HCA INC/TN
Form PRER14A
September 18, 2006

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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
Chairman of the Special Committee

Jack O. Bovender, Jr.
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

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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

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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

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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

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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

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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

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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

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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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