transaction; and

the fact that under Delaware law, the shareholders of the Company have the right to demand appraisal of their shares.

In light of the procedural safeguards discussed above, the special committee did not consider it necessary to explicitly require adoption of the merger agreement by at least a majority of the Company s unaffiliated shareholders. In that regard, shareholders should note that as of , 2006, the record date, Dr. Frist, members of the Frist family and his and their affiliates (including the Frist Entities), holders of shares of HCA Common Stock who are affiliates of Parent and the Management Rollover Holders held and are entitled to vote, in the aggregate, less than approximately % of the outstanding HCA Common Stock.

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

the risks and costs to the Company if the merger does not close, including the diversion of management and employee attention, potential employee attrition and the potential effect on the Company s business and its relationships with physicians and patients;

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

the terms of Dr. Frist s and management s participation in the merger and the fact that Dr. Frist and the Company s executive officers have interests in the transaction that are different from, or in addition to, those of the Company s other shareholders;

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

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

the fact that the Company is entering into a merger agreement with a newly formed corporation with essentially no assets and, accordingly, that its remedy in connection with a breach of the merger agreement by Parent or Merger Sub, even a breach that is deliberate or willful, is limited to $500 million.

In the course of reaching its decision to approve the merger agreement, the special committee did not consider the liquidation value of the Company s assets because it considers the Company to be a viable going concern business and views the trading history of the HCA Common Stock as an indication of its value as such. The special committee did consider the disposition of particular assets of the Company and determined, taking into account the analyses performed by Credit Suisse and Morgan Stanley, that the divestiture of such assets was unlikely to provide significant value to the Company or its shareholders. Having considered the absence of significant advantages to disposing of particular assets, the special committee did not consider it necessary to pursue an analysis of the Company s liquidation value. The special committee did not consider net book value, which is an accounting concept, as a factor because it believed that net book value is not a material indicator of the value of the Company as a going concern but rather is indicative of historical costs. The Company s net book value per share as of June 30, 2006 was $11.79. This value is substantially below the $51.00 per share cash merger consideration. The special committee s consideration of the factors described above reflects its assessment of the fairness of the merger to the Company s unaffiliated shareholders in relation to the going concern value of the Company on a stand-alone basis. The special committee considered the going concern value of the Company in making its determination regarding fairness. To measure the Company s going concern value, the special committee considered the analyses of discounted cash flow with respect to the Company (based on the projected financial information provided to Credit Suisse and Morgan Stanley by the management of the Company) as well as a comparison of certain stock market data for selected publicly traded companies to similar information for the Company, each contained in the presentation provided by Credit Suisse and Morgan Stanley. A summary of the Credit Suisse and Morgan Stanley presentation provided to the special committee is set forth in Special Factors Opinions of Financial Advisors Financial Analyses. The foregoing discussion summarizes the material factors considered by the special committee in its consideration of the merger. After considering these factors, the special committee concluded that the positive factors relating to the merger agreement and the merger outweighed the potential negative factors. In view of the wide variety of factors considered by the special committee, and the complexity of these matters, the special committee did not find it practicable to quantify or otherwise assign relative weights to the foregoing factors. In addition, individual members of the special committee may have assigned different weights to various factors. The special committee approved and recommended the merger agreement and the merger based upon the totality of the information presented to and considered by it.

Our Board of Directors

Our board of directors (other than Messrs. Bovender and Bracken, Dr. Frist and Mr. C. Michael Armstrong), acting upon the unanimous recommendation of the special committee, at a meeting described

above on July 24, 2006, (i) determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable, fair to and in the best interests of the Company and our unaffiliated shareholders; (ii) approved the merger agreement and the transactions contemplated thereby, including the merger and (iii) recommended the adoption by our shareholders of the merger agreement. As Messrs. Bovender and Bracken are the only directors who are employees of the Company, this approval of the merger agreement and the merger by our board of directors constitutes the approval by a majority of the directors of the Company who are not employees of the Company. In reaching these determinations, our board of directors considered (i) the financial presentation of Credit Suisse and Morgan Stanley that was prepared for the special committee and which was delivered to the board of directors at the request of the special committee, as well as the fact that the special committee received opinions delivered by Credit Suisse and Morgan Stanley as to the fairness, from a financial point of view, to the Company s unaffiliated shareholders of the merger consideration to be received by such holders in the merger and (ii) the unanimous recommendation and analysis of the special committee, as described above, and adopted such recommendation and analysis in reaching its determinations.

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

Messrs. Bovender and Bracken, who have each agreed to contribute a portion of the merger consideration that they receive in the merger to Parent in exchange for an equity interest in the surviving corporation after the merger, and Dr. Frist, whose affiliated entities, the Frist Entities, have each agreed to contribute a portion of their equity securities in the Company to Parent in exchange for an equity investment in Parent, recused themselves from the foregoing determination and approval due to their involvement in the transaction. Mr. C. Michael Armstrong also recused himself from the foregoing determination and approval because of his role as a member of the board of directors of Citigroup, which is providing financing to the sponsors.

Our board of directors recommends that you vote FOR the adoption of the merger agreement.

Purpose and Reasons for the Merger of Management Investors

Under the rules governing going private transactions, Messrs. Bovender and Bracken (the Management Investors) are deemed to be engaged in a going private transaction and are required to express their purpose and reasons for the merger to our unaffiliated shareholders. The Management Investors are making the statements included in this section solely for the purposes of complying with the requirements of Rule 13e-3 and related rules under the Exchange Act.

For the Management Investors, the primary purpose of the merger for HCA is to enable its unaffiliated shareholders to immediately realize the value of their investment in HCA through their receipt of the per share merger price of $51.00 in cash. In addition, the merger will also allow the Management Investors to immediately realize in cash the value of a portion of their respective holdings in HCA and, through their commitment to make an equity investment in the surviving corporation, to benefit from any future earnings and growth of HCA after its stock ceases to be publicly traded. For a more complete description of the amounts to be realized and/or reinvested by the Management Investors in connection with the merger, see Interests of the Company s Directors and Executive Officers in the Merger New Arrangements with the Surviving Corporation After Closing Equity Rollover Commitments and the table on page 55 of this proxy statement. The Management Investors believe that public company status imposes a number of limitations on HCA and its management in conducting HCA s operations, including restraints associated with meeting the expectations of market analysts. Accordingly, one of the purposes of the merger for the Management Investors is to afford greater operating flexibility to the Company, allowing management to concentrate on long-term growth and to reduce its focus on the quarter-to-quarter performance often emphasized by the public markets.

Purpose and Reasons for the Merger of Dr. Frist and the Frist Entities

Under the rules governing going private transactions, Dr. Frist is, and the Frist Entities could be, deemed to be engaged in a going private transaction and are required to express their reasons for the merger to our unaffiliated shareholders. The aforementioned persons are making the statements included in this section solely for the purposes of complying with the requirements of Rule 13e-3 and related rules under the Exchange Act.

For Dr. Frist and the Frist Entities, the purpose of the merger is for Dr. Frist (together with certain members of Dr. Frist s family and other entities related to him) to immediately realize in cash the value of a portion of their holdings in HCA and, through the Frist Entities roll over equity commitment, to benefit from any future earnings and growth of HCA after its stock ceases to be publicly traded. Dr. Frist, collectively with the Frist Entities and the Frist permitted assignees anticipate rolling over a portion of their shares of HCA Common Stock in satisfaction of the Frist Entities roll over equity commitment. Any shares of HCA Common Stock held by Dr. Frist, the Frist Entities and the Frist permitted assignees that are not rolled over will be entitled to receive the merger consideration. Of the shares of HCA Common Stock over which Dr. Frist holds sole voting and dispositive power as of September 12, 2006, Dr. Frist anticipates that a portion will not be rolled over and will be entitled to receive the merger consideration. All of the shares of HCA Common Stock held by the Frist Entities will be rolled over in the merger except for 478,097 shares of HCA Common Stock held by Frisco Partners, which will be converted into the right to receive merger consideration aggregating $24,382,947.

Purpose and Reasons for the Merger of Parent, Merger Sub and the Sponsors

The proposed merger is a going private transaction. If the proposed merger is completed, HCA will become a subsidiary of Parent. For Parent and Merger Sub, the purpose of the merger is to effectuate the transactions contemplated by the merger agreement. For the sponsors, the purpose of the merger is to allow them to own equity interests in HCA and to bear the rewards and risks of such ownership after shares of HCA Common Stock cease to be publicly traded.

The sponsors believe that it is best for HCA to operate as a privately held entity. As a privately held entity, HCA will have the flexibility to focus on continuing improvements to its business without the constraints and distractions caused by the public equity market s valuation of HCA. Moreover, the sponsors believe that HCA s future business prospects can be improved through their active participation in the strategic direction and operations of HCA. Although the sponsors believe that there will be significant opportunities associated with their investment in HCA, they realize that there are also substantial risks (including the risks and uncertainties relating to HCA s prospects, including the prospects described in management s projections summarized under Important Information About HCA Projected Financial Information).

The sponsors believe that structuring the transaction as a going private merger transaction is preferable to other transaction structures because (i) it will enable Parent to acquire all of the outstanding shares of HCA at the same time, (ii) it represents an opportunity for HCA s unaffiliated shareholders to receive fair value for their shares and (iii) it also allows the Management Investors and the Frist Entities to maintain a significant portion of their investment in HCA.

Opinions of Financial Advisors

Opinion of Credit Suisse Securities (USA) LLC

The special committee retained Credit Suisse to act as its financial advisor in connection with the merger. In connection with Credit Suisse s engagement, the special committee requested that Credit Suisse evaluate the fairness of the merger consideration, from a financial point of view, to the unaffiliated shareholders. On July 23, 2006, the special committee met to review the proposed merger and the terms of

the proposed merger agreement. During this meeting, Credit Suisse reviewed with the special committee certain financial analyses, as described below, and rendered its oral opinion to the special committee, which was subsequently confirmed in writing, that, as of July 23, 2006, and based upon and subject to the various considerations and assumptions described in the opinion, the merger consideration was fair, from a financial point of view, to the unaffiliated shareholders.

The full text of Credit Suisse s opinion, dated July 23, 2006, is attached as Annex B and is incorporated into this proxy statement by reference. Holders of HCA Common Stock are encouraged to read this opinion carefully in its entirety. Credit Suisse s opinion was provided to the special committee in connection with its evaluation of the merger consideration to the unaffiliated shareholders. It does not address any other aspect of the proposed merger, relates only to the fairness, from a financial point of view, of the merger consideration and does not constitute a recommendation to any shareholder as to how such shareholder should vote or act with respect to any matters relating to the merger. The following is a summary of the Credit Suisse opinion, including the procedures followed, the assumptions made, the matters considered and the limitations on review undertaken by Credit Suisse in rendering its opinion, and is qualified by reference to the full text of the opinion attached at Annex B, which you are encouraged to read in its entirety.

In arriving at its opinion, Credit Suisse reviewed the proposed merger agreement and certain related documents as well as certain publicly available business and financial information relating to HCA. Credit Suisse also reviewed certain other information relating to HCA, including financial forecasts, provided to or discussed with Credit Suisse by HCA, and met with the management of HCA to discuss the business and prospects of HCA. Credit Suisse also considered certain financial and stock market data of HCA, and compared that data with similar data for other publicly held companies in businesses Credit Suisse deemed similar to that of HCA and considered, to the extent publicly available, the financial terms of certain other business combinations and other transactions which had been recently effected or announced. Credit Suisse also considered such other information, financial studies, analyses and investigations and financial, economic and market criteria which it deemed relevant. In connection with its review, Credit Suisse did not assume any responsibility for independent verification of any of the foregoing information and relied on such information being complete and accurate in all material respects.

With respect to the financial forecasts for HCA which Credit Suisse reviewed, Credit Suisse was advised by the management of HCA, and assumed that such forecasts had been reasonably prepared on bases reflecting the best currently available estimates and judgments of HCA s management as to the future financial performance of HCA. Credit Suisse also assumed, with the consent of the special committee, that in the course of obtaining any regulatory or third party consents, approvals or agreements in connection with the merger, no modification, delay, limitation, restriction or condition will be imposed that would have an adverse effect on HCA or the merger and that the merger will be consummated in accordance with the terms of the merger agreement without waiver, modification, amendment or adjustment of any material term, condition or agreement therein, including that Parent will obtain the financing necessary to effect the merger in accordance with the terms of the draft debt and equity financing commitments provided to or discussed with Credit Suisse by Parent. In addition, Credit Suisse was not requested to make, and did not make, an independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of HCA, nor was Credit Suisse furnished with any such evaluations or appraisals. Credit Suisse understood that, in accordance with HCA s restated certificate of incorporation, filed with the Delaware Secretary of State on February 3, 2004, the voting and nonvoting HCA Common Stock will receive the same consideration in the proposed merger and, for purposes of its opinion and related analyses, Credit Suisse treated the voting and nonvoting HCA Common Stock as identical in all material respects. Credit Suisse s opinion addressed only the fairness, from a financial point of view, to the unaffiliated shareholders, of the merger consideration and does not address any other aspect or implication of the merger or any other agreement, arrangement or understanding entered into in connection with the merger or otherwise. Credit Suisse s opinion was necessarily based upon information made available to it as of the date thereof and upon financial, economic, market and other conditions as they existed and could be evaluated on the date thereof. Prior to the date of the opinion, Credit Suisse was not asked to, and did not, solicit third party indications of interest in acquiring the Company, but Credit Suisse, at the direction

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of the special committee, was authorized, in accordance with the merger agreement, to do so for a prescribed time period following the execution of the merger agreement. Credit Suisse s opinion does not address the relative merits of the merger as compared to alternative transactions or strategies that might be available to HCA, nor does it address the underlying business decision of HCA to proceed with the merger.

The special committee retained Credit Suisse to act as its financial advisor in connection with the merger. Credit Suisse was selected by the special committee based on Credit Suisse s qualifications, expertise and reputation. Credit Suisse is an internationally recognized investment banking firm and is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions, leveraged buyouts, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. Credit Suisse and its affiliates have in the past provided, are currently providing and in the future may provide investment banking and other financial services to HCA as well as the private investment firms whose affiliates are shareholders of Parent, and their respective affiliates, for which Credit Suisse has received, and would expect to receive, compensation. During the past two years, Credit Suisse has not provided financial advisory or financing services to HCA or its affiliates other than with respect to the services it rendered to the special committee in connection with the proposed merger. Credit Suisse and certain of its affiliates and employees and certain private investment funds affiliated or associated with Credit Suisse have invested in private equity funds managed or advised by the private investment firms whose affiliates are shareholders of Parent. In the ordinary course of business, Credit Suisse and its affiliates may acquire, hold or sell, for their own accounts and the accounts of customers, equity, debt and other securities and financial instruments (including bank loans and other obligations) of HCA, Parent and affiliates of the shareholders of Parent and, accordingly, may at any time hold a long or short position in such securities.

Under the terms of its engagement letter, Credit Suisse provided the special committee with financial advisory services and HCA agreed to pay Credit Suisse fees in connection with its engagement, $5.0 million of which became payable upon rendering of Credit Suisse s opinion. In connection with Credit Suisse s engagement, HCA agreed to pay Credit Suisse aggregate fees of $20.0 million (against which $5.0 million is creditable for the fee paid in connection with the rendering of Credit Suisse s opinion) plus, in the event the merger is consummated at the current price, an amount currently estimated to be approximately $4.4 million. In addition, HCA has agreed to reimburse Credit Suisse for out-of-pocket fees and expenses, including attorney s fees, incurred in connection with its engagement and to indemnify Credit Suisse and related parties against liabilities, including liabilities under the federal securities laws, arising out of its engagement.

Opinion of Morgan Stanley & Co. Incorporated

The special committee retained Morgan Stanley to provide it with financial advisory services and a financial opinion in connection with the evaluation of a potential sale or recapitalization of all or substantially all of the economic interests in HCA. The special committee selected Morgan Stanley to act as its financial advisor based on Morgan Stanley s qualifications, expertise and reputation as an advisor to special committees in affiliate transactions. At the meeting of the special committee on July 23, 2006, Morgan Stanley rendered its oral opinion, subsequently confirmed in writing, that as of July 23, 2006, and based upon and subject to the assumptions, qualifications and limitations set forth in the opinion, the consideration to be received by the unaffiliated shareholders pursuant to the merger agreement was fair from a financial point of view to such holders.

The full text of the written opinion of Morgan Stanley, dated as of July 23, 2006, is attached to this proxy statement as Annex C and is incorporated into this proxy statement by reference. We encourage you to read the entire opinion carefully. Morgan Stanley s opinion is directed to the special committee of HCA s board of directors and addresses only the fairness from a financial point of view of the consideration to be received by the unaffiliated shareholders pursuant to the merger agreement as of the date of the opinion. It does not address any other aspects of the merger. The opinion, and the other views and analysis of Morgan Stanley referenced throughout this proxy statement, do not constitute a recommendation to any holder of HCA Common Stock as to how to vote at the shareholders meeting to

be held in connection with this transaction. None of Morgan Stanley s opinion or other views or analysis referenced throughout this proxy statement addresses the fairness of the consideration to be received by Dr. Frist, members of the Frist family and his and their affiliates (including the Frist Entities), the Management Rollover Holders, or shareholders who are affiliates of Parent. The summary of the opinion of Morgan Stanley set forth in this proxy statement, including, among other things, the assumptions made, procedures followed, matters considered and limitations on the scope of review undertaken by Morgan Stanley in rendering its opinion, is qualified in its entirety by reference to the full text of the opinion.

In connection with rendering its opinion, Morgan Stanley, among other things:

- reviewed certain publicly available financial statements and other information of HCA;
- reviewed certain internal financial statements and other financial and operating data concerning HCA prepared by the management of HCA;
- reviewed certain financial projections of HCA prepared by the management of HCA;
- discussed the past and current operations and financial condition and the prospects of HCA with senior executives of HCA;
- reviewed the reported prices and trading activity for HCA Common Stock;
- compared the financial performance of HCA and the prices and trading activity of HCA Common Stock with that of certain other comparable publicly traded companies and their securities;
- reviewed the financial terms, to the extent publicly available, of certain comparable acquisition transactions;
- participated in discussions and negotiations among representatives of the special committee and the Investor Group and their financial and legal advisors;
- reviewed the merger agreement, the debt and equity financing commitments provided to Parent by certain lending institutions and private equity funds, the commitments by the Frist Entities to contribute shares of HCA Common Stock to Parent, each substantially in the form of the drafts dated July 23, 2006, and certain related documents; and
- performed such other analyses and considered other such factors as Morgan Stanley deemed appropriate.

In arriving at its opinion, Morgan Stanley assumed and relied upon, without independent verification, the accuracy and completeness of the information reviewed by Morgan Stanley. With respect to the financial projections, Morgan Stanley assumed that they had been reasonably prepared on bases reflecting the best available estimates and judgments of the future financial performance of HCA. Morgan Stanley also assumed that the merger would be consummated in accordance with the terms set forth in the merger agreement without any waiver, amendment or delay of any terms or conditions including, among other things, that Parent would obtain financing for the merger in accordance with the terms set forth in the financing agreements and that the transactions contemplated by the commitment letters entered into by the Frist Entities and the Management Rollover Holders would be consummated in accordance with their terms. Morgan Stanley also assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents required for the merger, no delays, limitations, conditions or restrictions would be imposed that would have an adverse effect on the contemplated benefits expected to be derived in the merger. Morgan Stanley is not a legal, tax or regulatory advisor and relied upon, without independent verification, the assessment of HCA and its legal, tax or regulatory advisors with respect to such matters.

Morgan Stanley s opinion did not address the fairness of any consideration to be received by Dr. Frist, members of the Frist family and his and their affiliates (including the Frist Entities), the Management Rollover Holders or shareholders who are affiliates of Parent, the relative merits of the merger as compared to alternative transactions or strategies that might be available to HCA, or the underlying business decision of HCA to enter into the merger. Morgan Stanley did not make any independent

valuation or appraisal of the assets or liabilities of HCA nor was Morgan Stanley furnished with any such appraisals. Morgan Stanley understands that, in accordance with the Company s restated certificate of incorporation, filed with the Delaware Secretary of State on February 3, 2004, the voting and nonvoting HCA Common Stock will receive the same consideration in the proposed merger and, for purposes of its opinion and related analyses, Morgan Stanley treated the voting and nonvoting HCA Common Stock as identical in all material respects. Morgan Stanley s opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to Morgan Stanley as of, July 23, 2006. Events occurring after such date may affect Morgan Stanley s opinion and the assumptions used in preparing it, and Morgan Stanley did not assume any obligation to update, revise or reaffirm its opinion.

In arriving at its opinion, Morgan Stanley was not authorized to solicit, and did not solicit, interest from any party with respect to the acquisition of HCA or any of its assets (but did note that it has been so authorized for a period of time following execution of the merger agreement, subject to the terms, conditions and procedures set forth therein), nor did Morgan Stanley negotiate with any parties other than Parent with respect to a possible acquisition of HCA or certain of its constituent businesses.

Morgan Stanley is an internationally recognized investment banking and advisory firm. Morgan Stanley, as part of its investment banking and financial advisory business, is continuously engaged in the valuation of businesses and securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate, estate and other purposes. In the ordinary course of Morgan Stanley s trading and brokerage activities, Morgan Stanley or its affiliates may at any time hold long or short positions, and may trade or otherwise effect transactions, for its own account or for the account of customers in the equity and other securities of HCA, affiliates of Parent or any other parties, commodities or currencies involved in the merger. In addition, Morgan Stanley, its affiliates, directors or officers may have committed and may commit in the future to invest in private equity funds sponsored by Bain, KKR, and Merrill Lynch Global Private Equity. Morgan Stanley and its affiliates have provided financial advisory and financing services to Bain and KKR and have previously received fees in connection with such services. During the past two years, Morgan Stanley has not provided financial advisory or financing services to HCA or its affiliates other than with respect to the services it rendered to the special committee in connection with the proposed merger.

Under the terms of its engagement letter, Morgan Stanley provided the special committee financial advisory services and a financial opinion in connection with the merger, and HCA has agreed to pay Morgan Stanley a fee for its services comprised of a $1.0 million advisory fee, which was payable upon Morgan Stanley s engagement, and a $12.0 million transaction fee, which will become payable upon the earliest to occur of (i) the dissolution of the special committee, (ii) July 11, 2007, (iii) any termination of the merger agreement or (iv) the closing of the merger. In addition, HCA may pay an additional discretionary fee to Morgan Stanley of up to $4.0 million as determined by the special committee upon the earlier of the termination of Morgan Stanley s engagement and the closing of the merger. The fee was not contingent upon the outcome of Morgan Stanley s financial opinion. HCA has also agreed to reimburse Morgan Stanley for certain of its expenses, including attorneys fees, incurred in connection with its engagement. In addition, HCA has agreed to indemnify Morgan Stanley and any of its affiliates, their respective directors, officers, agents and employees and each person, if any, controlling Morgan Stanley or any of its affiliates against certain liabilities and expenses, including certain liabilities under the federal securities laws, relating to or arising out of its engagement and any related transactions.

Financial Analyses

In preparing their respective opinions to the special committee, Credit Suisse and Morgan Stanley performed a variety of financial and comparative analyses, including those described below. The summary of the analyses described below is not a complete description of the analyses underlying their opinions. The preparation of a fairness opinion is a complex process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a fairness opinion is not readily susceptible to partial analysis or

summary description. In arriving at their respective opinions, each of Credit Suisse and Morgan Stanley made qualitative judgments as to the significance and relevance of each analysis and factor that it considered. Credit Suisse and Morgan Stanley arrived at their ultimate opinions based on the results of all analyses undertaken and assessed as a whole and did not draw, in isolation, conclusions from or with regard to any one factor or method of analysis. Accordingly, Credit Suisse and Morgan Stanley believe that their analyses must be considered as a whole and that selecting portions of their analyses and factors or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying their analyses and opinions.

In their analyses, Credit Suisse and Morgan Stanley considered industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of HCA. No company, transaction or business used in Credit Suisse and Morgan Stanley s analyses as a comparison is identical to HCA, its business or the proposed merger, and an evaluation of the results of those analyses is not entirely mathematical. Rather, the analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition, public trading or other values of the companies, business segments or transactions analyzed. The estimates contained in the analyses of Credit Suisse and Morgan Stanley and the ranges of valuations resulting from any particular analysis are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by the analyses. In addition, analyses relating to the value of businesses or securities do not purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold. Accordingly, the estimates used in, and the results derived from, Credit Suisse and Morgan Stanley s analyses are inherently subject to substantial uncertainty.

The merger consideration was determined through negotiations between the special committee and the sponsors and was recommended by the special committee for approval by HCA s board of directors and was approved by the board of directors. Credit Suisse and Morgan Stanley provided advice to the special committee. Credit Suisse and Morgan Stanley did not recommend any specific merger consideration to the special committee or that any specific merger consideration constituted the only appropriate merger consideration for the merger. The opinions and financial analyses of Credit Suisse and Morgan Stanley were only one of many factors considered by the special committee in its evaluation of the proposed merger and should not be viewed as determinative of the views of the special committee, the board of directors or management with respect to the merger or the merger consideration.

The following is a summary of the material financial analyses that underlie the opinions of both Credit Suisse and Morgan Stanley and which were reviewed with the special committee on July 23, 2006. The financial analyses summarized below include information presented in tabular format. In order to fully understand Credit Suisse and Morgan Stanley s financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data in the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of Credit Suisse and Morgan Stanley s financial analyses.

Discounted Cash Flow Analysis

Credit Suisse and Morgan Stanley performed a discounted cash flow analysis to calculate the estimated present value of the unlevered, after-tax free cash flow of HCA. The financial forecast was based on internal estimates of HCA s management. Credit Suisse and Morgan Stanley calculated ranges of estimated terminal values by multiplying calendar year 2011 estimated earnings before interest, taxes, depreciation and amortization, commonly referred to as EBITDA, by selected multiples ranging from 6.5x to 8.0x. The estimated after-tax free cash flows and terminal values were then discounted to present value at June 30, 2006 using discount rates of 7.0% to 8.0%. The discount rate ranging from 7.0% to 8.0% was selected based on a weighted average cost of capital calculation which factored in the unlevered betas for similar companies identified below under the caption Selected Companies Analysis, as well as HCA,

while the terminal EBITDA multiples ranging from 6.5x to 8.0x were selected based on a review of current and historical trading multiples reviewed in connection with the companies identified under the caption Selected Companies Analysis, as well as HCA. This analysis indicated the following implied per share equity reference range for HCA, as compared to the per share merger consideration:

Implied Per Share Equity Reference Range For HCA	Per Share Merger Consideration
$43.16 - $58.01	$51.00

Selected Companies Analysis

Using publicly available information, Credit Suisse and Morgan Stanley reviewed the market values and trading multiples of the following three publicly traded urban hospital companies and three publicly traded rural hospital companies:

Urban Hospital Companies

Tenet Healthcare Corporation

Triad Hospitals, Inc.

Universal Health Services, Inc.

Rural Hospital Companies

Health Management Associates, Inc.

Community Health Systems, Inc.

LifePoint Hospitals, Inc.

These companies were chosen because they are publicly traded companies in the U.S. whose operations and principal lines of business (hospital companies) are similar to that of HCA. The companies were separated into urban and rural hospital companies because of the different operating environments between the two groups. Multiples for the selected companies were based, in part, on closing stock prices as of July 18, 2006. Estimated data were based on publicly available equity research analysts estimates. Estimated data for HCA were based on internal estimates of HCA s management and publicly available equity research analysts estimates. Credit Suisse and Morgan Stanley compared enterprise values as multiples of calendar years 2006 and 2007 estimated EBITDA. They also compared equity values per share as multiples of calendar years 2006 and 2007 estimated earnings per share, commonly referred to as P/ E. The range of market trading multiples of the selected companies, as well as the related means, are set forth below:

Metric	Selected Companies (All) Low	Selected Companies (All) High	Selected Companies (Urban) Mean	Selected Companies (Rural) Mean
Enterprise Value/2006E EBITDA	6.4x	9.4x	7.8x	7.9x
Enterprise Value/2007E EBITDA	5.8x	8.4x	7.0x	6.9x
Price/2006E Earnings	13.6x	19.2x	16.4x	15.1x
Price/2007E Earnings	12.1x	16.9x	14.5x	13.2x

Credit Suisse and Morgan Stanley then applied ranges of selected multiples derived from those described above for the selected companies, and based on the collective judgment of Credit Suisse and Morgan Stanley, to the

corresponding financial data, based on internal estimates of HCA s management, in order to derive an implied enterprise value reference range. HCA s net debt as of June 30, 2006 (approximately $10.9 billion) was then deducted and other adjustments were made, as appropriate, to reflect HCA s insurance subsidiary s investments in equity securities (as of March 30, 2006), in order to derive an implied equity reference range for HCA from which an implied per share equity reference range was derived. Credit Suisse and Morgan Stanley then compared this implied per share equity reference range against the per share merger consideration. This analysis indicated the following implied per share equity reference range for HCA, as compared to the per share merger consideration:

Implied Per Share Equity Reference Range For HCA	**Per Share Merger Consideration**
$36.00 - $46.00	$51.00

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Selected Transactions Analysis

Using publicly available information, Credit Suisse and Morgan Stanley reviewed the transaction value multiples in eight selected transactions, which transactions involved companies with businesses and holdings similar to those of HCA s:

Acquiror

Welsh, Carson, Anderson & Stowe

LifePoint Hospitals, Inc.

The Blackstone Group (led by)

Texas Pacific Group (led by)

HCA Inc.

Triad Hospitals, Inc.

Tenet Healthcare Corporation

Forstmann Little & Co. (affiliates of)

Target

Select Medical Corporation

Province Healthcare Company

Vanguard Health Systems, Inc.

IASIS Healthcare Corporation

Health Midwest

Quorum Health Group, Inc.

OrNda HealthCorp

Community Health Systems, Inc.

The precedent transactions were selected because they involved transactions in U.S. companies whose operations and principal lines of business (hospitals and related health care services) are similar to that of HCA. Each of these transactions took place between 1996 and 2004. Multiples for the selected transactions were based on publicly available financial information. Estimated data for HCA was based on internal estimates of HCA s management. Credit Suisse and Morgan Stanley compared enterprise values in the selected transactions as multiples of the latest 12 months revenue and EBITDA. The range of multiples from the selected transactions, as well as the related median and mean, are set forth below:

Metric	Selected Transactions Low	Selected Transactions High	Selected Transactions Median	Selected Transactions Mean
	8.1x	12.1x	9.4x	9.8x

Enterprise Value/Last twelve months EBITDA				
Enterprise Value/Last twelve months Revenue	1.0x	2.4x	1.3x	1.5x

Credit Suisse and Morgan Stanley then applied the ranges of selected multiples derived from those described above for the selected transactions, and based on the collective judgment of Credit Suisse and Morgan Stanley, to the corresponding financial data, based on internal estimates of HCA s management, in order to derive an implied enterprise value reference range. HCA s net debt as of June 30, 2006 (approximately $10.9 billion) was then deducted and other adjustments were made, as appropriate to reflect HCA s insurance subsidiary s investments in equity securities (as of March 30, 2006), in order to derive an implied equity reference range for HCA from which an implied per share equity reference range was derived. Credit Suisse and Morgan Stanley then compared this implied per share equity reference range against the per share merger consideration. This analysis indicated the following implied per share equity reference range for HCA, as compared to the per share merger consideration:

Implied Per Share Equity Reference Range For HCA	**Per Share Merger Consideration**
$45.00 - $55.00	$51.00

Other Factors

In rendering their opinions, Credit Suisse and Morgan Stanley also reviewed and considered other factors, including:

- the median premiums paid in all-cash U.S. public company transactions with a value greater than $50 million, as well as all-cash U.S. public company transactions with a value greater than $5 billion, both over the period from December 31, 2000 to present, and leveraged buyout transactions with a value greater than $3 billion worldwide over the last ten years;

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- the low and high trading prices of HCA Common Stock during the 52-week period ended July 21, 2006;
- publicly available research analysts price targets for HCA; and
- the theoretical purchase prices that could be paid by a hypothetical financial buyer in a leveraged buyout of HCA.

A copy of Credit Suisse and Morgan Stanley s written presentation to the special committee of the board of directors of HCA has been attached as an exhibit to the Schedule 13E-3 filed with the SEC in connection with the merger. The written presentation will be available for any interested HCA shareholder (or any representative of the shareholder who has been so designated in writing) to inspect and copy at our principal executive offices during regular business hours. Alternatively, you may inspect and copy the presentation at the office of, or obtain them by mail from, the SEC.

Position of Management Investors as to Fairness

Under the rules governing going private transactions, the Management Investors are deemed to be engaged in a going private transaction and are required to express their beliefs as to the fairness of the merger to our unaffiliated shareholders. The Management Investors are making the statements included in this section solely for the purposes of complying with the requirements of Rule 13e-3 and related rules under the Exchange Act.

The views of the Management Investors as to the fairness of the merger should not be construed as a recommendation to any shareholder as to how that shareholder should vote on the proposal to adopt the merger agreement. The Management Investors have interests in the merger different from, and in addition to, those of the other shareholders of HCA. These interests are described under Interests of the Company s Directors and Executive Officers in the Merger.

The Management Investors did not undertake a formal evaluation of the merger or engage a financial advisor for such purpose. The unaffiliated shareholders, however, were represented by the Company s special committee, which negotiated the terms and conditions of the merger agreement on their behalf, with the assistance of its independent financial and legal advisors. The Management Investors believe that the merger agreement and the merger are substantively and procedurally fair to the unaffiliated shareholders and agree with the analyses and conclusions of the special committee and the board of directors based upon the reasonableness of those analyses and conclusions, which they adopt, and their knowledge of HCA, as well as the factors considered by, and the findings of, the special committee and the board of directors with respect to the fairness of the merger to such unaffiliated shareholders (see Reasons for the Merger; Recommendation of the Special Committee and of Our Board of Directors; Fairness of the Merger). In addition, the Management Investors considered the fact that the special committee received opinions from Credit Suisse and Morgan Stanley to the effect that, as of the date of the fairness opinions, and based upon and subject to the various factors, assumptions and limitations set out in the fairness opinions, the $51.00 price per share to be received by the unaffiliated shareholders was fair to such shareholders from a financial point of view (see Reasons for the Merger; Recommendation of the Special Committee and of Our Board of Directors; Fairness of the Merger).

While the Management Investors are directors of HCA, because of their differing interests in the merger they did not participate in the negotiation of the merger agreement or the evaluation or approval of the merger agreement and the merger. For these reasons, the Management Investors do not believe that their interests in the merger influenced the decision of the special committee or the board of directors with respect to the merger agreement or the merger.

The foregoing discussion of the information and factors considered and given weight by the Management Investors in connection with the fairness of the merger agreement and the merger is not intended to be exhaustive but is believed to include all material factors considered by the Management Investors. The Management Investors did not find it practicable to, and did not, quantify or otherwise attach relative weights to the foregoing factors in reaching their position as to the fairness of the merger

agreement and the merger. The Management Investors believe that these factors provide a reasonable basis for their belief that the merger is fair to the unaffiliated shareholders.

Position of Dr. Frist and the Frist Entities as to Fairness

Under the rules governing going private transactions, Dr. Frist is, and the Frist Entities could be, deemed to be engaged in a going private transaction and therefore required to express their beliefs as to the fairness of the merger to our unaffiliated shareholders. The aforementioned persons are making the statements included in this section solely for the purposes of complying with the requirements of Rule 13e-3 and related rules under the Exchange Act.

The views of Dr. Frist and the Frist Entities as to the fairness of the merger should not be construed as a recommendation to any shareholder as to how that shareholder should vote on the proposal to approve the merger agreement. Dr. Frist and the Frist Entities have interests in the merger different from, and in addition to, those of the other shareholders of HCA. These interests are described under Interests of the Company s Directors and Executive Officers in the Merger.

Dr. Frist and the Frist Entities did not undertake a formal evaluation of the merger or engage a financial advisor for such purposes, nor did they participate directly in the negotiation of the merger agreement with the Company or the special committee. The unaffiliated shareholders, however, were represented by the Company s special committee, which negotiated the terms and conditions of the merger agreement on their behalf, with the assistance of its independent financial and legal advisors. Dr. Frist and the Frist Entities believe that the merger agreement and the merger are substantively and procedurally fair to the unaffiliated shareholders and agree with the analyses and conclusions of the special committee and the board of directors based upon the reasonableness of those analyses and conclusions, which they adopt, and Dr. Frist s knowledge of HCA, as well as the factors considered by, and the findings of, the special committee and the board of directors with respect to the fairness of the merger to such unaffiliated shareholders (see Reasons for the Merger; Recommendation of the Special Committee and of Our Board of Directors; Fairness of the Merger).

In addition, Dr. Frist and the Frist Entities considered the fact that the special committee received opinions from Credit Suisse and Morgan Stanley to the effect that, as of the date of the fairness opinions, and based upon and subject to the various factors, assumptions and limitations set out in the fairness opinions, the $51.00 price per share to be received by the unaffiliated shareholders was fair to such shareholders from a financial point of view (see Reasons for the Merger; Recommendation of the Special Committee and of Our Board of Directors; Fairness of the Merger).

While Dr. Frist is a director of HCA, because of his differing interests in the merger, he did not serve on the special committee and consequently did not participate in the negotiation of the merger agreement or the special committee s evaluation or approval of the merger agreement and the merger or the board of directors evaluation of the special committee s recommendation of the approval of the merger agreement and the merger. For these reasons, Dr. Frist and the Frist Entities do not believe that Dr. Frist s interests in the merger influenced the decision of the special committee or the board of directors with respect to the merger agreement or the merger.

The foregoing discussion of the information and factors considered and given weight by Dr. Frist and the Frist Entities in connection with the fairness of the merger agreement and the merger is not intended to be exhaustive but is believed to include all material factors considered by Dr. Frist and the Frist Entities. Dr. Frist and the Frist Entities did not find it practicable to, and did not, quantify or otherwise attach relative weights to the foregoing factors in reaching their position as to the fairness of the merger agreement and the merger. Dr. Frist and the Frist Entities believe that these factors provide a reasonable basis for their belief that the merger is fair to the unaffiliated shareholders.

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Position of Parent, Merger Sub and the Sponsors as to Fairness

Under a potential interpretation of the rules governing going private transactions, Parent, Merger Sub and the sponsors may be required to express their beliefs as to the fairness of the merger to our unaffiliated shareholders. Parent, Merger Sub and the sponsors are making the statements included in this section solely for the purposes of complying with the requirements of Rule 13e-3 and related rules under the Exchange Act. The views of Parent, Merger Sub and the sponsors should not be construed as a recommendation to any shareholder as to how that shareholder should vote on the proposal to adopt the merger agreement.

Parent, Merger Sub and the sponsors attempted to negotiate the terms of a transaction that would be most favorable to them, and not to the shareholders of HCA, and, accordingly, did not negotiate the merger agreement with a goal of obtaining terms that were fair to such shareholders. None of Parent, Merger Sub or the sponsors believes that it has or had any fiduciary duty to HCA or its shareholders, including with respect to the merger and its terms. The shareholders of HCA were, as described elsewhere in this proxy statement, represented by the special committee that negotiated with the sponsors on their behalf, with the assistance of independent legal and financial advisors.

None of Parent, Merger Sub or the sponsors participated in the deliberation process of the special committee and none of them participated in the conclusions of the special committee or the board of directors of HCA that the merger was fair to the unaffiliated shareholders of HCA, nor did they undertake any independent evaluation of the fairness of the merger. However, based upon the factors considered by, and the findings of, the special committee and the board of directors with respect to the fairness of the merger to such unaffiliated shareholders (see Reasons for the Merger; Recommendation of the Special Committee and of Our Board of Directors; Fairness of the Merger), Parent, Merger Sub and the sponsors have no reason to believe that the merger agreement and the merger are not substantively and procedurally fair to the unaffiliated shareholders. In addition, Parent, Merger Sub and the sponsors considered the fact that the special committee received opinions from Credit Suisse and Morgan Stanley to the effect that, as of the date of the fairness opinions, and based upon and subject to the various factors, assumptions and limitations set out in the fairness opinions, the $51.00 price per share to be received by the unaffiliated shareholders was fair to such shareholders from a financial point of view (see Reasons for the Merger; Recommendation of the Special Committee and of Our Board of Directors; Fairness of the Merger).

The foregoing discussion of the information and factors considered and given weight by Parent, Merger Sub and the sponsors in connection with the fairness of the merger agreement and the merger is not intended to be exhaustive but is believed to include all material factors considered by Parent, Merger Sub and the sponsors. Parent, Merger Sub and the sponsors did not find it practicable to, and did not, quantify or otherwise attach relative weights to the foregoing factors in reaching their position as to the fairness of the merger agreement and the merger. Parent, Merger Sub and the sponsors believe that these factors provide a reasonable basis for their position that they have no reason to believe that the merger is not fair to the unaffiliated shareholders.

Purposes, Reasons and Plans for HCA after the Merger

The purpose of the merger for HCA is to enable its unaffiliated shareholders to immediately realize the value of their investment in HCA through their receipt of the per share merger price of $51.00 in cash. Another purpose of the merger is to create greater operating flexibility, allowing management to concentrate on long-term growth rather than the short-term expectations of the financial markets. In light of the foregoing, and given our stock price and the economic and market conditions affecting us and our industry sector as a whole, we believe our long-term objectives can best be pursued as a private company.

The reason for structuring the transaction as a merger is to effect the transaction following the approval of the holders of a majority of the shares of the voting HCA Common Stock. The reasons for undertaking the transaction at this time are described above under Background of the Merger.

It is expected that, upon consummation of the merger (and excluding the transactions contemplated in connection with the merger as described in this proxy statement), the operations of HCA will be conducted substantially as they currently are being conducted. The Investor Group has advised HCA that it does not have any current intentions, plans or proposals to cause us to engage in any of the following:

an extraordinary corporate transaction following consummation of the merger involving HCA s corporate structure, business or management, such as a merger, reorganization or liquidation,

the relocation of any material operations or sale or transfer of a material amount of assets, or

any other material changes in its business.

Nevertheless, following consummation of the merger, the management and/or board of directors of the surviving corporation may initiate a review of the surviving corporation and its assets, corporate and capital structure, capitalization, operations, business, properties and personnel to determine what changes, if any, would be desirable following the merger to enhance the business and operations of the surviving corporation and may cause the surviving corporation to engage in the types of transactions set forth above if the management and/or board of directors of the surviving corporation decides that such transactions are in the best interest of the surviving corporation upon such review. The surviving corporation expressly reserves the right to make any changes it deems appropriate in light of such evaluation and review or in light of future developments.

Certain Effects of the Merger

If the merger agreement is adopted by the Company s shareholders, certain other conditions to the closing of the merger are either satisfied or waived and the marketing period that Parent is entitled to use to complete the financing for the merger has expired, Merger Sub will be merged with and into HCA, with HCA being the surviving corporation.

Upon the consummation of the merger, each share of HCA Common Stock issued and outstanding immediately prior to the effective time of the merger (other than shares held in the treasury of the Company, owned by Parent immediately prior to the effective time of the merger or held by shareholders who are entitled to and who properly exercise appraisal rights under Delaware law) will be converted into the right to receive $51.00 in cash, without interest and less any applicable withholding taxes. Upon the consummation of the merger, unless otherwise agreed between a holder and Parent, all outstanding options to acquire HCA Common Stock will become fully vested and immediately exercisable and all such options (other than certain options held by certain of the Management Rollover Holders) not exercised prior to the merger will be cancelled and converted into a right to receive a cash payment equal to the number of shares of HCA Common Stock underlying the options multiplied by the amount (if any) by which $51.00 exceeds the option exercise price, without interest and less any applicable withholding taxes. Unless otherwise agreed between a holder and Parent, all shares of restricted stock and restricted share units will vest and be cancelled and converted into the right to receive a cash payment equal to the number of outstanding restricted shares and restricted share units multiplied by $51.00 (together with the value of any deemed dividend equivalents accrued but unpaid with respect to restricted share units), without interest and less any applicable withholding taxes.

Following the merger, the entire equity in the surviving corporation will ultimately be owned through Parent by the members of the Investor Group, the Frist permitted assignees, and any additional investors that the members of the Investor Group permit to invest in Parent, and directly by the Management Rollover Holders. If the merger is completed, the members of the Investor Group, the Frist permitted assignees, any additional investors that the members of the Investor Group permit to invest in Parent and the Management Rollover Holders will be the sole beneficiaries of our future earnings and growth, if any, and will be entitled to vote on corporate matters affecting HCA following the merger. Similarly, the

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members of the Investor Group, any investors that the members of the Investor Group permit to invest in Parent, and the Management Rollover Holders will also bear the risks of ongoing operations, including the risks of any decrease in our value after the merger and the operational and other risks related to the incurrence by the surviving corporation of significant additional debt as described below under Financing of the Merger.

If the merger is completed, HCA s unaffiliated shareholders will have no interest in HCA s net book value or net earnings. The table below sets forth the direct and indirect interests in HCA s net book value and net earnings of each of Dr. Frist, the Frist Entities, Jack O. Bovender, Jr., Richard M. Bracken and each of the sponsors prior to and immediately after the merger, based upon the net book value of HCA at June 30, 2006 and net income of HCA for the six months ended June 30, 2006. Following the merger, the entire interest in HCA s net book value and net income that is not ultimately held by the Frist Entities, the Frist permitted assignees, Jack O. Bovender, Jr., Richard M. Bracken, the Management Rollover Holders or the other members of the Investor Group will be held through Parent by any additional investors that the members of the Investor Group permit to invest in Parent or the surviving corporation.

	Ownership Prior to the Merger(1)				**Ownership After the Merger(2)**			
	Net Book Value		**Earnings**		**Net Book Value**		**Earnings**	
Name	**$ in thousands**	**%**	**$ in thousands**	**%**	**$ in thousands**	**%**	**$ in thousands**	**%**
Thomas F. Frist, Jr., M.D.(3)	$ 198,833	4.12%	$ 27,759	4.12%	$ 724,871	15.02%	$ 101,199	15.02%
Frisco, Inc.(4)	$ 96,038	1.99%	$ 13,408	1.99%	$ 375,949	7.79%	$ 52,486	7.79%
Frisco Partners(4)	$ 17,856	0.37%	$ 2,493	0.37%	$ 48,743	1.01%	$ 6,805	1.01%
Jack O. Bovender, Jr.	$ 3,861	0.08%	$ 539	0.08%	$ 22,682	0.47%	$ 3,167	0.47%
Richard M. Bracken	$ 1,930	0.04%	$ 270	0.08%	$ 11,100	0.23%	$ 1,550	0.23%
Private equity funds advised by Bain	N/A	N/A	N/A	N/A	$ 1,282,279	26.57%	$ 179,019	26.57%
Private equity funds advised by KKR	N/A	N/A	N/A	N/A	$ 1,282,279	26.57%	$ 179,019	26.57%
Private equity funds advised by Merrill Lynch Global Private Equity	N/A	N/A	N/A	N/A	$ 1,282,279	26.57%		