

HCA Holdings, Inc.  
Form DEF 14A  
March 17, 2016  
**Table of Contents**

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

HCA Holdings, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- 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:

(2) Aggregate number of securities to which transaction applies:

Edgar Filing: HCA Holdings, Inc. - Form DEF 14A

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

**Table of Contents**

**HCA HOLDINGS, INC.**

**One Park Plaza**

**Nashville, Tennessee 37203**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held April 28, 2016**

Dear Stockholder:

On Thursday, April 28, 2016, HCA Holdings, Inc. will hold its annual meeting of stockholders at its corporate headquarters located at One Park Plaza, Nashville, Tennessee 37203. The meeting will begin at 2:00 p.m. (CDT), and is being held for the following purposes:

1. To elect twelve nominees for director of the Company, nominated by the Board of Directors, with each director to serve until the 2017 annual meeting of the stockholders of the Company or until such director's respective successor is duly elected and qualified;
2. To reapprove, for purposes of Section 162(m) of the Internal Revenue Code, the material terms of the performance goals under the 2006 Stock Incentive Plan for Key Employees of HCA Holdings, Inc. and its Affiliates, as Amended and Restated;
3. To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2016;
4. To approve, in an advisory (non-binding) vote, the compensation of the Company's named executive officers as described in the accompanying proxy statement ( "say-on-pay" );
5. To consider and vote upon a stockholder proposal regarding a majority vote standard for the election of directors, if properly presented; and
6. To transact such other business as may properly come before the meeting or any postponement or adjournment of the meeting.

Only stockholders that owned our common stock at the close of business on March 4, 2016 are entitled to notice of and may vote at this meeting. A list of our stockholders of record will be available at our corporate headquarters located at One Park Plaza, Nashville, Tennessee 37203, during ordinary business hours, for 10 days prior to the annual meeting.

## Edgar Filing: HCA Holdings, Inc. - Form DEF 14A

References to HCA, the Company, we, us, or our in this notice and the accompanying proxy statement refer to HCA Holdings, Inc. and its applicable affiliates unless otherwise indicated.

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING IN PERSON, TO ENSURE THE PRESENCE OF A QUORUM, PLEASE VOTE OVER THE INTERNET OR BY TELEPHONE AS INSTRUCTED IN THESE MATERIALS OR COMPLETE, DATE, AND SIGN A PROXY CARD AS PROMPTLY AS POSSIBLE. IF YOU ATTEND THE MEETING AND WISH TO VOTE YOUR SHARES PERSONALLY, YOU MAY DO SO AT ANY TIME BEFORE THE PROXY IS EXERCISED.

By Order of the Board of Directors,

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

Nashville, Tennessee

March 17, 2016

**Table of Contents**

INDEX

<u>QUESTIONS AND ANSWERS</u>	1
<u>BACKGROUND</u>	8
<u>CORPORATE GOVERNANCE</u>	8
<u>COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION</u>	18
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	18
<u>PROPOSAL No. 1 ELECTION OF DIRECTORS</u>	19
<u>PROPOSAL No. 2 REAPPROVAL OF THE MATERIAL TERMS OF THE PERFORMANCE GOALS UNDER THE 2006 STOCK INCENTIVE PLAN FOR KEY EMPLOYEES OF HCA HOLDINGS, INC. AND ITS AFFILIATES, AS AMENDED AND RESTATED, FOR PURPOSES OF SECTION 162(M) OF THE INTERNAL REVENUE CODE</u>	22
<u>PROPOSAL No. 3 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	37
<u>PROPOSAL No. 4 ADVISORY VOTE ON EXECUTIVE COMPENSATION</u>	38
<u>PROPOSAL No. 5 STOCKHOLDER PROPOSAL REGARDING A MAJORITY VOTE STANDARD FOR THE ELECTION OF DIRECTORS</u>	39
<u>OTHER MATTERS</u>	40
<u>EXECUTIVE COMPENSATION</u>	41
<u>CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS</u>	80
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS</u>	83
<u>AUDIT AND COMPLIANCE COMMITTEE REPORT</u>	85
<u>WHERE TO FIND ADDITIONAL INFORMATION</u>	86
<u>APPENDIX A 2006 STOCK INCENTIVE PLAN FOR KEY EMPLOYEES OF HCA HOLDINGS, INC. AND ITS AFFILIATES, AS AMENDED AND RESTATED</u>	A-1

Table of Contents

**HCA HOLDINGS, INC.**

**One Park Plaza**

**Nashville, Tennessee 37203**

**Proxy Statement for Annual Meeting of Stockholders**

**to be held on April 28, 2016**

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE  
STOCKHOLDER MEETING TO BE HELD ON THURSDAY, APRIL 28, 2016**

The Company's Proxy Statement and 2015 Annual Report to Stockholders are available on our website at [www.hcahealthcare.com](http://www.hcahealthcare.com). Additionally, and in accordance with Securities and Exchange Commission Rules, you may access our proxy materials, including the Company's Proxy Statement, form of Proxy Card and 2015 Annual Report to Stockholders at <https://materials.proxyvote.com/40412C>.

**HCA HOLDINGS, INC.**

**One Park Plaza**

**Nashville, Tennessee 37203**

**QUESTIONS AND ANSWERS**

**1. Q: WHEN WAS THIS PROXY STATEMENT FIRST MAILED OR MADE AVAILABLE TO STOCKHOLDERS?**

A: This proxy statement was first mailed or made available to stockholders on or about March 17, 2016. Our 2015 Annual Report to Stockholders is being mailed or made available with this proxy statement. The annual report is not part of the proxy solicitation materials.

**2. Q: WHY DID I RECEIVE A ONE-PAGE NOTICE IN THE MAIL REGARDING THE INTERNET AVAILABILITY OF PROXY MATERIALS INSTEAD OF A FULL SET OF PROXY MATERIALS?**

A: Pursuant to rules adopted by the Securities and Exchange Commission ( SEC ), the Company has elected to provide access to our proxy materials and annual report over the Internet. Accordingly, we are sending to our stockholders of record and beneficial owners a notice of Internet availability of the proxy materials instead of sending a paper copy of the proxy materials and annual report. All

## Edgar Filing: HCA Holdings, Inc. - Form DEF 14A

stockholders receiving the notice will have the ability to access the proxy materials and annual report on a website referenced in the notice or to request a printed set of the proxy materials and annual report. Instructions on how to access the proxy materials and annual report over the Internet or to request a printed copy may be found in the notice and in this proxy statement. In addition, the notice contains instructions on how you may request to receive our proxy materials and annual report in printed form by mail or electronically on an ongoing basis.

---

**Table of Contents**

**3. Q: WHAT IS THE PURPOSE OF THE ANNUAL MEETING?**

A: At the annual meeting, stockholders will act upon the following matters outlined in the notice of meeting on the cover page of this proxy statement: the election of each of the directors nominated by the Board of Directors; the reapproval, for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (the Internal Revenue Code or the Code ), of the material terms of the performance goals under the 2006 Stock Incentive Plan for Key Employees of HCA Holdings, Inc. and its Affiliates, as Amended and Restated; the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2016; an advisory resolution to approve our executive compensation as described in this proxy statement ( say-on-pay ); and considering and voting upon a stockholder proposal regarding a majority vote standard for the election of directors, if properly presented. In addition, following the formal business of the meeting, our management will be available to respond to questions from our stockholders.

**4. Q: WHO MAY ATTEND THE ANNUAL MEETING?**

A: Stockholders of record as of the close of business on March 4, 2016, or their duly appointed proxies, may attend the meeting. Street name holders (those whose shares are held through a broker or other nominee) should bring a copy of a brokerage statement reflecting their ownership of our common stock as of the record date. Space limitations may make it necessary to limit attendance to stockholders and valid picture identification may be required. Cameras, recording devices, and other electronic devices are not permitted at the meeting. The Company may implement additional procedures to ensure the comfort and safety of meeting attendees. Registration will begin at 1:00 p.m. (CDT), and the annual meeting will commence at 2:00 p.m. (CDT).

**5. Q: WHO IS ENTITLED TO VOTE AT THE ANNUAL MEETING?**

A: Only stockholders of record as of the close of business on March 4, 2016 are entitled to receive notice of and participate in the annual meeting. As of the record date, there were 395,768,344 shares of our common stock outstanding. Every stockholder is entitled to one vote for each share held as of the record date. Cumulative voting is not permitted with respect to the election of directors or any other matter to be considered at the annual meeting.

**6. Q: WHO IS SOLICITING MY VOTE?**

A: The Company's Board of Directors is sending you this proxy statement in connection with the solicitation of proxies for use at the 2016 annual meeting. The Company pays the cost of soliciting proxies. Proxies may be solicited in person or by telephone, facsimile, electronic mail, or other electronic medium by certain of our directors, officers, and employees, without additional compensation. In addition, we have retained Georgeson Inc. to assist in the solicitation of proxies for a fee of approximately \$15,000 plus associated costs and expenses. Forms of proxies and proxy materials may also be distributed through brokers, custodians, and other like parties to the beneficial owners of shares of our common stock, in which case we will reimburse these parties for their reasonable out-of-pocket expenses.

**7. Q: ON WHAT MAY I VOTE?**

A: You may vote on the election of directors nominated to serve on our Board of Directors; the reapproval, for purposes of Section 162(m) of the Internal Revenue Code, of the material terms of the performance goals under the 2006 Stock Incentive Plan for Key Employees of HCA Holdings, Inc. and its Affiliates, as Amended and Restated; the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2016; the advisory say-on-pay resolution to approve our executive compensation; and the stockholder proposal regarding a majority vote standard for the election of directors, if properly presented.



---

**Table of Contents**

8. **Q: HOW DOES THE BOARD RECOMMEND I VOTE ON THE PROPOSALS?**

A: The Board unanimously recommends that you vote as follows:

**FOR** each of the director nominees;

**FOR** the reapproval, for purposes of Section 162(m) of the Internal Revenue Code, of the material terms of the performance goals under the 2006 Stock Incentive Plan for Key Employees of HCA Holdings, Inc. and its Affiliates, as Amended and Restated;

**FOR** the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2016;

**FOR** the advisory say-on-pay resolution to approve our executive compensation; and

**AGAINST** the stockholder proposal regarding a majority vote standard for the election of directors.

9. **Q: HOW WILL VOTING ON ANY OTHER BUSINESS BE CONDUCTED?**

A: It is not expected that any matter not referred to herein will be presented for action at the annual meeting. If any other matters are properly brought before the annual meeting, including, without limitation, a motion to adjourn the annual meeting to another time and/or place for the purpose of, among other matters, permitting dissemination of information regarding material developments relating to any of the proposals or soliciting additional proxies in favor of the approval of any of the proposals, the persons named on the accompanying Proxy Card will vote the shares represented by such proxy upon such matters in their discretion. Should the annual meeting be reconvened, all proxies will be voted in the same manner as such proxies would have been voted when the annual meeting was originally convened, except for the proxies effectively revoked or withdrawn prior to the time proxies are voted at such reconvened meeting.

10. **Q: HOW DO I VOTE IF MY SHARES ARE REGISTERED DIRECTLY IN MY NAME?**

A: You may vote in person at the annual meeting or authorize the persons named as proxies on the Proxy Card to vote your shares by returning the Proxy Card by mail, through the Internet, or by telephone. **Although we offer four different voting methods, we encourage you to vote through the Internet as we believe it is the most cost-effective method for the Company.** We also recommend that you vote as soon as possible, even if you are planning to attend the annual meeting, so that the vote count will not be delayed. Both the Internet and the telephone provide convenient, cost-effective alternatives to returning your Proxy Card by mail. If you choose to vote your shares through the Internet or by telephone, there is no need for you to mail back your Proxy Card.

***To Vote Over the Internet:***

Log on to the Internet and go to the website [www.proxyvote.com](http://www.proxyvote.com) (24 hours a day, 7 days a week). Have your Proxy Card available when you access the website. You will need the control number from your Proxy Card to vote.

***To Vote By Telephone:***

On a touch-tone telephone, call 1-800-690-6903 (24 hours a day, 7 days a week). Have your Proxy Card available when you make the call. You will need the control number from your Proxy Card to vote.

***To Vote By Proxy Card:***

Complete and sign the Proxy Card and return it to the address indicated on the Proxy Card. If you received a notice of Internet availability of the proxy materials instead of a paper copy of the proxy materials and annual report, you should follow the voting instructions set forth in the notice.

**Table of Contents**

You have the right to revoke your proxy at any time before the meeting by: (i) notifying our Corporate Secretary in writing at One Park Plaza, Nashville, Tennessee 37203; (ii) voting in person; (iii) submitting a later-dated Proxy Card; (iv) submitting another vote by telephone or over the Internet; or (v) if applicable, submitting new voting instructions to your broker or nominee. If you have questions about how to vote or revoke your proxy, you should contact our Corporate Secretary at One Park Plaza, Nashville, Tennessee 37203. For shares held in street name, refer to Question 11 below.

**11. Q: HOW DO I VOTE MY SHARES IF THEY ARE HELD IN THE NAME OF MY BROKER (STREET NAME)?**

A: If your shares are held by your broker or other nominee, often referred to as held in street name, you will receive a form from your broker or nominee seeking instruction as to how your shares should be voted. You should contact your broker or other nominee with questions about how to provide or revoke your instructions.

**12. Q: WHAT IS THE VOTE REQUIRED TO ELECT DIRECTORS?**

A: Since Proposal 1 in this proxy statement is in respect of an uncontested director election, Proposal 1 requires the affirmative vote of a majority of the votes cast at the annual meeting to elect a nominee, which means that a nominee will be elected only if the number of shares voted for that nominee exceeds the number of shares voted against that nominee. Accordingly, each nominee receiving a greater number of shares voted for such nominee than against such nominee shall be elected as a director. If an incumbent director does not receive a greater number of shares voted for such director than against such director, then such director must tender his or her resignation to the Board of Directors. If a nominee who is not an incumbent director does not receive a greater number of shares voted for such director than against such director, then such nominee will not be elected to the Board of Directors. In the event there is a contested director election, director nominees must receive affirmative votes from a plurality of the votes cast at the annual meeting to be elected. This means that the nominees receiving the greatest number of affirmative votes of the shares present in person or represented by proxy at the annual meeting and entitled to vote will be elected as directors.

**13. Q: WHAT IS THE VOTE REQUIRED TO APPROVE THE OTHER PROPOSALS?**

A: **Reapproval of Performance Goals:** The reapproval, for purposes of Section 162(m) of the Internal Revenue Code, of the material terms of the performance goals under the 2006 Stock Incentive Plan for Key Employees of HCA Holdings, Inc. and its Affiliates, as Amended and Restated, must receive affirmative votes from the holders of a majority of the shares present in person or represented by proxy at the annual meeting and entitled to vote.

**Ratification of Ernst & Young LLP:** The ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the year ending December 31, 2016 must receive affirmative votes from the holders of a majority of the shares present in person or represented by proxy at the annual meeting and entitled to vote.

**Advisory Say-On-Pay Resolution:** The advisory say-on-pay resolution to approve our executive compensation must receive affirmative votes from the holders of a majority of the shares present in person or represented by proxy at the annual meeting and entitled to vote to be approved. Because your vote is advisory, it will not be binding on the Company, the Board of Directors, or our Compensation Committee. Although non-binding, our Compensation Committee will review and consider the voting results when making future decisions regarding our executive compensation program.

**Stockholder Proposal Regarding Majority Vote Standard for the Election of Directors:** The stockholder proposal regarding a majority vote standard for the election of directors, if properly presented at the annual meeting, must receive affirmative votes from the holders of a majority of the shares present in person or represented by proxy at the annual meeting and entitled to vote.

---

**Table of Contents**

**14. Q: WHAT CONSTITUTES A QUORUM ?**

A: The presence at the meeting, in person or by proxy, of the holders of a majority of the aggregate voting power of the common stock outstanding on the record date will constitute a quorum. There must be a quorum for business to be conducted at the meeting. Failure of a quorum to be represented at the annual meeting will necessitate an adjournment or postponement and will subject the Company to additional expense. Abstentions and broker non-votes are counted as present or represented for purposes of determining the presence or absence of a quorum.

**15. Q: WHAT IF I ABSTAIN FROM VOTING?**

A: If you attend the meeting or send in your signed Proxy Card, but abstain from voting on any proposal, you will still be counted for purposes of determining whether a quorum exists. If you abstain from voting on Proposal 1, your abstention will have no effect on the outcome. If you abstain from voting on Proposals 2, 3, 4 or 5, your abstention will have the same legal effect as a vote against these proposals.

**16. Q: WILL MY SHARES BE VOTED IF I DO NOT SIGN AND RETURN MY PROXY CARD OR VOTE BY TELEPHONE OR OVER THE INTERNET?**

A: If you are a registered stockholder and you do not sign and return your Proxy Card or vote by telephone or over the Internet, your shares will not be voted at the annual meeting. Questions concerning stock certificates and registered stockholders may be directed to Wells Fargo Shareowner Services at 1110 Centre Pointe Curve, Suite 101, Mendota Heights, Minnesota 55120-4100 or by telephone at 1-800-468-9716 (domestic) or 1-651-450-4064 (outside the U.S.). If your shares are held in street name and you do not issue instructions to your broker, your broker may vote your shares at its discretion on routine matters, but may not vote your shares on non-routine matters. Under New York Stock Exchange ( NYSE ) rules, Proposal 3 relating to the ratification of the appointment of the independent registered public accounting firm is deemed to be a routine matter and brokers and nominees may exercise their voting discretion without receiving instructions from the beneficial owner of the shares. Proposals 1, 2, 4 and 5 are non-routine matters and, therefore, may only be voted in accordance with instructions received from the beneficial owner of the shares.

**17. Q: WHAT IS A BROKER NON-VOTE ?**

A: Under NYSE rules, brokers and nominees may exercise their voting discretion without receiving instructions from the beneficial owner of the shares on proposals that are deemed to be routine matters. If a proposal is a non-routine matter, a broker or nominee may not vote the shares on the proposal without receiving instructions from the beneficial owner of the shares. If a broker turns in a Proxy Card expressly stating that the broker is not voting on a non-routine matter, such action is referred to as a broker non-vote.

**18. Q: WHAT IS THE EFFECT OF A BROKER NON-VOTE?**

A: Broker non-votes will be counted for the purpose of determining the presence of a quorum but will not be counted for purposes of determining the outcome of the vote on any proposal, other than Proposal 3.

**19. Q: WHO WILL COUNT THE VOTES?**

A: Broadridge Financial Solutions, Inc. has been engaged as our independent inspector of election to tabulate stockholder votes for the annual meeting.

---

**Table of Contents**

20. **Q: CAN I PARTICIPATE IF I AM UNABLE TO ATTEND?**  
A: If you are unable to attend the meeting in person, we encourage you to send in your Proxy Card or to vote by telephone or over the Internet. We will provide a live webcast of the annual meeting accessible at <https://event.webcasts.com/starthere.jsp?ei=1096083>. The webcast will be one-way audio only, and webcast attendees will not be able to participate or vote at the meeting via the webcast.
21. **Q: WHERE CAN I FIND THE VOTING RESULTS OF THE ANNUAL MEETING?**  
A: We intend to announce preliminary voting results at the annual meeting and publish final results in a Current Report on Form 8-K that will be filed with the SEC following the annual meeting. All reports we file with the SEC are publicly available when filed. Please refer to Question 24 below.
22. **Q: WHEN ARE STOCKHOLDER PROPOSALS DUE IN ORDER TO BE INCLUDED IN OUR PROXY MATERIALS FOR THE NEXT ANNUAL MEETING?**  
A: Any stockholder proposal must be submitted in writing to our Corporate Secretary at HCA Holdings, Inc., One Park Plaza, Nashville, Tennessee 37203, prior to the close of business on November 17, 2016, to be considered timely for inclusion in next year's proxy statement and form of proxy. Such proposal must also comply with SEC regulations, including Rule 14a-8 regarding the inclusion of stockholder proposals in company-sponsored proxy materials.
23. **Q: WHEN ARE OTHER STOCKHOLDER PROPOSALS DUE?**  
A: Our bylaws contain an advance notice provision that requires stockholders to deliver to us notice of a proposal to be considered at an annual meeting not less than ninety (90) nor more than one hundred twenty (120) days before the date of the first anniversary of the prior year's annual meeting. Such proposals are also subject to informational and other requirements set forth in our bylaws, a copy of which is available under the Corporate Governance section of our website, [www.hcahealthcare.com](http://www.hcahealthcare.com).
24. **Q: HOW CAN I OBTAIN ADDITIONAL INFORMATION ABOUT THE COMPANY?**  
A: **We will provide copies of this proxy statement and our 2015 Annual Report to Stockholders, including our Annual Report on Form 10-K for the year ended December 31, 2015, without charge to any stockholder who makes a written request to our Corporate Secretary at HCA Holdings, Inc., One Park Plaza, Nashville, Tennessee 37203. Our Annual Report on Form 10-K and other SEC filings may also be accessed at [www.sec.gov](http://www.sec.gov) or on the Investor Relations section of the Company's website at [www.hcahealthcare.com](http://www.hcahealthcare.com).** Our website address is provided as an inactive textual reference only. The information provided on or accessible through our website is not part of this proxy statement and is not incorporated herein by this or any other reference to our website provided in this proxy statement.
25. **Q: HOW MANY COPIES SHOULD I RECEIVE IF I SHARE AN ADDRESS WITH ANOTHER STOCKHOLDER?**  
A: The SEC has adopted rules that permit companies and intermediaries, such as brokers, to satisfy the delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single proxy statement addressed to those stockholders. This process, commonly referred to as "householding," potentially provides extra convenience for stockholders and cost savings for companies. The Company and some brokers may be "householding" our proxy materials by delivering a single proxy statement and annual report to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker, or us, that they, or we, will be

**Table of Contents**

householding materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. If at any time you no longer wish to participate in householding and would prefer to receive a separate proxy statement and annual report, or if you are receiving multiple copies of the proxy statement and annual report and wish to receive only one, please notify your broker if your shares are held in a brokerage account or us if you are a stockholder of record. You can notify us by sending a written request to our Corporate Secretary at HCA Holdings, Inc., One Park Plaza, Nashville, Tennessee 37203, or by calling our Corporate Secretary at (615) 344-9551. In addition, we will promptly deliver, upon written or oral request to the address or telephone number above, a separate copy of the annual report and proxy statement to a stockholder at a shared address to which a single copy of the documents was delivered.

## Table of Contents

### **BACKGROUND**

On November 17, 2006, HCA Inc. was acquired by a private investor group, including affiliates of or funds sponsored by Bain Capital Partners, LLC, Kohlberg Kravis Roberts & Co., BAML Capital Partners (formerly Merrill Lynch Global Private Equity) (each a Sponsor ) and affiliates of HCA founder, Dr. Thomas F. Frist, Jr. (the Frist Entities, and together with the Sponsors, the Investors ) and by members of management and certain other investors (the Merger ).

On November 22, 2010, HCA Inc. reorganized by creating a new holding company structure (the Corporate Reorganization ). HCA Holdings, Inc. became the parent company, and HCA Inc. became HCA Holdings, Inc.'s 100% owned direct subsidiary. As part of the Corporate Reorganization, HCA Inc.'s outstanding shares of capital stock were automatically converted, on a share for share basis, into identical shares of HCA Holdings, Inc.'s common stock.

During March 2011, we completed the initial public offering of 87,719,300 shares of our common stock (the IPO ). Our common stock is traded on the NYSE (symbol HCA ).

### **CORPORATE GOVERNANCE**

*Director Independence.* Our Board of Directors currently consists of eleven directors. However, in accordance with our certificate of incorporation, our Board of Directors has approved an increase in the size of the Board of Directors by one seat, contingent upon the election of Charles O. Holliday, Jr., our nominee for director who does not currently serve as a director, at the annual meeting. NYSE listing standards require that a majority of our directors be independent in accordance with the independence requirements set forth in such listing standards. In addition, our Audit and Compliance Committee, Compensation Committee and Nominating and Corporate Governance Committee must be composed solely of independent directors to comply with such listing standards and, in the case of our Audit and Compliance Committee, with SEC rules.

Our Board of Directors affirmatively determines the independence of each director and director nominee in accordance with guidelines it has adopted, which include all elements of independence set forth in the NYSE listing standards as well as certain Board-adopted categorical independence standards. These guidelines are contained in our Corporate Governance Guidelines which are posted on the Corporate Governance portion of our website located at [www.hcahealthcare.com](http://www.hcahealthcare.com). The Board first analyzes whether any director has a relationship covered by the NYSE listing standards that would prohibit an independence finding for Board or committee purposes. The Board then analyzes any relationship of a director to HCA or to our management that does not fall within the parameters set forth in the Board's separately adopted categorical independence standards to determine whether or not that relationship is material. The Board may determine that a director who has a relationship that falls outside of the parameters of the categorical independence standards is nonetheless independent (to the extent that the relationship would not constitute a bar to independence under the NYSE listing standards).

Our Board of Directors has affirmatively determined that Robert J. Dennis, Nancy-Ann DeParle, Charles O. Holliday, Jr., Ann H. Lamont, Jay O. Light, Geoffrey G. Meyers, Wayne J. Riley, M.D. and John W. Rowe, M.D. are independent from our management under both the NYSE's listing standards and our additional standards. The Board has also affirmatively determined that Messrs. Light and Meyers and Dr. Riley, the members of our Audit and Compliance Committee, meet the independence requirements of Rule 10A-3 of the Securities Exchange Act of 1934, as amended (the Exchange Act ). Any relationships between an independent director and HCA or our management fell within the Board-adopted categorical standards and, accordingly, were not specifically reviewed by our Board.

In connection with the Merger, we entered into a stockholders' agreement (the Stockholders' Agreement ) with Hercules Holding II, LLC ( Hercules Holding ) and the Investors which, among other things, currently

## **Table of Contents**

provides for certain rights of Kohlberg Kravis Roberts & Co. and the Frist Entities to nominate members of our Board of Directors. See *Director Qualifications* and *Certain Relationships and Related Person Transactions*. In addition, R. Milton Johnson's employment agreement provides that he will continue to serve as a member of our Board of Directors so long as he remains an officer of HCA.

*Executive Sessions.* Our Corporate Governance Guidelines provide that non-management directors shall meet at regularly scheduled executive sessions, which will typically occur at regularly scheduled Board meetings, without any member of management present and must so meet at least annually. In addition, at least annually the independent directors will meet in separate executive session. Mr. Light has been chosen as the non-management and independent presiding director. Our Corporate Governance Guidelines also provide that the independent and/or non-management directors shall be entitled, acting as a group by vote of a majority of such independent and/or non-management directors, to retain legal counsel, accountants, health care consultants, or other experts, at the Company's expense, to advise the independent and/or non-management directors concerning issues arising in the exercise of their functions and powers.

*Stockholder Nominees.* Our bylaws provide that stockholders seeking to nominate candidates for election as directors or to bring business before an annual or special meeting of stockholders must provide timely notice of their proposal in writing to the Corporate Secretary of the Company. Generally, to be timely, a stockholder's notice must be delivered to, mailed or received at our principal executive offices, addressed to the Corporate Secretary of the Company, and within the following time periods:

in the case of an annual meeting, no earlier than 120 days and no later than 90 days prior to the first anniversary of the date of the preceding year's annual meeting; provided, however, that if (A) the annual meeting is advanced by more than 30 days, or delayed by more than 60 days, from the first anniversary of the preceding year's annual meeting, or (B) no annual meeting was held during the preceding year, to be timely the stockholder notice must be received no earlier than 120 days before such annual meeting and no later than the later of 90 days before such annual meeting or the tenth day after the day on which public disclosure of the date of such meeting is first made; and

in the case of a nomination of a person or persons for election to the Board of Directors at a special meeting of the stockholders called for the purpose of electing directors, no earlier than 120 days before such special meeting and no later than the later of 90 days before such annual or special meeting or the tenth day after the day on which public disclosure of the date of such meeting is first made.

In no event shall an adjournment, postponement or deferral, or public disclosure of an adjournment, postponement or deferral, of a meeting of the stockholders commence a new time period (or extend any time period) for the giving of the stockholder notice. You should consult our bylaws for more detailed information regarding the process by which stockholders may nominate directors. Our bylaws are posted on the Corporate Governance portion of our website located at [www.hcahealthcare.com](http://www.hcahealthcare.com).

*Board Committees.* Our Board of Directors currently has four standing committees: the Audit and Compliance Committee, the Compensation Committee, the Nominating and Corporate Governance Committee and the Patient Safety and Quality of Care Committee. The Board of Directors receives recommendations from the Nominating and Corporate Governance Committee regarding committee composition and determines the members of each committee. The Board of Directors has determined that all members of the Audit and Compliance Committee, Compensation Committee and Nominating and Corporate Governance Committee are independent as defined in the NYSE listing standards and in our Corporate Governance Guidelines. The Board of Directors has adopted a written charter for each of these committees. All such charters are available on the Corporate Governance portion of our website located at [www.hcahealthcare.com](http://www.hcahealthcare.com).

**Table of Contents**

The chart below reflects the current composition of the standing committees.

Name of Director	Audit and Compliance	Compensation	Nominating and Corporate Governance	Patient Safety and Quality of Care
R. Milton Johnson*				
Robert J. Dennis			X	
Nancy-Ann DeParle				X
Thomas F. Frist III				
William R. Frist				X
Ann H. Lamont		X	Chair	
Jay O. Light	X	Chair		
Geoffrey G. Meyers	Chair	X		
Michael W. Michelson				X
Wayne J. Riley, M.D.	X		X	Chair
John W. Rowe, M.D.				X

\* Indicates management director.

*Director Qualifications.* The Board of Directors seeks to ensure the Board is composed of members whose particular experience, qualifications, attributes and skills, when taken together, will allow the Board to satisfy its oversight responsibilities effectively. In identifying candidates for membership on the Board, the Board takes into account (1) individual qualifications, such as high ethical standards, integrity, mature and careful judgment, industry knowledge or experience and an ability to work collegially with the other members of the Board and (2) all other factors it considers appropriate, including alignment with our stockholders. While we do not have any specific diversity policies for considering Board candidates, we believe each director contributes to the Board of Directors' overall diversity—diversity being broadly construed to mean a variety of opinions, perspectives, personal and professional experiences and backgrounds.

When considering whether the Board's directors and nominees have the experience, qualifications, attributes and skills, taken as a whole, to enable the Board to satisfy its oversight responsibilities effectively in light of the Company's business and structure, the Board focused primarily on the information discussed in each of the Board members' biographical information set forth below under Proposal 1 Election of Directors.

Each of the Company's directors possesses high ethical standards, acts with integrity, and exercises careful, mature judgment. Each is committed to employing their skills and abilities to aid the long-term interests of the stakeholders of the Company. In addition, our directors are knowledgeable and experienced in one or more business, governmental, or civic endeavors, which further qualifies them for service as members of the Board. Alignment with our stockholders is important in building value at the Company over time.

In 2015, Mr. Johnson, Mr. Dennis, Ms. DeParle, Mr. Frist III, Mr. Frist, Ms. Lamont, Mr. Light, Mr. Meyers, Mr. Michelson, Dr. Riley and Dr. Rowe were elected to the Company's Board at the Company's 2015 annual meeting of stockholders. Messrs. Frist III, Frist and Michelson were nominated for election to the Board as a consequence of their respective relationships with investment funds affiliated with the Frist Entities and Kohlberg Kravis Roberts & Co. and are collectively referred to as the Investor Directors.

Each of the Investor Directors was nominated for election to the Board pursuant to the Stockholders' Agreement. Under the Stockholders' Agreement, (i) Kohlberg Kravis Roberts & Co. has the right to nominate one director to our Board of Directors; however, Kohlberg Kravis Roberts & Co. will lose its right to nominate any directors to our Board of Directors at such time as Kohlberg Kravis Roberts & Co. owns less than 3% of our outstanding shares of common stock; and (ii) the Frist Entities have the right to nominate two directors to our Board of Directors; however, the Frist Entities will lose their right to nominate any directors to our Board of Directors at such time as the Frist Entities own less than 3% of our outstanding shares of common stock.



## **Table of Contents**

Pursuant to such agreement, Mr. Michelson was nominated and elected to the Board as a consequence of his relationship with Kohlberg Kravis Roberts & Co. and Messrs. Frist III and Frist were nominated and elected to the Board as a consequence of their respective relationships with the Frist Entities. As of March 4, 2016, Kohlberg Kravis Roberts & Co. owned approximately 3.9% of our common stock and the Frist Entities owned approximately 17.4% of our common stock.

As a group, the Investor Directors possess experience in owning and managing enterprises like the Company and are familiar with corporate finance, strategic business planning activities and general issues involving stakeholders.

Mr. Johnson brings leadership, extensive business, operating, legal and policy experience, and tremendous knowledge of our Company and the Company's industry, to the Board. In addition, he brings his broad strategic vision for our Company to the Board. Mr. Johnson's service as Chairman and Chief Executive Officer of the Company (and, previously, as President and Chief Financial Officer) creates a critical link between management and the Board, enabling the Board to perform its oversight function with the benefits of management's perspectives on the business. In addition, having Mr. Johnson on our Board provides our Company with ethical, decisive and effective leadership.

Mr. Dennis was selected as a director in light of his experience as a chief executive officer of a public company and experience serving as a director of several firms, including public companies, which will be beneficial in providing the Board of Directors with financial and general business expertise. Ms. DeParle was selected as a director in light of her service in governmental health care positions and experience serving as a director of other firms, including public companies, which will be particularly beneficial in providing health care and general business expertise to the Board of Directors. Ms. Lamont was selected as a director in light of her experience serving as a director of other firms, including public companies, her financial expertise and her service with other health care organizations, which will be particularly beneficial in providing financial and general business expertise to the Board of Directors. Mr. Light was selected as a director in light of his experience as Dean of Harvard Business School as well as his experience serving as a director of several companies, including public companies, his financial expertise and his service with other health care organizations, which will be particularly beneficial in providing financial and general business expertise to the Board of Directors. Mr. Meyers was selected as a director in light of his experience serving as a director of several companies, including public companies, and his extensive experience in the health care industry. In addition, Mr. Meyers' previous experience as a chief financial officer of a public company will provide valuable experience in his role as chair of our Audit and Compliance Committee. Dr. Riley was selected as a director in light of the leadership and management skills he has acquired through his prior experience as the president and chief executive officer of Meharry Medical College and executive positions at Baylor College of Medicine and Ben Taub General Hospital. In addition, Dr. Riley has significant medical and academic experience in the health care field as well as experience as a director of publicly traded companies. Dr. Rowe was selected as a director in light of his experience as a chief executive officer of a public company, experience serving as a director of several firms, including public companies, and experience as a physician, which will be beneficial in providing financial, general business and health care expertise to the Board of Directors. Mr. Holliday was selected as a director nominee in light of his experience as a chief executive officer of a public company and experience serving as chairman or director of several firms and organizations, including public companies and economic organizations, which will be beneficial in providing the Board of Directors with financial and general business expertise.

*Criteria for Director Nomination.* Our Nominating and Corporate Governance Committee recommends to the Board persons to be nominated to serve as directors of the Company. When determining whether to nominate a current director to stand for reelection as a director, the Nominating and Corporate Governance Committee reviews and considers the performance of such director during the prior year using performance criteria established by the Board. The Nominating and Corporate Governance Committee also considers the requirements of any stockholders agreement in existence (as such may be amended from time to time) which governs the composition requirements of the Company's Board of Directors. In recruiting and evaluating new director

## Table of Contents

candidates, the Nominating and Corporate Governance Committee assesses a candidate's independence, as well as the candidate's background and experience, current board skill needs and diversity. The Company endeavors to have a Board representing diverse experience at policy-making levels in business, education or areas that are relevant to the Company's business. The Nominating and Corporate Governance Committee considers any candidates proposed by any senior executive officer, director or stockholder, consistent with applicable law, the Company's certificate of incorporation and bylaws, the criteria set forth in our Corporate Governance Guidelines and the requirements of any stockholders agreement in existence.

Individual directors and any person nominated to serve as a director should demonstrate high ethical standards and integrity in their personal and professional dealings, be willing to act on and remain accountable for their boardroom decisions, and be in a position to devote an adequate amount of time to the effective performance of director duties.

In addition, each director should contribute knowledge, experience, or skill in at least one domain that is important to the Company. To provide such a contribution to the Company, a director must possess experience in one or more of the following:

- Business or management for complex and large consolidated companies or other complex and large institutions;
- Accounting or finance for complex and large consolidated companies or other complex and large institutions;
- Leadership, strategic planning, or crisis response for complex and large consolidated companies or other complex and large institutions;
- The health care industry; and
- Other significant and relevant areas deemed by the Nominating and Corporate Governance Committee to be valuable to the Company.

Each director must also take reasonable steps to keep informed on the complex, rapidly evolving health care environment. Prior to nominating a person to serve as a director, the Nominating and Corporate Governance Committee evaluates the candidate based on the criteria described above. In addition, prior to accepting renomination, each director should evaluate himself or herself as to whether he or she satisfies the criteria described above.

*Board Leadership Structure.* The Board of Directors regularly considers the appropriate leadership structure for the Company and has concluded that the Company and its stockholders are best served by the Board of Directors retaining discretion to determine whether the same individual should serve as both Chief Executive Officer and Chairman of the Board of Directors, or whether the roles should be separated. The Board of Directors believes that it is important to retain the flexibility to make this determination at any given point in time based on what it believes will provide the best leadership structure for the Company. Accordingly, at different points in the Company's history, the Chief Executive Officer and Chairman of the Board of Directors roles have been held by the same person. At other times, the roles have been held by different individuals. In each instance, the decision on whether to combine or separate the roles was made in the best interests of the Company's stockholders, based on the circumstances at the time.

In 2013, the Board of Directors reviewed its leadership structure in connection with Richard M. Bracken's announcement of his plans to retire as our Chief Executive Officer at the end of 2013. The Board of Directors determined that the transition to Mr. Johnson as our new Chief Executive Officer in January 2014 would be best accomplished by having Mr. Bracken continue to serve as Chairman through 2014, which resulted in a separation of the roles of Chairman and Chief Executive Officer during that time.

During the transitional period following Mr. Johnson's appointment as Chief Executive Officer in 2014, when Mr. Bracken continued to serve as Chairman, the Board of Directors gave thoughtful and rigorous

---

**Table of Contents**

consideration to its leadership structure in connection with Mr. Bracken's impending retirement as Chairman at the end of 2014. Our Board of Directors determined that having Mr. Johnson serve as both Chairman and Chief Executive Officer, coupled with strong independent director leadership, is the most appropriate leadership structure for the Company at this time. A number of factors support the current leadership structure. The Board of Directors believes the combined Chairman and Chief Executive Officer structure promotes decisive leadership, ensures clear accountability and enhances our ability to communicate with a single and consistent voice to stockholders, employees and other stakeholders. Further, given he has the benefit of over 30 years of operational and leadership experience within HCA, Mr. Johnson is best-positioned to set the Board's agenda and provide leadership. Mr. Johnson's career experience also gives him unquestioned industry knowledge, which the Board believes is critical for the chairman of the board of a company that operates in a highly-regulated industry such as health care. The Board also noted Mr. Johnson's strong performance as a leader. At present, the Board of Directors believes that this structure, along with (i) the presence of a non-management and independent presiding director; (ii) the principles and practices described in our Corporate Governance Guidelines which, among other things, provide that non-management directors shall meet at regularly scheduled executive sessions, which typically occur at our regularly scheduled Board meetings without any member of management present; (iii) regular Board review of the Chief Executive Officer succession plan; (iv) annual evaluation of the Chief Executive Officer by the non-management directors and (v) oversight of the Chief Executive Officer's compensation by the Compensation Committee, a committee composed entirely of independent directors that is advised by an independent compensation consultant, effectively maintains independent oversight of management. As a matter of practice, the Chairman regularly elicits input from all of the independent directors as to the matters they would like covered at the meetings and the information they would find most helpful in their deliberations and decision-making. We plan to continue to examine our corporate governance policies and leadership structures on an ongoing basis to ensure that they continue to meet the Company's needs.

*Board's Role in Risk Oversight.* Risk is inherent with every business. Management is responsible for the day-to-day management of risks the Company faces, while the Board of Directors, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, the Board of Directors has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed. Our Board of Directors oversees an enterprise-wide approach to risk management, designed to support the achievement of organizational objectives, including strategic objectives, to improve long-term organizational performance and enhance stockholder value. A fundamental aspect of risk management is not only understanding the risks a company faces and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for the company. The involvement of the full Board of Directors in setting our business strategy is a key part of its assessment of management's appetite for risk and also a determination of what constitutes an appropriate level of risk for the Company.

We conduct an annual enterprise risk management assessment, which is facilitated by our enterprise risk management team in collaboration with our internal auditors. The senior internal audit executive officer reports to the Chief Executive Officer and to the Audit and Compliance Committee in this capacity. In this process, we assess risk throughout the Company by conducting surveys and interviews of our employees and directors, soliciting information regarding business risks that could significantly adversely affect the Company, including the achievement of its strategic plan. We then identify any controls or initiatives in place to mitigate any material risk and the effectiveness of any such controls or initiatives. The enterprise risk management team annually prepares a report for senior management and, ultimately, the Board of Directors regarding the key identified risks and how we manage these risks both on an annual and ongoing basis. Senior management attends the quarterly Board meetings and is available to address any questions or concerns raised by the Board regarding risk management and any other matters. Additionally, each quarter, the Board of Directors receives presentations from senior management on strategic matters involving our operations.

While the Board of Directors has the ultimate oversight responsibility for the risk management process, various committees of the Board assist the Board in fulfilling its oversight responsibilities in certain areas of risk.

---

**Table of Contents**

In particular, the Audit and Compliance Committee focuses on financial and enterprise risk exposures, including internal controls, and discusses with management, the senior internal audit executive officer, the senior chief ethics and compliance officer and the independent registered public accounting firm, our policies with respect to risk assessment and risk management. The Audit and Compliance Committee also assists the Board in fulfilling its duties and oversight responsibilities relating to the Company's compliance with applicable laws and regulations, the Company Code of Conduct and related Company policies and procedures, including the Corporate Ethics and Compliance Program. The Compensation Committee assists the Board in fulfilling its oversight responsibilities with respect to the management of risks arising from our compensation policies and programs, as described below under Executive Compensation Compensation Risk Assessment. The Patient Safety and Quality of Care Committee assists the Board in fulfilling its risk oversight responsibility with respect to our policies and procedures relating to patient safety and the delivery of quality medical care to our patients.

*Board Meetings and Committees; Policy Regarding Director Attendance at Annual Meetings of Stockholders.* During 2015, our Board of Directors held six meetings. All directors attended at least 75% of the Board meetings and meetings of the committees of the Board on which the director served, held during the period for which he or she served as a director. It is our policy that directors are strongly encouraged to attend the Company's annual stockholder meetings. Our 2015 annual meeting of stockholders was attended by all directors in service at such time, with the exception of Ms. Lamont and Dr. Riley who were unable to attend.

*Audit and Compliance Committee.* Our Audit and Compliance Committee is composed of Jay O. Light, Geoffrey G. Meyers (Chair) and Wayne J. Riley, M.D. Our Board of Directors has affirmatively determined that each member of the Audit and Compliance Committee meets the definition of independent director for purposes of the NYSE rules and the independence requirements of Rule 10A-3 of the Exchange Act. Our Board of Directors has determined that Geoffrey G. Meyers is an audit committee financial expert. The Audit and Compliance Committee is responsible for, among other things:

- Selecting the independent registered public accounting firm;
- Pre-approving all audit engagement fees and terms, as well as audit and permitted non-audit services to be provided by the independent registered public accounting firm;
- At least annually, obtaining and reviewing a report of the independent registered public accounting firm describing the firm's internal quality-control procedures and any material issues raised by its most recent review of internal quality controls;
- Evaluating the qualifications, performance and independence of the independent registered public accounting firm;
- Reviewing with the independent registered public accounting firm any difficulties the independent registered public accounting firm encountered during the course of the audit work, including any restrictions in the scope of activities or access to requested information or any significant disagreements with management and management's responses to such matters;
- Setting policies regarding the hiring of current and former employees of the independent registered public accounting firm;
- Reviewing and discussing the annual audited and quarterly unaudited financial statements with management and the independent registered public accounting firm;
- Discussing earnings press releases and the financial information and earnings guidance provided to analysts and rating agencies;
- Discussing policies governing the process by which risk assessment and risk management is to be undertaken;
- Reviewing disclosures made by the CEO and CFO regarding any significant deficiencies or material weaknesses in our internal control over financial reporting;
- Reviewing with the independent registered public accounting firm the internal audit responsibilities, budget and staffing, as well as procedures for implementing recommendations made by the independent registered public accounting firm and any significant matters contained in reports from the internal audit department;

---

**Table of Contents**

Establishing procedures for receipt, retention and treatment of complaints we receive regarding accounting, auditing or internal controls and the confidential, anonymous submission of employee concerns regarding questionable accounting and auditing matters;

Reviewing and approving material related party transactions;

Reviewing and discussing decisions by the Company and its subsidiaries to enter into swap transactions;

Discussing with our general counsel legal or regulatory matters that could reasonably be expected to have a material impact on business or financial statements;

Reviewing the Company's data security programs;

Providing information to our Board that may assist the Board in fulfilling its responsibility to oversee the integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the independent registered public accounting firm's qualifications and independence and the performance of the Company's internal audit function and independent registered public accounting firm; and

Preparing the report required by the SEC to be included in our Annual Report on Form 10-K or our proxy or information statement.

The Audit and Compliance Committee has adopted a charter which can be obtained on the Corporate Governance page of our website at [www.hcahealthcare.com](http://www.hcahealthcare.com). In 2015, the Audit and Compliance Committee met 13 times.

*Compensation Committee.* Our Compensation Committee is composed of Ann H. Lamont, Jay O. Light (Chair) and Geoffrey G. Meyers. Our Board of Directors has affirmatively determined that each member of the Compensation Committee meets the definition of "independent director" for purposes of the NYSE rules, the definition of "outside director" for purposes of Section 162(m) of the Internal Revenue Code, and the definition of "non-employee director" for purposes of Section 16 of the Exchange Act. The Compensation Committee is generally charged with the oversight of our executive compensation and rewards programs. Responsibilities of the Compensation Committee include the review and approval of the following items:

- Executive compensation strategy and philosophy;
- Evaluation process and compensation arrangements for executive management;
- Design and administration of the annual Senior Officer Performance Excellence Program;
- Design and administration of our equity incentive plans;
- Executive benefits and perquisites (including the HCA Restoration Plan and the Supplemental Executive Retirement Plan);
- Review of management succession planning;
- Any other executive compensation or benefits related items deemed appropriate by the Compensation Committee; and
- Review director compensation arrangements.

In addition, the Compensation Committee considers the proper alignment of executive pay policies with Company values and strategy by overseeing employee compensation policies, corporate performance measurement and assessment, and Chief Executive Officer performance assessment.

The Compensation Committee may retain the services of independent outside consultants, as it deems appropriate in its sole discretion, to assist in the strategic review of programs and arrangements relating to executive compensation and performance. In 2015, the Compensation Committee retained Semler Brossy Consulting Group, LLC (Semler Brossy) to assist in conducting an assessment of competitive executive and director compensation. Semler Brossy is retained by, and reports directly to, the Compensation Committee. As required under the NYSE listing rules, the Compensation Committee has considered and assessed all factors relevant to Semler Brossy's independence from management, including but not limited to those set forth in Section 303A.05(c)(iv) of the NYSE Listed Company Manual, as applicable. Based on this review, the Compensation Committee is not aware of any conflict of interest that has been raised by work performed by

---

## **Table of Contents**

Semler Brossy. A consultant from the firm attends most of the Compensation Committee meetings in person or by phone and supports the Compensation Committee's role by providing independent expertise and advice. Semler Brossy's main responsibilities are to:

- Review and advise on the Company's executive compensation programs, including base salaries, short- and long-term incentives, and other benefits, if any;
- Review and analyze proxy officer compensation data, compensation survey data, and other publicly available data;
- Review and analyze management prepared market pricing analysis (i.e., review compensation surveys used, job matches, survey weightings, and year-over-year change in analysis results);
- Prepare director pay assessment; and
- Advise on current trends in compensation including design and pay levels.

The Compensation Committee may consider recommendations from our Chief Executive Officer and compensation consultants, among other factors, in making its compensation determinations. The Compensation Committee has the authority to delegate any of its responsibilities to one or more subcommittees as the committee may deem appropriate. For a discussion of the processes and procedures for determining executive and director compensation and the role of executive officers and compensation consultants in determining or recommending the amount or form of compensation, see Executive Compensation Compensation Discussion and Analysis. The Compensation Committee has adopted a charter which can be obtained on the Corporate Governance page of our website at [www.hcahealthcare.com](http://www.hcahealthcare.com). In 2015, the Compensation Committee met six times.

*Nominating and Corporate Governance Committee.* Our Nominating and Corporate Governance Committee is composed of Robert J. Dennis, Ann H. Lamont (Chair) and Wayne J. Riley, M.D. Our Board of Directors has affirmatively determined that each member of the Nominating and Corporate Governance Committee meets the definition of "independent director" for purposes of the NYSE rules. The Nominating and Corporate Governance Committee is responsible, subject to the requirements of the Stockholders' Agreement and Mr. Johnson's employment agreement, for, among other things (1) identifying, recruiting and recommending to the Board of Directors individuals qualified to become members of our Board of Directors, (2) reviewing the qualifications of incumbent directors to determine whether to recommend them for reelection, (3) reviewing and recommending corporate governance policies, principles and procedures applicable to the Company and (4) handling such other matters that are specifically delegated to the Nominating and Corporate Governance Committee by the Board of Directors from time to time. The Nominating and Corporate Governance Committee has adopted a charter which can be obtained on the Corporate Governance page of our website at [www.hcahealthcare.com](http://www.hcahealthcare.com). In 2015, the Nominating and Corporate Governance Committee met four times.

*Patient Safety and Quality of Care Committee.* Our Patient Safety and Quality of Care Committee is composed of Nancy-Ann DeParle, William R. Frist, Michael W. Michelson, Wayne J. Riley, M.D. (Chair) and John W. Rowe, M.D. This committee reviews our policies and procedures relating to the delivery of quality medical care to patients as well as matters concerning or relating to the efforts to advance the quality of health care provided and patient safety. The Patient Safety and Quality of Care Committee has adopted a charter which can be obtained on the Corporate Governance page of our website at [www.hcahealthcare.com](http://www.hcahealthcare.com). In 2015, the Patient Safety and Quality of Care Committee met four times.

*Policy Regarding Communications with the Board of Directors.* Stockholders and other interested parties may contact the Board of Directors, a particular director, or the non-management directors or independent directors as a group by sending a letter (signed or anonymous) to: c/o Board of Directors, HCA Holdings, Inc., One Park Plaza, Nashville, TN 37203, Attention: Corporate Secretary.

We will forward all such communications to the applicable Board member(s) at least quarterly, except for advertisements or solicitations which will be discarded. The legal department will review the communications received. Concerns will be addressed through our regular procedures for addressing such matters. Depending on

## Table of Contents

the nature of the concern, management also may refer it to our internal audit, legal, finance, financial reporting or other appropriate department. If the volume of communication becomes such that the Board adopts a process for determining which communications will be relayed to Board members, that process will appear on the Corporate Governance page of our website at [www.hcahealthcare.com](http://www.hcahealthcare.com).

Complaints or concerns about our accounting, internal accounting controls, auditing or other matters may be reported anonymously or otherwise to our legal department or to the Audit and Compliance Committee in any of the following ways:

Call the HCA Ethics Line at 1-800-455-1996

Write to the Audit and Compliance Committee at: Audit and Compliance Committee Chair, HCA Holdings, Inc., c/o General Counsel, One Park Plaza, Nashville, TN 37203

All accounting, internal accounting controls, or auditing matters will be reported to the Audit and Compliance Committee on at least a quarterly basis. Depending on the nature of the concern, it also may be referred to our internal audit, legal, finance, financial reporting or other appropriate department. We will treat a complaint or concern about questionable accounting or auditing matters confidentially if requested, except to the extent necessary to protect the Company's interests or to comply with an applicable law, rule or regulation or order of a judicial or governmental authority.

Our policy prohibits any employee from retaliating or taking any adverse action against anyone who, in good faith, reports or helps to resolve an ethical or legal concern.

*Corporate Governance Guidelines.* The Company has adopted Corporate Governance Guidelines that we believe reflect the Board's commitment to a system of governance that enhances corporate responsibility and accountability. The Corporate Governance Guidelines contain provisions addressing the following matters, among others:

- Size and composition of the Board;
- Director qualifications and independence;
- Executive sessions;
- Director responsibilities, including succession planning;
- Director orientation and continuing education;
- Board and committee meetings;
- Board committees;
- Chief executive officer evaluation;
- Performance evaluation of the Board and its committees;
- Director access to officers and employees; and
- Stockholder communications with the Board.

The Corporate Governance Guidelines are available on the Corporate Governance page of our website at [www.hcahealthcare.com](http://www.hcahealthcare.com). We intend to disclose any future amendments to the Corporate Governance Guidelines on our website.

*Code of Ethics.* We have a Code of Conduct, which is applicable to all our directors, officers and employees (the Code of Conduct). The Code of Conduct is available on the Ethics and Compliance and Corporate Governance pages of our website at [www.hcahealthcare.com](http://www.hcahealthcare.com). To the extent required pursuant to applicable SEC regulations, we intend to post amendments to, or waivers from, our Code of Conduct (to the extent applicable to our chief executive officer, principal financial officer or principal accounting officer) at these locations on our website or report the same on a Current Report on Form 8-K. Our Code of Conduct is available free of charge upon request to our Corporate Secretary, HCA Holdings, Inc., One Park Plaza, Nashville, TN 37203.

**Table of Contents**

**COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

During 2015, the Compensation Committee of the Board of Directors was composed of Jay O. Light, Geoffrey G. Meyers and Ann H. Lamont. None of the aforementioned members of the Compensation Committee have at any time been an officer or employee of HCA or any of its subsidiaries. In addition, none of our executive officers serves as a member of the compensation committee of any entity which has one or more executive officers serving as a member of our Board of Directors or Compensation Committee.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers and greater than ten-percent stockholders to file initial reports of ownership and reports of changes in ownership of any of our securities with the SEC and us. We believe that during the 2015 fiscal year, all of our directors, executive officers and greater than ten-percent stockholders complied with the requirements of Section 16(a). This belief is based on our review of forms filed or written notice that no reports were required.



**Table of Contents****PROPOSAL 1 ELECTION OF DIRECTORS**

The current Board of Directors of HCA consists of eleven directors. However, in accordance with our certificate of incorporation, our Board of Directors has approved an increase in the size of the Board of Directors by one seat, contingent upon the election of Charles O. Holliday, Jr., our nominee for director who does not currently serve as a director, at the annual meeting. Our Board of Directors recommends that the nominees listed below be elected as members of the Board of Directors at the annual meeting.

Each of the nominees, if elected, will serve a one year term as a director until the annual meeting of stockholders in 2017 or until his or her respective successor is duly elected and qualified or until the earlier of his or her death, resignation or removal. If a nominee becomes unable or unwilling to accept nomination or election, the person or persons voting the proxy will vote for such other person or persons as may be designated by the Board of Directors, unless the Board of Directors chooses to reduce the number of directors serving on the Board. The Board of Directors has no reason to believe that any of the nominees will be unable or unwilling to serve as a director if elected.

The following is a brief description of the background and business experience of each of the nominee directors to be elected to serve on our Board of Directors, each of whom, other than Mr. Holliday, is currently a member of our Board of Directors:

Name	Age(1)	Director Since	Position(s)
R. Milton Johnson	59	2009	Chairman and Chief Executive Officer
Robert J. Dennis	62	2014	Director
Nancy-Ann DeParle	59	2014	Director
Thomas F. Frist III	48	2006	Director
William R. Frist	46	2009	Director
Ann H. Lamont	59	2013	Director
Jay O. Light	74	2011	Director
Geoffrey G. Meyers	71	2011	Director
Michael W. Michelson	64	2006	Director
Wayne J. Riley, M.D.	56	2012	Director
John W. Rowe, M.D.	71	2014	Director
Charles O. Holliday, Jr.	67		Nominee for Director

(1) As of March 4, 2016.

*R. Milton Johnson* was appointed Chairman and Chief Executive Officer effective December 31, 2014. Mr. Johnson served as President and Chief Executive Officer from January 1, 2014 to December 31, 2014 and has been a director of the Company since December 2009. Mr. Johnson previously served the Company as President and Chief Financial Officer from February 2011 through December 2013 and Executive Vice President and Chief Financial Officer from July 2004 to February 2011. Prior to that time, he served as Senior Vice President and Controller from July 1999 until July 2004 and as Vice President and Controller of the Company from November 1998 to July 1999. From April 1995 to October 1998, Mr. Johnson served as Vice President – Tax of the Company. Prior to that time, Mr. Johnson served as Director of Tax for Healthtrust, Inc. – The Hospital Company from September 1987 to April 1995.

*Robert J. Dennis* has served as President and Chief Executive Officer since 2008 and Chairman since April 2010 of Genesco Inc., a specialty retailer. Mr. Dennis served as Genesco's President and Chief Operating Officer from 2006 until 2008, Executive Vice President and Chief Operating Officer from 2005 until 2006 and Senior Vice President from 2004 until 2005. He previously served as Chief Executive Officer at Hat World Corporation from 2001 to 2004. Mr. Dennis has also served as a director of Corrections Corporation of America since February 2013 and served as a director of Teavana Holdings, Inc. from 2011 to 2012.

**Table of Contents**

*Nancy-Ann DeParle* is a founding partner of Consonance Capital Partners, a private equity firm, and has held such position since 2013. From March 2009 to January 2013, Ms. DeParle served in the White House, first as Counselor to the President and Director of the White House Office of Health Reform, and later as Assistant to the President and Deputy Chief of Staff for Policy. From 2001 to 2009, Ms. DeParle was a senior advisor and managing director of JPMorgan Partners and its successor, CCMP Capital. From 1993 to 2000, Ms. DeParle served as the Associate Director for Health and Personnel for the White House Office of Management and Budget, and later as the Administrator of the Centers for Medicare and Medicaid Services (then known as the Health Care Financing Administration). Ms. DeParle has also served as a director of CVS Health Corporation since September 2013.

*Thomas F. Frist III* is a principal of Frist Capital LLC, a private investment vehicle for Mr. Frist and certain related persons and has held such position since 1998. Mr. Frist is also a general partner at Frisco Partners, another Frist family investment vehicle. Mr. Frist currently serves as a director of SAIC, Inc. and Verisign, Inc. Mr. Frist is the brother of William R. Frist, who also serves as a director of the Company.

*William R. Frist* is a principal of Frist Capital LLC, a private investment vehicle for Mr. Frist and certain related persons and has held such position since 2003. Mr. Frist is also a general partner at Frisco Partners, another Frist family investment vehicle. Mr. Frist is the brother of Thomas F. Frist III, who also serves as a director of the Company.

*Ann H. Lamont* leads the health care and financial services information technology teams at Oak Investment Partners, a multi-stage venture capital firm. Ms. Lamont has been with Oak Investment Partners since 1982, serving as General Partner from 1986 to 2006 and as a Managing Partner since 2006. Ms. Lamont has also served as a director of Benefitfocus, Inc. since 2010 and a director of Castlight Health, Inc. since 2009. Ms. Lamont served as a director of NetSpend Holdings, Inc. from 2004 until 2013 and a director of athenahealth, Inc. from 2000 until 2010.

*Jay O. Light* is the Dean Emeritus of Harvard Business School and, prior to becoming Dean in April 2006, Mr. Light was Senior Associate Dean, Chairman of the Finance Area, and a professor teaching Investment Management, Capital Markets, and Entrepreneurial Finance for 30 years. Mr. Light is a director of the Harvard Management Company, a director of Partners HealthCare (the Mass General and Brigham & Women's Hospitals) and chairman of its Investment Committee, a member of the Investment Committee of several endowments and a director of several private firms. Mr. Light has also served as a member of the board of directors of The Blackstone Group L.P.'s general partner since September 2008. In prior years until 2008, Mr. Light was a Trustee of the GMO Trusts, a family of mutual funds for institutional investors.

*Geoffrey G. Meyers* is the retired Chief Financial Officer, Executive Vice President and Treasurer for Manor Care, Inc., a short-term post-acute and long-term care provider, where he had responsibility for administration and financial management from 1988 until 2006 and was a director of Health Care and Retirement Corp., a predecessor of Manor Care, Inc., from 1991 to 1998. Mr. Meyers is currently Chairman of the Board for both the Trust Company of Toledo, a northwestern Ohio trust bank, and PharMerica Corporation, as well as a director of Welltower, Inc.

*Michael W. Michelson* has been a member of KKR Management LLC, a private equity investment manager and the general partner of KKR & Co. L.P., since October 1, 2009. Before that, he was a member of the limited liability company which served as the general partner of Kohlberg Kravis Roberts & Co. L.P. since 1996. Prior to that, he was a general partner of Kohlberg Kravis Roberts & Co. L.P. Mr. Michelson served as a director of Accellent Inc. from 2005 to 2009, Alliance Imaging from 1999 to 2007 and Jazz Pharmaceuticals, Inc. from 2004 to 2012. Mr. Michelson has been a director of Zimmer Biomet Holdings, Inc. since June 2015 and was previously a director of Biomet, Inc. from 2007 to 2015.

---

**Table of Contents**

*Wayne J. Riley, M.D.* is Adjunct Professor of Healthcare Management, Owen Graduate School of Management and Clinical Professor of Medicine, Vanderbilt University School of Medicine, Vanderbilt University, and President Emeritus of the American College of Physicians. He formerly served as President and CEO of Meharry Medical College from January 2007 to May 2013. Prior to joining Meharry, Dr. Riley served at the Baylor College of Medicine in Houston, Texas as the Vice-President and Vice Dean for Health Affairs and Governmental Relations from May 2004 through December 2006 and as Associate Professor of Internal Medicine from October 2005 through December 2006. Dr. Riley also served as a director of Vertex Pharmaceuticals Incorporated from July 2010 to July 2015. He also previously served as a director of Pinnacle Financial Partners, Inc. from 2007 to 2013 and of the Federal Reserve Board of Atlanta, Nashville Branch from January 2013 to June 2013. He is a member of the National Academy of Medicine of the National Academy of Sciences and holds leadership positions in a number of medical, educational, honorific and health care organizations.

*John W. Rowe, M.D.* has been a Professor in the Department of Health Policy and Management at the Columbia University Mailman School of Public Health since 2006. From 2000 until 2006, Dr. Rowe served as Chairman and Chief Executive Officer of Aetna, Inc., a managed health care company. Prior to joining Aetna, Dr. Rowe served as President and Chief Executive Officer of Mount Sinai NYU Health from 1998 to 2000 and President of Mount Sinai Hospital and Mount Sinai School of Medicine from 1988 to 1998.

*Charles O. Holliday, Jr.* has served as Chairman of Royal Dutch Shell plc since May 2015 and also serves as Chairman of The National Academy of Engineering. He is also a Director of CH2M HILL Companies, Ltd., a civil engineering firm. He worked for DuPont for 37 years, including serving as Chief Executive Officer from 1998 to 2008 and Chairman from 1999 to 2009. He also served as a director of Deere & Company from 2007 to 2015. He was Chairman of Bank of America from 2010 to 2014. He is the former Chairman of the US Council on Competitiveness and The World Business Council for Sustainable Development. He was appointed Chairman of the Executive Committee, Sustainable Energy for ALL by the Secretary General of the United Nations and is a member of The American Academy of Arts and Sciences.

The election of directors will be determined by a majority of the votes cast at the annual meeting. A majority of the votes cast means that the number of shares voted for a nominee exceeds the number of votes against from such nominee. Abstentions and broker non-votes are not counted as votes cast with respect to that director and will have no effect on the outcome of the election of directors. For incumbent directors, if a nominee fails to receive for votes representing a majority of the votes cast, the director shall tender his or her resignation to the secretary of HCA for consideration by the Board of Directors, which resignation shall be contingent upon the acceptance thereof by the Board of Directors. The Nominating and Corporate Governance Committee would then be charged with making a recommendation to the Board of Directors for the action to be taken with respect to the resignation. The Board of Directors will act on the tendered resignation and publicly disclose its decision regarding the tendered resignation and the rationale behind its decision. If the Board determines not to accept the resignation of the incumbent director, the incumbent director will continue to serve until the next annual meeting and until his or her successor is duly elected, or his or her earlier resignation or removal. If Mr. Holliday, who is not an incumbent director, fails to receive more for votes than votes against at the annual meeting, he will not be elected to the Board of Directors. Because the increase in the size of the Board of Directors to accommodate Mr. Holliday's election is contingent upon Mr. Holliday's election to the Board of Directors at the annual meeting, there will be no vacancy on the Board of Directors in the event he is not elected.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR EACH OF THE DIRECTOR NOMINEES.**

---

**Table of Contents**

**PROPOSAL 2 REAPPROVE, FOR PURPOSES OF SECTION 162(m) OF THE  
INTERNAL REVENUE CODE, THE MATERIAL TERMS OF THE  
PERFORMANCE GOALS UNDER THE 2006 STOCK INCENTIVE PLAN  
FOR KEY EMPLOYEES OF HCA HOLDINGS, INC. AND ITS AFFILIATES,  
AS AMENDED AND RESTATED**

**Proposal**

We are asking our stockholders to reapprove the material terms of the performance goals under the 2006 Stock Incentive Plan for Key Employees of HCA Holdings, Inc. and its Affiliates, as Amended and Restated (the Stock Incentive Plan ) at this time solely for the purpose of preserving our ability to deduct compensation that qualifies as performance-based compensation under Section 162(m) of the Internal Revenue Code ( Section 162(m) ). **The Board is not amending or altering nor seeking stockholder approval to amend or alter the Stock Incentive Plan under this Proposal, and the Stock Incentive Plan will continue in full force and effect.**

Pursuant to Section 162(m), we generally may not deduct for federal income tax purposes compensation paid to our Chief Executive Officer or any of our three other most highly compensated executive officers (within the meaning of Section 162(m) which excludes our principal financial officer) that exceeds \$1 million in any single year. However, if the compensation qualifies as performance-based for Section 162(m) purposes, we may generally deduct it for federal income tax purposes even if it exceeds \$1 million in a single year. The requirements of Section 162(m) for performance-based compensation include, but are not limited to, stockholder approval of the material terms of the performance goals under which compensation is paid and the reapproval of such performance goals no less frequently than every five years. Because the material terms of the performance goals under the Stock Incentive Plan were last approved by our stockholders in 2011, the Board of Directors is seeking reapproval of the performance goals at this year's annual meeting. Most awards granted to date under the Stock Incentive Plan are designed to qualify as performance-based compensation within the meaning of Section 162(m). Most awards granted after the annual meeting will continue to be designed to qualify as performance-based compensation within the meaning of Section 162(m) if our stockholders reapprove the material terms of the performance goals under the Stock Incentive Plan at the annual meeting.

For purposes of Section 162(m), the material terms of the performance goals we are asking stockholders to reapprove include the employees eligible to receive compensation under the Stock Incentive Plan, the business criteria on which the performance goals are based and the maximum amount of compensation that can be paid to an employee under the performance goals. Each of these aspects is discussed below, and stockholder approval of this Proposal 2 constitutes approval of each of these aspects for purposes of the Section 162(m) stockholder approval requirements. The employees eligible to receive compensation under the Stock Incentive Plan and the maximum amount of compensation that can be paid to an employee under the performance goals are described below under Who May Participate and Description of Awards Performance-Based Awards, respectively. The business criteria on which the performance goals are based include: (i) consolidated income before or after taxes (including income before interest, taxes, depreciation and amortization); (ii) EBITDA; (iii) adjusted EBITDA; (iv) operating income; (v) net income; (vi) net income per Share; (vii) book value per Share; (viii) return on members' or stockholders' equity; (ix) expense management; (x) return on investment; (xi) improvements in capital structure; (xii) profitability of an identifiable business unit or product; (xiii) maintenance or improvement of profit margins; (xiv) stock price; (xv) market share; (xvi) revenue or sales; (xvii) costs; (xviii) cash flow; (xix) working capital; (xx) multiple of invested capital; (xxi) total return; and (xxii) such other objective performance criteria as determined by the Compensation Committee (for purposes of this Proposal, the Committee ) (or, if the HCA Board of Directors takes an action in place of the Committee, the HCA Board of Directors) in its sole discretion to the extent such criteria would be a permissible performance criteria under Section 162(m). The foregoing criteria may relate to the Company, one or more of its subsidiaries or one or more of its or their divisions or units, or any combination of the foregoing. The Committee may also appropriately adjust any evaluation of performance under the criteria set forth above to exclude any of the

---

**Table of Contents**

following events that occurs during a performance period: (1) gains or losses on sales of assets, (2) asset impairments or write-downs, (3) litigation or claim judgments or settlements, (4) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results, (5) accruals for reorganization and restructuring programs, (6) any extraordinary non-recurring items as described in Financial Accounting Standards Board Accounting Standards Codification ( FASB ASC ) Topic 225-20 and/or in management's discussion and analysis of financial condition and results of operations appearing in the Company's annual report to stockholders for the applicable year, and (7) the effect of adverse or delayed federal, state or local governmental or regulatory action; provided that the Committee commits to make any such adjustments within the 90 days following the commencement of each performance period (or such other time as may be required or permitted by Section 162(m)).

We believe that it is important to retain the flexibility to respond to changes in the market for top executives and offer compensation packages that are competitive with those offered by others in our industry. In the event we are motivated by competitive or other considerations to offer compensation in excess of \$1 million to an executive officer, our Board believes it would be in our best interests and those of our stockholders to be able to deduct such compensation for federal income tax purposes.

The sole effect of stockholders' reapproval of the material terms of the performance goals under the Stock Incentive Plan is to facilitate our continued compliance with applicable legal requirements, so that certain incentive awards granted to our Chief Executive Officer or any of our three other most highly compensated executive officers (within the meaning of Section 162(m) which excludes our principal financial officer) under the Stock Incentive Plan may continue to qualify as tax deductible performance-based compensation under Section 162(m). However, even if this proposal is approved by our stockholders, there are additional requirements that must be satisfied for performance-based awards under the Stock Incentive Plan to be fully deductible under Section 162(m). In addition, while reapproval of the performance goals is required for compensation to qualify as performance-based compensation under Section 162(m), it does not mean that all awards or other compensation under the Stock Incentive Plan will qualify, or be intended to qualify, as performance-based compensation or otherwise be deductible.

A copy of the Stock Incentive Plan is attached to this proxy statement as [Appendix A](#) and is incorporated herein by reference. A summary of the material terms of the Stock Incentive Plan is set forth below. Such summary does not purport to be a complete description of the Stock Incentive Plan and is qualified in its entirety by reference to the complete copy of the Stock Incentive Plan in [Appendix A](#).

**General Plan Information**

This summary relates to shares of HCA's common stock, par value \$.01 per share ( Shares or Common Stock ), which may be offered to participants pursuant to the Stock Incentive Plan.

As of December 31, 2015:

25,386,000 Shares were available for grant in the aggregate under the Stock Incentive Plan;  
options/stock appreciation rights representing 22,590,100 Shares were outstanding under the Stock Incentive Plan;  
the weighted-average exercise price for outstanding options/stock appreciation rights under the Stock Incentive Plan was \$27.73 per share;  
the weighted-average remaining term for outstanding options/stock appreciation rights under the Stock Incentive Plan was 5.3 years;  
restricted share units representing 7,041,800 Shares were outstanding under the Stock Incentive Plan; and  
performance share units representing 1,371,300 Shares were outstanding under the Stock Incentive Plan.

---

**Table of Contents**

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

The purposes of the Stock Incentive Plan are:

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

The Stock Incentive Plan was initially entered into by HCA Inc. on November 17, 2006 in connection with the Merger and was assumed by the Company following completion of the Corporate Reorganization on November 22, 2010. The Stock Incentive Plan was approved by the stockholders of HCA on February 16, 2011 and became effective in connection with our initial public offering on March 9, 2011, and unless terminated earlier by HCA's Board of Directors, the Stock Incentive Plan will terminate on March 9, 2021. However, awards granted on or prior to the termination may extend beyond that date.

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

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

The Committee may delegate its duties and powers in whole or in part to any subcommittee thereof consisting solely of at least two individuals who are intended to qualify as Non-Employee Directors within the meaning of Rule 16b-3 under the Exchange Act (or any successor rule thereto), independent directors within the meaning of NYSE listed company rules and outside directors within the meaning of Section 162(m) of the Code (or any successor section thereto), to the extent Rule 16b-3 under the Exchange Act and Section 162(m), respectively, are applicable to the Company and the Stock Incentive Plan; provided, however, that HCA's Board of Directors may, in its sole discretion, take any action designated to the Committee under the Stock Incentive Plan as it may deem necessary. The Committee may, by resolution, delegate to HCA's Chief Executive Officer its duties under the Stock Incentive Plan, subject to applicable law, the terms and limitations of the Stock Incentive Plan and such conditions and limitations as the Committee may prescribe, including the authority, within specified parameters, to (i) designate Employees (as hereinafter defined) to be recipients of Grants (excluding grants in the form of an award of Shares or restricted Shares) under the Stock Incentive Plan, and

---

**Table of Contents**

(ii) to determine the number of such grants (excluding grants in the form of an award of Shares or restricted Shares) to be received by any such participants; provided, however, that such delegation of duties and responsibilities to an officer of the Company may not be made with respect to grants to eligible participants (a) who are subject to Section 16(a) of the Exchange Act, at the time of grant, or (b) who are at the time of grant, or are anticipated to become during the term of the grants, covered employees as defined in Section 162(m)(3) of the Code. The Committee may employ counsel, consultants, accountants, appraisers, brokers or other persons. The Committee, HCA and the officers and directors of HCA shall be entitled to rely upon the advice, opinions or valuations of any such persons. All actions taken and all interpretations and determinations made by the Committee in good faith shall be final and binding upon all Stock Incentive Plan participants and their beneficiaries or successors.

Subject to the provisions of the Stock Incentive Plan, the Committee may from time to time grant awards of stock options, stock appreciation rights, other stock-based awards, dividend equivalent rights, non-employee director grants or performance-based awards to Stock Incentive Plan participants, in such form and having such terms, conditions and limitations as the Committee may determine. The terms, conditions and limitations of each award under the Stock Incentive Plan must be evidenced by a written agreement executed by HCA and the participant ( Grant Agreement ), in a form approved by the Committee, consistent, however, with the terms of the Stock Incentive Plan; provided, however, that such Grant Agreement will contain provisions dealing with the treatment of awards in the event of the termination of employment or other service relationship, death or disability of a participant, and may also include provisions concerning the treatment of awards in the event of a change in control of HCA. The Committee has the authority to make amendments to any terms and conditions applicable to outstanding awards as are consistent with the Stock Incentive Plan, provided that no amendment may modify such awards that disadvantages participants in more than a *de minimis* way but less than a material way without approval by a majority of affected participants and, provided further, that, except for adjustments under the adjustment provisions of the Stock Incentive Plan or as a result of a merger, consolidation or similar event, no such action may materially disadvantage a participant with respect to outstanding awards without the participant's consent, except as such modification is provided for or contemplated in the terms of the Grant Agreement or the Stock Incentive Plan.

**Securities to be Offered**

The total number of shares of Common Stock available for awards under the Stock Incentive Plan is 88,005,900, subject to adjustment as provided for in the Stock Incentive Plan. As of December 31, 2015, of the 88,005,900 Shares reserved for issuance under the Stock Incentive Plan, 31,616,700 Shares had been issued, 31,003,200 Shares were subject to outstanding awards and 25,386,000 Shares remained available for grant. As of March 4, 2016, 395,768,344 Shares were outstanding and the closing price of a Share on the NYSE was \$73.00. **We are not requesting the approval of additional Shares under the Stock Incentive Plan at this time.**

The number of shares of Common Stock with respect to which Incentive Stock Options may be granted is no more than 1,000,000 per fiscal year.

Unless restricted by applicable law, shares of Common Stock related to awards that are forfeited, terminated, settled for cash, canceled without the delivery of shares of Common Stock, expire unexercised, are withheld to pay taxes or exercise prices or are repurchased by HCA will immediately become available for new awards.

In the event of any change in or exchange of, the outstanding Common Stock by reason of a stock dividend, stock split, extraordinary distribution, reorganization, recapitalization, merger, consolidation, spin-off, combination, combination or transaction or exchange of shares of Common Stock, any equity restructuring (as defined under FASB ASC 718) or other corporate change, or any distribution to stockholders other than regular cash dividends, or any transaction similar to any of the foregoing, the Committee will in an equitable and proportionate manner as it deems reasonably necessary to address on an equitable basis the effect of such event,

**Table of Contents**

and in such manner as is consistent with Section 162(m), 422, and 409A of the Code and the regulations thereunder, make such substitution or adjustment, if any, (a) as to the number and kind of shares of Common Stock subject to the Stock Incentive Plan and available for or covered by awards, (b) as to share prices per share of Common Stock related to outstanding awards, or by providing for an equivalent award in respect of securities of the surviving entity of any merger, consolidation, or other transaction or event having a similar effect, or (c) by providing for a cash payment to the holder of an outstanding award, and make such other revisions to outstanding awards as it deems, in good faith, are equitably required (including, without limitation, to the exercise price of stock options).

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

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

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

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



**Table of Contents****Who May Participate**

Grants under the Stock Incentive Plan may be awarded to Employees or other persons having a relationship with HCA or any of its subsidiaries or affiliates. As of December 31, 2015, approximately 1,900 individuals were eligible to participate in the Stock Incentive Plan. However, the Company has not at the present time determined who will receive the shares of Common Stock authorized for issuance under the Stock Incentive Plan after the date hereof or how they will be allocated. Employees are persons, including officers, in the regular employment of HCA (or any subsidiary or affiliate of HCA), who, in the opinion of the Committee, are or are expected to be involved in the management, growth or protection of some part or all of the business of HCA. As used herein and in the Stock Incentive Plan, the term participant means an Employee, non-employee member of HCA's Board of Directors, consultant or other person having a service relationship with HCA (or any subsidiary or affiliate of HCA), to whom one or more awards have been made pursuant to the Stock Incentive Plan and remain outstanding.

The 2015 grants to our named executive officers and to our non-employee directors are reflected in the 2015 Grants of Plan-Based Awards Table and Fiscal 2015 Director Compensation Table, respectively, in this proxy statement. The following table states the amount of options, restricted share units, stock appreciation rights and performance share units that have been previously granted pursuant to the Stock Incentive Plan as of March 4, 2016 (which also includes 2016 annual equity grants):

Name and Position, or Group, as Applicable	Number of	Number of	Dollar Value	Number of	Dollar Value
	Options/SARs	RSUs	of RSUs	PSUs	of PSUs
	Previously	Previously	Previously	Previously	Previously
	Granted	Granted	Granted	Granted	Granted
All Named Executive Officers:	8,551,653	124,285	\$ 9,072,805	236,060	\$ 17,232,380
R. Milton Johnson, Chairman and Chief Executive Officer	3,625,126	42,727	3,119,071	122,420	8,936,660
William B. Rutherford, Executive Vice President and Chief Financial Officer	428,764	19,916	1,453,868	31,760	2,318,480
Samuel N. Hazen, Chief Operating Officer	1,989,397	27,069	1,976,037	44,980	3,283,540
Jon M. Foster, President American Group	873,119	16,036	1,170,628	18,450	1,346,850
Charles J. Hall, President National Group	1,635,247	18,537	1,353,201	18,450	1,346,850
All Current Executive Officers as a Group	16,372,054	322,832	23,566,736	435,690	31,805,370
All Current Non-Employee Directors as a Group		99,546	7,266,858		
Each Nominee for Election as a Director:					
R. Milton Johnson	3,625,126	42,727	3,119,071	122,420	8,936,660
Robert J. Dennis		8,528	622,544		
Nancy-Ann DeParle		8,528	622,544		
Thomas F. Frist III					
William R. Frist					
Ann H. Lamont		11,567	844,391		
Jay O. Light		21,649	1,580,377		
Geoffrey G. Meyers		21,649	1,580,377		
Michael W. Michelson					
Wayne J. Riley, M.D.		19,097	1,394,081		
John W. Rowe, M.D.		8,528	622,544		
Charles O. Holliday, Jr.					
All Employees as a Group, Excluding Current Executive Officers	55,484,445	16,176,288	1,180,869,024	2,107,180	153,824,140

---

**Table of Contents****Description of Awards**

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

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

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

**Table of Contents**

*Dividend Equivalent Rights.* The Committee may grant Dividend Equivalent Rights either alone or in connection with the grant of a Stock Option, Stock Appreciation Right, Other Stock-Based Award, or director grant described in the paragraph below. A Dividend Equivalent Right shall be the right to receive a payment in respect of one Share (whether or not subject to a Stock Option) equal to the amount of any dividend paid in respect of one Share held by a stockholder of HCA. Each Dividend Equivalent Right shall be subject to such terms as the Committee may determine. All dividend or dividend equivalents which are not paid currently may, at the Committee's discretion, accrue interest, be reinvested into additional Shares, or, in the case of dividends or dividend equivalents credited in connection with Performance-Based Awards be credited as additional Performance-Based Awards and be paid to the participant if and when, and to the extent that, payment is made pursuant to such grant. The total number of Shares available for grant under the Stock Incentive Plan shall not be reduced to reflect any dividends or dividend equivalents that are reinvested into additional Shares or credited as Performance-Based Awards.

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

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

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

---

**Table of Contents**

more of its subsidiaries or one or more of its or their divisions or units, or any combination of the foregoing, and may be applied on an absolute basis and/or be relative to one or more peer group companies or indices, or any combination thereof, all as the Committee shall determine. The Committee may appropriately adjust any evaluation of performance under criteria set forth in the Stock Incentive Plan to exclude any of the following events that occurs during a performance period: (1) gains or losses on sales of assets, (2) asset impairments or write-downs, (3) litigation or claim judgments or settlements, (4) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results, (5) accruals for reorganization and restructuring programs, (6) any extraordinary non-recurring items as described in FASB ASC Topic 225-20 and/or in management's discussion and analysis of financial condition and results of operations appearing in the Company's annual report to stockholders for the applicable year, and (7) the effect of adverse or delayed federal, state or local governmental or regulatory action; provided that the Committee commits to make any such adjustments within the 90 days following the commencement of each performance period (or such other time as may be required or permitted by Section 162(m)).

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

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

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

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

**Assignment of Awards**

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

---

**Table of Contents**

**Resale Restrictions**

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

**Change in Control Provisions**

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

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

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

---

## **Table of Contents**

Investors, in any such event after which the Investors and their affiliates (x) collectively own less than 15% of the Common Stock of and (y) collectively have the ability to appoint less than 50% of the directors to the Board of Directors of HCA (or any resulting company after a merger).

## **Amendment and Termination**

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

## **Withholding Taxes**

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

## **Certain Federal Income Tax Consequences**

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

PURSUANT TO THE MANAGEMENT STOCKHOLDER'S AGREEMENT WHERE APPLICABLE, TO THE EXTENT THAT ANY SHARES TO BE TRANSFERRED TO THE PARTICIPANT ARE SUBJECT TO

---

**Table of Contents**

A SUBSTANTIAL RISK OF FORFEITURE (WITHIN THE MEANING OF TREASURY REGULATION SECTION 1.83-3(c) APPLICABLE TO THE TRANSFER OF SUCH STOCK) AT THE TIME OF SUCH TRANSFER, THE PARTICIPANT IS REQUIRED, UNLESS HCA SHALL AGREE OTHERWISE WITH SUCH PARTICIPANT, TO MAKE A SECTION 83(b) ELECTION WITH RESPECT TO SUCH SHARES WITHIN THIRTY DAYS AFTER THE TRANSFER.

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

*Sale of Common Stock.* The sale or other taxable disposition of Common Stock acquired upon the exercise of a Stock Option will be a taxable event to the participant. In general, the participant selling such Common Stock will recognize gain or loss equal to the difference between the amount realized by such participant upon such sale or disposition and the participant's adjusted tax basis in such Common Stock. A participant's adjusted tax basis in Common Stock purchased upon exercise of a Stock Option will generally be the amount paid for such shares plus the amount, if any, of ordinary income recognized on purchase. Any gain or loss resulting from a sale or disposition of Common Stock obtained by the participant, either purchased or through the exercise of an Option, generally will be taxed as capital gain or loss if such Common Stock was a capital asset in the hands of the participant and will be taxed as long-term capital gain or loss if at the time of any such sale or disposition the participant has held such Common Stock for more than one year. The time that such participant holds a Stock Option (rather than the Common Stock attributable to such Stock Option) is not taken into account for purposes of determining whether the participant has held such Common Stock for more than one year. In addition, there are limits on the deductibility of capital losses by the participant. The tax consequences described above may differ, however, in the case of a sale or other taxable disposition of Common Stock to HCA, particularly if the participant has not experienced a meaningful reduction in his or her proportionate interest in HCA as a result of such transaction.

*Stock Appreciation Rights.* The grant of a Stock Appreciation Right with an exercise price equal to the fair market value of the Common Stock on the date of grant is not generally a taxable event to the participant or HCA. The exercise of a Stock Appreciation Right will result in the participant recognizing ordinary income on the value of the Stock Appreciation Right at the time of exercise. HCA will be allowed a deduction for the amount of ordinary income recognized by a participant with respect to a Stock Appreciation Right. The participant also is subject to capital gains treatment on the subsequent sale of any Common Stock acquired through the exercise of a Stock Appreciation Right award. For this purpose, the participant's basis in the Common Stock is its fair market value at the time the Stock Appreciation Right is exercised.

*Other Stock-Based Awards.* A participant who is granted any Other Stock-Based Award that is not subject to any vesting or forfeiture restrictions, will generally recognize, in the year of grant (or, if later, payment in case of restricted stock units and similar awards), ordinary income equal to the fair market value of the cash or other property received. If such Other Stock-Based Award is in the form a restricted stock unit or similar award that does not provide for the delivery of Shares or cash until a vesting condition has been satisfied, the participant would not generally recognize ordinary income until the date the vesting condition is satisfied and the Shares or cash have been delivered to the participant. If such Other Stock-Based Award is in the form of property that is subject to restrictions, the participant would not recognize ordinary income until the restrictions lapse, unless the participant makes a Section 83(b) Election (as discussed below). HCA is entitled to a deduction for the amount of ordinary income recognized by the participant with respect to the other stock-based award in the same year as the ordinary income is recognized by the participant.

---

**Table of Contents**

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

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

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

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

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



**Table of Contents**

Section 162(m) of the Code generally disallows a public company's tax deduction for compensation paid in excess of \$1 million in any tax year to its chief executive officer and certain other most highly compensated executives. However, compensation that qualifies as performance-based compensation (as defined under Section 162(m) of the Code) is excluded from this \$1 million deduction limit and therefore remains fully deductible by the company that pays it. HCA generally intends that options granted with an exercise price at least equal to 100% of fair market value of the underlying shares of common stock at the date of grant qualify as performance-based compensation so that these awards will not be subject to the Section 162(m) deduction limitations. In addition, the Committee may also grant certain performance awards pursuant to the Stock Incentive Plan that may qualify as performance-based compensation. HCA will not necessarily limit executive compensation to amounts deductible under Section 162(m) of the Code, however, if such limitation is not in the best interests of HCA and its stockholders.

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

**Vote Required**

The proposal to reapprove the performance goals under the Stock Incentive Plan to preserve our ability to deduct compensation that qualifies as performance-based compensation under Section 162(m) will be approved if it receives affirmative votes from the holders of a majority of the shares present in person or represented by proxy at the annual meeting and entitled to vote. Failure of the Company's stockholders to approve this Proposal will not affect the rights of existing award holders under the Stock Incentive Plan or under any previously granted awards under the Stock Incentive Plan. However, if this Proposal is not approved, the Company may be required to reevaluate its compensation structure since compensation paid to our Chief Executive Officer or any of our three other most highly compensated executive officers (within the meaning of Section 162(m) which excludes our principal financial officer) in future years may not be deductible by the Company to the extent it exceeds \$1,000,000.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE REAPPROVAL OF THE MATERIAL TERMS OF THE PERFORMANCE GOALS UNDER THE 2006 STOCK INCENTIVE PLAN FOR KEY EMPLOYEES OF HCA HOLDINGS, INC. AND ITS AFFILIATES, AS AMENDED AND RESTATED, FOR PURPOSES OF SECTION 162(m) OF THE INTERNAL REVENUE CODE.**

**Securities Authorized for Issuance Under Equity Compensation Plans**

The following table provides certain information as of December 31, 2015 with respect to our equity compensation plans:

	(a)	(b)	(c)
	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column(a))
Equity compensation plans approved by security holders	31,004,900(1)	\$ 27.73(1)	36,198,700(2)
Equity compensation plans not approved by security holders			
<b>Total</b>	<b>31,004,900</b>	<b>\$ 27.73</b>	<b>36,198,700</b>

- (1) Includes 5,301,700 restricted share units which vest solely based upon continued employment over a specific period of time and 1,740,100 restricted share units and 1,371,300 performance share units which vest based upon continued employment over a specific period of time and the achievement of predetermined



**Table of Contents**

financial targets over time. The weighted average exercise price does not take these restricted share units and performance share units into account.

(2) Includes 10,812,700 shares available for issuance under the HCA Holdings, Inc. Employee Stock Purchase Plan.

\* For additional information concerning our equity compensation plans, see the discussion in Note 2 – Share-Based Compensation in the notes to the consolidated financial statements included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

**Table of Contents**

**PROPOSAL 3 RATIFICATION OF APPOINTMENT OF INDEPENDENT  
REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit and Compliance Committee has appointed Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2016. Services provided to the Company and its subsidiaries by Ernst & Young LLP in fiscal 2015 are described below and under Audit and Compliance Committee Report located on page 85 of this proxy statement.

*Audit Fees.* The aggregate audit fees billed by Ernst & Young LLP for professional services rendered for the audit of our annual consolidated financial statements, for the reviews of the condensed consolidated financial statements included in our quarterly reports on Form 10-Q, for the audit of the effectiveness of the Company's internal control over financial reporting, under the Sarbanes-Oxley Act of 2002, and services that are normally provided by the independent registered public accounting firm in connection with statutory and regulatory filings totaled \$8.9 million for 2015 and \$8.3 million for 2014.

*Audit-Related Fees.* The aggregate fees billed by Ernst & Young LLP for assurance and related services not described above under Audit Fees were \$2.0 million for 2015 and \$1.7 million for 2014. Audit-related services principally include audits of certain of our subsidiaries, benefit plans and computer processing controls.

*Tax Fees.* The aggregate fees billed by Ernst & Young LLP for professional services rendered for tax compliance, tax advice and tax planning were \$3.4 million for 2015 and \$4.7 million for 2014.

*All Other Fees.* The aggregate fees billed by Ernst & Young LLP for products or services other than those described above were approximately \$17,100 for 2014, and no such products or services were provided during 2015. These fees primarily relate to certain advisory services.

The Board of Directors has adopted an Audit and Compliance Committee Charter which, among other things, requires the Audit and Compliance Committee to preapprove all audit and permitted nonaudit services (including the fees and terms thereof) to be performed for us by our independent registered public accounting firm, subject to the ability to delegate authority to a subcommittee for certain preapprovals.

All services performed for us by Ernst & Young LLP in 2015 were preapproved by the Audit and Compliance Committee. The Audit and Compliance Committee concluded that the provision of audit-related services, tax services and other services by Ernst & Young LLP was compatible with the maintenance of the firm's independence in the conduct of its auditing functions.

Representatives of Ernst & Young LLP will be present at the annual meeting. They will have the opportunity to make a statement if they desire to do so, and we expect that they will be available to respond to questions.

Ratification of the appointment of Ernst & Young LLP requires affirmative votes from the holders of a majority of the shares present in person or represented by proxy at the annual meeting and entitled to vote. If the Company's stockholders do not ratify the appointment of Ernst & Young LLP, the Audit and Compliance Committee will reconsider the appointment and may affirm the appointment or retain another independent accounting firm. Even if the appointment is ratified, the Audit and Compliance Committee may in the future replace Ernst & Young LLP as our independent registered public accounting firm if it is determined that it is in the Company's best interests to do so.

**THE AUDIT AND COMPLIANCE COMMITTEE AND THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM OF THE COMPANY FOR THE YEAR ENDING DECEMBER 31, 2016.**

**Table of Contents**

**PROPOSAL 4 ADVISORY VOTE ON EXECUTIVE COMPENSATION**

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act ), enacted in July 2010, requires that we provide our stockholders with the opportunity to vote to approve, on a non-binding, advisory basis, the compensation of our named executive officers as disclosed in this proxy statement in accordance with the compensation disclosure rules of the SEC. As described below in the Executive Compensation Compensation Discussion and Analysis section of this proxy statement, the Compensation Committee of the Board of Directors has structured our executive compensation program to achieve the following key objectives:

- Reinforce HCA s strategic initiatives;
- Align the economic interests of our executives with those of our stockholders; and
- Encourage attraction and long-term retention of key contributors.

We urge stockholders to read the Executive Compensation Compensation Discussion and Analysis section of this proxy statement beginning on page 41 of this proxy statement, which describes in more detail how our executive compensation policies and procedures operate and are designed to achieve our compensation objectives, as well as the Summary Compensation Table and other related compensation tables and narrative, appearing on pages 59 through 77, which provide detailed information on the compensation of our named executive officers. The Compensation Committee and the Board of Directors believe that the policies and procedures articulated in the Executive Compensation Compensation Discussion and Analysis section of this proxy statement are effective in achieving our compensation objectives and contribute to the Company s performance.

In accordance with Section 14A of the Exchange Act, we are asking stockholders to approve the following advisory resolution at the 2016 annual meeting of stockholders:

RESOLVED, that the stockholders of the Company approve, on an advisory basis, the compensation of the Company s Named Executive Officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, as set forth in the Company s 2016 Definitive Proxy Statement on Schedule 14A.

This advisory resolution, commonly referred to as a say-on-pay resolution, is non-binding on the Company, the Board of Directors and the Compensation Committee. The say-on-pay proposal is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the executive compensation policies, practices, and plans described in this proxy statement. Although non-binding, the Compensation Committee will carefully review and consider the voting results when making future decisions regarding our executive compensation program.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE APPROVAL OF THE ADVISORY SAY-ON-PAY RESOLUTION TO APPROVE OUR EXECUTIVE COMPENSATION.**

---

**Table of Contents**

**PROPOSAL 5 STOCKHOLDER PROPOSAL REGARDING MAJORITY VOTING STANDARD FOR ELECTION OF DIRECTORS**

We have been advised that John Chevedden, 2215 Nelson Avenue, No. 205, Redondo Beach, California 90278, who has indicated he is a beneficial owner of no less than 50 shares of common stock, intends to present the following proposal for consideration at the annual meeting. The proponent's resolution and supporting statement are quoted verbatim below. We are not responsible for the content of the proponent's proposal or supporting statement.

**Proponent's Proposal and Supporting Statement**

**Proposal 5 Directors to be Elected by Majority Vote**

Resolved: Shareholders hereby request that our Board of Directors initiate the appropriate process to amend our Company's articles of incorporation and/or bylaws to provide that director nominees shall be elected by the affirmative vote of the majority of votes cast at an annual meeting of shareholders, with a plurality vote standard retained for contested director elections, that is, when the number of director nominees exceeds the number of board seats. This proposal includes that a director who receives less than such a majority vote be removed from the board immediately or as soon as a replacement director can be qualified on an expedited basis.

In order to provide shareholders a meaningful role in director elections, our Company's current director election standard should be changed from a plurality vote standard to a majority vote standard. The majority vote standard is the most appropriate voting standard for director elections where only board nominated candidates are on the ballot.

This will establish a more meaningful vote standard for board nominees and could lead to improved performance by individual directors and the entire board. Under our Company's current voting system, a director nominee can be elected with as little as one yes-vote from 400 million eligible votes. A majority vote standard would require that a nominee receive a majority of the votes cast in order to be elected. More than 77% of the companies in the S&P 500 have adopted majority voting for uncontested elections. Our company has an opportunity to join the growing list of companies that have already adopted this standard.

Please vote to enhance shareholder value: **Directors to be Elected by Majority Vote Proposal 5**

**Statement of the Board of Directors in Opposition to the Shareholder Proposal**

Our Board of Directors has considered the proponent's proposal, which is similar in form and substance to the majority voting standard adopted by the Board. After a thorough review of the proposal, the Board believes that the majority voting standard adopted by the Board achieves the same objectives as the proposed standard, but with fewer uncertainties and ambiguities. **Accordingly, the Board has concluded that the proponent's proposal is not in the best interests of HCA and our stockholders, and recommends that stockholders vote AGAINST this proposal.**

In keeping with its commitment to stockholders, the Board carefully considered this proposal and determined to proactively amend and restate HCA's bylaws to adopt majority voting procedures which the Board considered to be appropriately responsive to the procedures recommended by the proponent. Under HCA's amended and restated bylaws, in uncontested elections, HCA stockholders elect directors by a majority of the votes cast, the same voting standard advocated by the proponent in this proposal. Director nominees standing for election for the first time would not be elected to the Board if he or she did not receive a majority of the votes cast in his or her election. In order to address the director holdover issue (the requirement under Delaware law that a director remain on the Board until his or her successor is elected and qualified), the Board has also adopted a director resignation policy, which provides that any incumbent director nominee who receives a greater number of against votes than for votes is required to tender his or her resignation to the secretary of HCA for consideration by the Board. The Nominating and Corporate Governance Committee will consider the resignation

## **Table of Contents**

and recommend to the Board whether or not to accept the resignation. The Board (excluding the director tendering his or her resignation) will then make a decision regarding the resignation and publicly disclose its decision. The Board believes that this policy adequately addresses the proponent's concerns and promotes a good balance between providing stockholders a meaningful and significant role in the process of electing directors and allowing the Board flexibility to exercise its independent judgment on a case-by-case basis. In addition, the Board believes that the voting procedures set forth in HCA's bylaws are generally consistent with voting procedures of the vast majority of the companies in the S&P 500 index that have adopted majority voting in uncontested director elections.

For the reasons set forth above, our Board believes that the current majority voting procedures for election to our Board are appropriate and in the best interests of our stockholders. **Accordingly, the Board has concluded that this stockholder proposal is not in the best interests of HCA and our stockholders, and recommends that stockholders vote AGAINST this proposal.**

### **Vote Required**

The stockholder proposal will be approved if it receives affirmative votes from the holders of a majority of the shares present in person or represented by proxy at the annual meeting and entitled to vote.

### **OTHER MATTERS**

We are not aware of any matters other than those discussed in the foregoing materials contemplated for action at the annual meeting. The persons named in the Proxy Card will vote in accordance with the recommendation of the Board of Directors on any other matters incidental to the conduct of, or otherwise properly brought before, the annual meeting. The Proxy Card contains discretionary authority for them to do so.

**Table of Contents**

**EXECUTIVE COMPENSATION**

**Compensation Risk Assessment**

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

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

**Compensation Discussion and Analysis**

**Named Executive Officers**

The following executive compensation discussion and analysis describes the principles underlying our executive compensation policies and decisions as well as the material elements of compensation for our named executive officers. Our named executive officers for 2015 were:

*R. Milton Johnson*, Chairman and Chief Executive Officer;

*William B. Rutherford*, Executive Vice President and Chief Financial Officer;

*Samuel N. Hazen*, Chief Operating Officer;

*Jon M. Foster*, President - American Group; and

*Charles J. Hall*, President - National Group.

**Executive Summary**

***Compensation Philosophy and Objectives***

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

Reinforces HCA's strategic initiatives;

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



## Edgar Filing: HCA Holdings, Inc. - Form DEF 14A

Encourages attraction and long-term retention of key contributors.

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

## **Table of Contents**

Our compensation philosophy also allows for flexibility in establishing executive compensation based on an evaluation of information prepared by management or other advisors and other subjective and objective considerations deemed appropriate by the Committee, subject to any contractual agreements with our executives. The Committee will also consider the recommendations of our Chief Executive Officer for executives other than himself. This flexibility is important to ensure our compensation programs are competitive and our compensation decisions appropriately reflect the unique contributions and characteristics of our executives.

### ***2015 Performance Results***

The following are highlights of the Company's financial performance in 2015:

The Company experienced strong volume growth in 2015, including same facility revenue per equivalent admission growth of 1.7%, same facility equivalent admissions growth of 4.6% and same facility emergency room visits growth of 7.0%.

Expense management was strong in 2015 as demonstrated by same facility operating expense per equivalent admission growth of only 1.5% (excluding electronic health record incentive income and equity in earnings of affiliates).

As a result of strong volume growth, expense management and other factors, EBITDA (as defined for purposes of our 2015 incentive compensation programs) grew 7.14% and was 106.03% of the target established by the Committee.

In addition to strong financial performance, we continued to focus on delivering quality care to our patients. The following are a few of the 2015 quality and patient care highlights:

106 (78%) of HCA's 136 licensed affiliated U.S. hospitals reporting core measure performance data to The Joint Commission (TJC) for 2014 were included on TJC's 2015 list of *Top Performers on Key Quality Measures* program (based on 2014 performance results).

68% of HCA's affiliated U.S. hospitals received a Hospital Safety Score of A on The LeapFrog Group's October 2015 Survey, as compared to 28% of non-HCA U.S. hospitals included in the survey (based upon the most recent publicly available data in the 28 areas of measurement included in the survey).

The Company's performance scores on the Centers for Medicare & Medicaid Services (CMS) inpatient and outpatient measures continued to exceed the CMS national average.

We experienced year-over-year improvement in CMS Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) patient satisfaction scores.

---

## Table of Contents

### *Impact of Performance on 2015 Compensation*

Our compensation philosophy, which is described in more detail herein, is centered around creating a strong link between the performance of business objectives and the value of compensation. The compensation of our named executive officers in 2015 was directly impacted by our financial performance, quality objectives, and stockholder return.

<b>Performance Objective</b>	<b>Link to 2015 Compensation</b>
Financial	2015 equity performance vesting for performance-based stock appreciation rights granted in 2012–2014 and 85% of 2015 annual incentive awards were based on achieving a targeted level of EBITDA. Performance share units granted in 2015 vest based on achievement of a cumulative earnings per share goal for fiscal years 2015–2017.
Quality/Patient Care	15% of 2015 annual incentive awards were based on Company performance against industry patient care and quality benchmarks.
Stockholder Return	50% of annual equity grants made in 2015 were in the form of stock appreciation rights designed to reward executives for future growth in stockholder value.

As a result of above target financial and quality performance for 2015, annual incentive payouts for the named executive officers for 2015 were paid at 188.85% to 194.71% of target. Participants also earned 100% of the portion of the performance vested equity awards tied to 2015 EBITDA based on strong 2015 performance.

### *2015 Say-on-Pay Advisory Vote*

The Company provided stockholders a say-on-pay advisory vote on its executive compensation in 2015, as required under the Dodd-Frank Act. At our 2015 annual meeting of stockholders, stockholders expressed substantial support for the compensation of our named executive officers, with approximately 82% of the votes cast for approval of the say-on-pay advisory vote on executive compensation. The Committee evaluated the results of the 2015 advisory vote and considered many other factors in evaluating the Company's executive compensation programs as discussed in this Compensation Discussion and Analysis. While each of these factors influenced the Committee's decisions regarding our named executive officers' compensation, in light of the substantial support expressed by our stockholders for our compensation program, with the exception of the amendment of legacy employment agreements in place with our executive officers to remove provisions that could be interpreted to permit the payment of an excise tax gross-up on benefits received in connection with a change in control of the Company, the Committee did not make any changes to our executive compensation program and policies as a direct result of the 2015 say-on-pay advisory vote.

### *Key Policies and Practices*

The Company has adopted the following key programs, policies and practices to respond to evolving good governance practices in executive compensation and enhance the alignment of our executive compensation programs and stockholder interests:

**Restrictions on Hedging and Pledging Transactions:** Executive officers, directors and other Company insiders are restricted from (i) engaging in hedging transactions designed to reduce or limit the individuals' economic risk with respect to such individuals' interest in Company securities and (ii) pledging Company securities as collateral for margin or other loans.

**Performance-Based Long-Term Incentive Programs:** Stock appreciation right awards granted in 2012–2014 were structured such that 50% of vesting is based on the Company's operating performance as measured by annual EBITDA goals. In 2015 and 2016, the Company granted

## **Table of Contents**

performance share unit ( PSU ) awards which vest based on achievement of a three-year cumulative earnings per share ( EPS ) goal, in addition to time-based stock settled stock appreciation right ( SAR ) awards.

**Policies that Discourage Short-Term Risk Taking:** Annual incentive payouts under the Senior Officer Performance Excellence Program ( PEP ) are subject to clawback if there are any financial restatements or inaccuracies later found in program metrics. Executive officers, directors and other Company insiders are also restricted from engaging in transactions in which such individuals may profit from short-term speculative swings in the value of Company securities.

**Double-Trigger Change in Control Provisions:** All SAR and PSU awards granted in 2015 and thereafter are subject to a double-trigger for accelerated vesting under certain change in control scenarios.

**No Tax Gross-Ups on Perquisites:** The Company does not provide any gross-up payments to our named executive officers to cover the taxes due on perquisite related income.

**No Excise Tax Gross-Ups on Change in Control Payments:** In 2016, the Company amended the legacy employment agreements in place with its executive officers to remove provisions that could be interpreted to permit the payment of an excise tax gross-up on benefits received in connection with a change in control of the Company.

**Share Ownership Guidelines:** The Company's share ownership guidelines provide that our Chief Executive Officer should hold Company equity valued at least 5 times his base salary, and our other named executive officers should hold equity valued at least 3 times their respective base salaries within five years of appointment to their position.

## **Overview of Executive Compensation Programs**

The Committee is generally charged with the oversight of our executive compensation and rewards programs. The Committee is currently composed of Jay O. Light (Chair), Ann H. Lamont and Geoffrey G. Meyers. Responsibilities of the Committee include the review and approval of the following items:

Executive compensation strategy and philosophy;

Evaluation process and compensation arrangements for executive management;

Design and administration of the annual Senior Officer PEP;

Design and administration of our equity incentive plans;

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

Review of management succession planning; and

## Edgar Filing: HCA Holdings, Inc. - Form DEF 14A

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

In addition, the Committee considers the proper alignment of executive pay policies with Company values and strategy by overseeing executive compensation policies, corporate performance measurement and assessment, and Chief Executive Officer performance assessment.

The Committee may retain the services of independent outside consultants, as it deems appropriate in its sole discretion, to assist in the strategic review of programs and arrangements relating to executive compensation and performance. The Committee has retained Semler Brossy Consulting Group, LLC ( Semler Brossy ) as its

**Table of Contents**

external advisor. The Committee considers advice and analysis presented by Semler Brossy in making decisions on compensation plan designs and compensation decisions for the executive officers and directors. As required under the NYSE listing rules, the Committee has considered and assessed all factors relevant to Semler Brossy’s independence from management, including but not limited to those set forth in Section 303A.05(c)(iv) of the NYSE Listed Company Manual, as applicable. Based on this review, the Committee is not aware of any conflict of interest that has been raised in connection with work performed by Semler Brossy.

***Elements of Compensation***

Our compensation program is heavily weighted towards performance-based compensation, reflecting our philosophy of increasing the long-term value of the Company and supporting strategic imperatives. The following table summarizes the elements of our total compensation program for the named executive officers and provides the reasons these elements are included in the program:

<b>Category of Compensation</b>	<b>Elements of Compensation</b>	<b>Why We Provide</b>
	Salary	Attract, retain, and motivate key executive talent
<b>Cash Compensation</b>	Annual Incentive (Performance Excellence Program)	Provide income security  Motivate and reward annual financial, operations and quality performance results
		Attract, retain, and motivate key executive talent
<b>Long-Term Incentives</b>	Equity Grants	Align interests of executives and stockholders  Motivate and reward long-term financial performance
		Encourage executive stock ownership
	Retirement Benefits	
<b>Benefits</b>	Personal Benefits	Attract and retain key executive talent
	Severance & Change in Control Benefits	Enhance executive productivity  Provide opportunity for financial security in retirement

Consistent with the Committee’s commitment to a strong, positive link between our business objectives, our performance and our executive compensation practices, we have placed a significant emphasis on pay at risk, based on the achievement of financial performance and quality patient care. The following charts illustrate that 91% of our Chairman and Chief Executive Officer’s total direct compensation and 81% of the other named executive officers’ average total direct compensation for 2015 was performance-based pay, with a significant emphasis on long-term performance and stockholder value creation. For the purposes of these charts, total direct compensation includes salary, actual annual incentive payouts, and the grant date fair value of our annual equity grants made in 2015, as reported in the 2015 Summary Compensation Table (and excludes benefits and other compensation).

**2015 Chief Executive Officer Total**

**2015 All Other Named Executive Officers Average**

**Direct Compensation Mix**

**Total Direct Compensation Mix**

**Table of Contents**

***Peer Group Market Data***

Our Human Resources team, in collaboration with Semler Brossy, collects and presents to the Committee compensation data from similarly-sized general industry companies, to the extent that comparable position matches and components of pay are available. The following nationally recognized survey sources were utilized in anticipation of establishing 2015 executive compensation:

Survey	Revenue Scope
Towers Watson Executive Compensation Database	Greater than \$ 20B
Hewitt Total Compensation Measurement	Greater than \$ 25B

These particular revenue scopes were selected because they were the closest approximations to HCA's revenue size. Each survey that provided an appropriate position match and sufficient sample size was utilized in the analysis.

Compensation data for top executive positions was also collected and reviewed for large public health care companies which included, in addition to health care providers, companies in the health insurance, pharmaceutical, medical supplies and related industries. This peer group's 2014 revenues ranged from \$10.4 billion to \$123.9 billion with median revenues of \$22.2 billion, which is comparable to our size. The companies in this analysis included:

Abbott Laboratories	CIGNA Corp.	Johnson & Johnson
Aetna Inc.	Covidien plc	Medtronic Inc.
AmerisourceBergen Corp	Eli Lilly and Company	Merck & Co., Inc.
Amgen Inc.	Express Scripts, Inc.	Pfizer Inc.
Anthem, Inc.	Health Net, Inc.	Thermo Fisher Scientific Inc.
Baxter International Inc.	Humana Inc.	UnitedHealth Group Incorporated

Bristol-Myers Squibb Company  
 Covidien plc was acquired by Medtronic in June 2014. Pay data was disclosed and included in our analysis of market pay practices.

Finally, data for top executive positions was also collected from health care providers within our industry including:

Community Health Systems, Inc.,

LifePoint Hospitals, Inc.,

Tenet Healthcare Corporation, and

Universal Health Services, Inc.

LifePoint Hospitals, Inc. and Universal Health Services, Inc. are used only to obtain a general understanding of current industry compensation levels and practices since we are significantly larger than these companies. The 2014 median revenue of these organizations was \$10 billion.

## Edgar Filing: HCA Holdings, Inc. - Form DEF 14A

Consistent with our compensation philosophy, the Committee considers the market findings as only one input in developing our executive compensation programs, and will also consider, among other factors (typically not reflected in these data sources): the executive's individual performance during the year, his or her projected role and responsibilities for the coming year, his or her actual and potential impact on the successful execution of Company strategy, recommendations from our Chief Executive Officer (for executives other than himself) and the independent compensation consultant, the executive's prior compensation, experience, and professional status, internal pay equity considerations, and employment market conditions and compensation practices within our peer group. These factors are considered on a case-by-case basis for each executive without any specific weighting or formula.



**Table of Contents****Elements of Compensation*****Base Salary***

Base salaries are intended to provide reasonable and competitive fixed compensation for regular job duties. We do not adjust salaries for all executive officers on an annual basis, but rather make occasional changes based on changes in responsibilities, market pay practices, internal equity and other factors as discussed above on a case-by-case basis.

Named Executive Officer	2014 Salary	2015 Salary <sup>1</sup>	Comments
R. Milton Johnson	\$ 1,100,000	\$ 1,300,000	Adjusted in connection with his appointment to the role of Chairman and CEO
William B. Rutherford	\$ 600,000	\$ 725,000	Adjusted based on individual performance and internal pay equity
Samuel N. Hazen	\$ 900,000	\$ 950,000	Adjusted in connection with his appointment to the role of Chief Operating Officer
Jon M. Foster	\$ 750,000	\$ 765,050	Adjusted based on individual performance
Charles J. Hall	\$ 750,000	\$ 765,050	Adjusted based on individual performance

<sup>1</sup> Effective as of February 1, 2015.

In recognition of their individual performance and a review of internal and external pay equity, Messrs. Johnson, Rutherford, Hazen, Foster and Hall's salaries were increased to \$1,400,000, \$800,000, \$1,000,000, \$800,000 and \$800,000, respectively, effective February 1, 2016.

***Annual Incentive Compensation: PEP***

The PEP is intended to reward named executive officers for annual financial and quality performance, with the goals of providing high quality health care for our patients and increasing stockholder value. Accordingly, the Company's 2015 Senior Officer Performance Excellence Program (the 2015 PEP) was approved by the Committee to cover annual incentive awards for 2015. Each named executive officer in the 2015 PEP was assigned a 2015 annual award target expressed as a percentage of salary ranging from 75% to 170%. Incentive opportunity targets were intended to provide a meaningful incentive for executives to achieve or exceed performance goals and be competitive with market practices.

Named Executive Officer	2014 PEP Target (as a % of Base Salary)	2015 PEP Target (as a % of Base Salary)	Comments
R. Milton Johnson	140%	170%	Adjusted in connection with his appointment to the role of Chairman and Chief Executive Officer
William B. Rutherford	75%	95%	Adjusted based on individual performance and internal pay equity
Samuel N. Hazen	90%	110%	Adjusted in connection with his appointment to the role of Chief Operating Officer

Edgar Filing: HCA Holdings, Inc. - Form DEF 14A

Jon M. Foster	75%	75%	No change to PEP Target in 2015
Charles J. Hall	75%	75%	No change to PEP Target in 2015

---

## **Table of Contents**

Actual awards under the 2015 PEP are generally determined using the following steps:

1. The executive's conduct must reflect our mission and values by upholding our Code of Conduct and following our compliance policies and procedures. This step is critical to reinforcing our commitment to integrity and the delivery of high quality health care. In the event the Committee determines the participant's conduct during the fiscal year is not in compliance with the first step, he or she will not be eligible for an incentive award.
2. The actual award amount is determined based upon Company performance on financial and quality performance measures. In 2015, 85% of the PEP award for all named executive officers was based upon one financial performance measure, EBITDA, as defined in the 2015 PEP, and 15% of the PEP award was based upon the Company's quality and patient experience performance, with a focus on CMS core measures, hospital acquired conditions, and CMS HCAHPS performance against industry benchmarks. For hospital group presidents, 50% of the EBITDA portion of their 2015 PEP was based on Company EBITDA performance and 50% was based on group EBITDA performance.

### *PEP – EBITDA Measure (85% of 2015 PEP)*

The 2015 PEP was designed to provide 100% of the EBITDA weighted portion of the target award for target EBITDA performance, 25% of the EBITDA weighted portion of the target award for threshold level of EBITDA performance, and a maximum of 200% of the EBITDA weighted portion of the target award for maximum EBITDA performance, with no payments made for performance below threshold levels. The Committee believes this payout curve is consistent with competitive practice.

EBITDA is defined in the 2015 PEP as earnings before interest, taxes, depreciation, amortization, net income attributable to noncontrolling interests, gains or losses on sales of facilities, gains or losses on extinguishment of debt, asset or investment impairment charges, restructuring charges, any expenses for share-based compensation under FASB ASC 718, and any other expenses or losses resulting from significant, unusual and/or nonrecurring events, as described in management's discussion and analysis of financial condition and results of operations appearing in the Company's annual report for the fiscal year, as determined in good faith by the Board of Directors or the Committee in consultation with the Chief Executive Officer.

Our 2015 threshold EBITDA performance level was set at 4% below the target goal and the maximum performance goal was set at approximately 5% above the target goal to reflect potential performance volatility. EBITDA targets were linked to the Company's short-term and long-term business objectives to ensure incentives are provided for appropriate annual growth.

### *PEP – Quality Measures (15% of 2015 PEP)*

One-third of the quality weighted portion of the 2015 PEP was based on the Company's performance on each of the following three quality and patient experience metrics as measured against industry benchmarks:

Hospital Acquired Conditions: Central Line-Associated Blood Stream Infection (CLABSI) and Catheter-Associated Urinary Tract Infection (CAUTI) as defined by the Centers for Disease Control and Prevention's National Healthcare Safety Network.

Core Measures: Measured as a composite of all inpatient core measures within Stroke, Venous Thromboembolism, Immunization and PC-01 Elective Delivery measure sets, as developed by TJC and CMS and set forth in the Specifications Manual for National Hospital Inpatient Quality Measures.

Patient Experience: The CMS HCAHPS overall rating top box score (defined as response of nine or ten on the CMS HCAHPS survey).

The 2015 PEP was designed to provide 100% of the quality weighted portion of the target award applicable to each quality of care metric for performance at or above the target level of performance for such metric and 0% of the quality weighted portion of the target award applicable to each quality of care metric for performance at or



**Table of Contents**

below the threshold level of performance for such metric; provided, that, (i) if the Company exceeded the target level of EBITDA adopted by the Committee with respect to the EBITDA weighted portion of the 2015 PEP, the quality weighted portion of the target award would be multiplied by the EBITDA payout percentage and (ii) in the event the Company's actual EBITDA was less than 90% of such target level of EBITDA, there would be no payment with respect to the quality weighted portion of the 2015 PEP. The Committee set challenging performance targets for the 2015 PEP quality metrics to encourage continuous improvement.

*PEP 2015 Performance and Payout*

Upon review of the Company's 2015 financial performance, the Committee determined that Company EBITDA performance for the fiscal year ended December 31, 2015 was approximately 106.03% of target performance levels as set by the Committee, as adjusted, resulting in a 200% of target payout for the Company EBITDA portion of 2015 PEP. The EBITDA performance of the National and American Groups was approximately 105.31% and 104.31% of their respective performance targets, resulting in a 200% of target payout for the National Group and a 186.20% target payout for the American Group for the group-based EBITDA portion of 2015 PEP. In 2015, EBITDA was adjusted to exclude share-based compensation expense and unbudgeted acquisitions.

	EBITDA Target	2015 EBITDA	2015 EBITDA (as a % of Target)	EBITDA Portion of PEP Payout (as a % of PEP Target)
Company	\$ 7.684 billion	\$ 8.148 billion	106.03%	200%
National Group	\$ 4.050 billion	\$ 4.265 billion	105.31%	200%
American Group	\$ 4.037 billion	\$ 4.211 billion	104.31%	186.20%

These EBITDA targets should not be understood as management's predictions of future performance or other guidance and investors should not apply these in any other context.

Upon review of the Company's 2015 quality measures performance, the Committee determined that Company quality and patient experience performance for the fiscal year ended December 31, 2015 exceeded the target level for each quality measure other than the Core Measures Grand Composite measure which was above the threshold level but below the target level, resulting in an approximate 164.73% of target payout for the quality weighted portion of 2015 PEP. The Company's performance on the quality measures was determined based upon the most current data available to the Committee from applicable sources at the time of 2015 PEP certification. In determining the Company's performance on the HCAHPS measure, the Committee excluded hospitals for which comparison data was not available, as well as hospitals performing in the top quartile at the beginning and end of the performance period.

Quality Measure	Measure Weight	Threshold Performance Level (% of HCA Hospitals)	Target Performance Level (% of HCA Hospitals)	Actual % of HCA Hospitals that Met Quality Measure	Contribution to Quality Weighted Portion of PEP Payout after Application of EBITDA Multiplier (as a % of PEP Target)
<b>Hospital Acquired Conditions CLABSI</b>					
(% of HCA Hospitals with a Standardized Infection Ratio (SIR) ≤ 1.0)	1/6	70%	80%	88.52%	33.33%
<b>Hospital Acquired Conditions CAUTI</b>	1/6	45%	55%	82.03%	33.33%

Edgar Filing: HCA Holdings, Inc. - Form DEF 14A

(% of HCA Hospitals with a SIR  $\leq$  1.0)

<b>Core Measures Grand Composite</b>	1/3	75%	90%	89.13%	31.40%
(% of HCA Hospitals in Top Quartile)					
<b>HCAHPS Grand Composite</b>					
<b>(Patient Experience)</b>	1/3	40%	60%	60.90%	66.67%
(% of HCA Hospitals with Year-Over-Year Improvement)					
			<b>Quality Weighted Portion of PEP Payout</b>		<b>164.73%</b>

**Table of Contents**

Based upon the Company's performance on the EBITDA and quality metrics discussed above, Messrs. Johnson, Rutherford, Hazen and Hall each received an actual 2015 PEP payment of 194.71% of their 2015 PEP Target and Mr. Foster received an actual 2015 PEP payment of 188.85% of his 2015 PEP Target. Under the 2015 PEP, incentive payouts up to the target were paid in cash during the first quarter of 2016. Payouts above the target were paid 50% in cash and 50% in restricted share units ( RSUs ). The RSU grants will vest 50% on the second anniversary of grant date and 50% on the third anniversary of the grant date.

Named Executive Officer	2015 PEP Target (as a % of Base Salary)	2015 PEP Payout (as a % of PEP Target)			2015 PEP Aggregate Payout (as a % of Base Salary)
		EBITDA (85% Weight)	Quality (15% Weight)	Final PEP Payout %	
R. Milton Johnson	170%	200%	164.73%	194.71%	331.01%
William B. Rutherford	95%	200%	164.73%	194.71%	184.97%
Samuel N. Hazen	110%	200%	164.73%	194.71%	214.18%
Jon M. Foster	75%	193%	164.73%	188.85%	141.63%
Charles J. Hall	75%	200%	164.73%	194.71%	146.03%

**Long-Term Equity Incentive Awards**

Equity grants made under our long-term incentive compensation programs are intended to align the interests of executives and stockholders by rewarding executives for growth in long-term stockholder value. These programs also serve as a key component of the executives' compensation packages in attracting and retaining top talent. Lastly, these programs encourage share ownership. Grants are made under the 2006 Stock Incentive Plan for Key Employees of HCA Holdings, Inc. and its Affiliates, as amended and restated (the "Stock Incentive Plan").

In 2014, the Committee completed an in-depth review of the Company's long-term incentive practices in light of the continued evolution of public company pay practices. As a result of this review, the Committee chose to add an additional long-term financial metric to the long-term incentive compensation program for the Company's executive officers. Therefore, in 2015, the Committee approved new annual long-term equity incentive awards for the Company's executive officers that included PSUs, which vest upon achievement of a three-year cumulative EPS goal, in addition to time vesting stock settled SAR awards. Specifically, the named executive officers' 2015 annual equity awards were structured with  $1/2$  of the target award granted in the form of time-based SARs, and the other  $1/2$  of the target award granted in the form of PSUs which vest based on achievement of a cumulative earnings per share goal.

The Committee determined the number of shares underlying the equity grants awarded to the named executive officers in 2015 based on a combination of the following considerations:

Market practices;

Current equity holdings of executives;

Historical performance and any recent adjustment in job scope; and

Future projected contributions of the named executive officers.

**Table of Contents***Stock Appreciation Rights*

The Committee determined that SARs are an effective long-term incentive vehicle for this population because:

SARs only reward executives for stock price appreciation;

SARs are more efficient than stock options in terms of utilizing the stockholder approved management equity pool; and

In conjunction with the vesting requirements, the grants encourage both short-term and long-term Company performance. The SARs granted in 2015 have a ten year term and were granted with an exercise price equal to the fair market value of the Company's common shares on the date of grant (February 4, 2015) (the 2015 SARs). The 2015 SARs are structured such that 25% of the SARs will vest on each of the first four anniversaries of the grant date.

<b>Named Executive Officer</b>	<b># 2015 SARs Granted</b>
R. Milton Johnson	156,000
William B. Rutherford	37,000
Samuel N. Hazen	59,000
Jon M. Foster	24,000
Charles J. Hall	24,000

For additional information concerning the 2015 SARs, see the Outstanding Equity Awards at 2015 Fiscal Year-End Table.

*Performance Share Units*

The Committee determined that PSUs are consistent with market best practices for executive pay and appropriately reward our executives for long-term Company performance.

The PSUs granted in 2015 (the 2015 PSUs) vest based on achievement of a cumulative EPS (as defined in the PSU award agreement) goal for fiscal years 2015-2017 (Target EPS) and vest as set forth in the schedule below, with vesting related to performance between the percentages of Target EPS listed below determined by straight line interpolation.

<b>Cumulative EPS for Fiscal Years 2015-2017</b>	<b>Percentage of Target PSUs Earned</b>
Greater than or equal to 120% of Target EPS	200%
100% of Target EPS	100%
80% of Target EPS	25%
Less than 80% of Target EPS	0%

Cumulative earnings per share is defined for purposes of the 2015 PSUs as the sum of the Company's diluted earnings per share of each of the three fiscal years of the Company within the performance period as reported in the Company's audited financial statements for each such year, adjusted to exclude the effects of: (a) gains or losses on sales of facilities, (b) gains or losses on extinguishment of debt, (c) asset or investment impairment charges, (d) legal claim costs (disclosed as separate line item in consolidated income statement), (e) expenses, or adjustments to expenses, for share-based compensation recognized under FASB ASC 718 related to the PSUs that result from earnings per share performance above or below the Target EPS during the performance period, (f) gains or losses on acquisition or disposition of controlling interests in equity investments





**Table of Contents**

or consolidated entities, and (g) any other gains, expenses or losses resulting from significant, unusual and/or nonrecurring events, as described in management's discussion and analysis of financial condition and results of operations appearing in the Company's annual report for the applicable fiscal year, as determined in good faith by the Board or the Committee.

<b>Named Executive Officer</b>	<b># 2015 Target PSUs Granted</b>
R. Milton Johnson	62,400
William B. Rutherford	14,700
Samuel N. Hazen	23,500
Jon M. Foster	9,600
Charles J. Hall	9,600

For additional information concerning the 2015 PSUs, see the Outstanding Equity Awards at 2015 Fiscal Year-End Table.

**Ownership Guidelines**

Our ownership guidelines provide that our Chief Executive Officer should hold Company equity valued at least 5 times his base salary, and our other named executive officers should hold equity valued at least 3 times their respective base salaries. When calculating equity holdings, we include shares beneficially owned by the executive as well as the in-the-money value of vested stock options and SARs. The guidelines provide that 75% of vested restricted shares net of taxes and exercised options and SARs must be retained by the executive until minimum ownership levels are met. If our market share price declines to the extent that an executive's ownership falls below the guidelines, these holding requirements are reinstated. In general, named executive officers will be expected to meet the ownership guidelines within five years of appointment to their position. The following table shows the ownership of the named executive officers as of December 31, 2015:

<b>Named Executive Officer</b>	<b>Ownership as a Multiple of Base Salary</b>
R. Milton Johnson	111x
William B. Rutherford	17x
Samuel N. Hazen	87x
Jon M. Foster	27x
Charles J. Hall	52x

**Personal Benefits**

Our executive officers generally receive limited, if any, benefits outside of those offered to our other employees. Generally, we provide these benefits to increase travel and work efficiencies and allow for more productive use of the executive's time. Mr. Johnson is permitted to use the Company aircraft for personal trips, subject to the aircraft's availability. The named executive officers may have their spouses accompany them on business trips taken on the Company aircraft, subject to seat availability, a benefit which has minimal incremental costs to the Company. In addition, there are times when it is appropriate for an executive's spouse to attend events related to our business. On those occasions, we will pay for the travel expenses of the executive's spouse. The value of these personal benefits, if any, is included in the executive officer's income for tax purposes.

The Company does not provide any gross-up payments to our named executive officers to cover the taxes due on perquisite related income.

Except as otherwise discussed herein, other welfare and employee-benefit programs are the same for all of our eligible employees, including our named executive officers.

---

**Table of Contents**

***Retirement Plans and Benefits***

We currently maintain one tax-qualified retirement plan in which the named executive officers are eligible to participate, the HCA 401(k) Plan. The purpose of the HCA 401(k) Plan is to aid in recruitment and retention and to assist employees in providing for retirement. Generally all employees who have completed the plan's service requirements are eligible to participate in the HCA 401(k) Plan. Each of our named executive officers participates in the plan. For additional information on the HCA 401(k) Plan, including amounts contributed by HCA in 2015 to the named executive officers, see the Summary Compensation Table and related footnotes and narratives and 2015 Pension Benefits.

Our key executives, including the named executive officers, also participate in two supplemental retirement programs (with the exception of Mr. Rutherford who only participates in the HCA Restoration Plan). The Committee and the Board initially approved these supplemental programs to:

Recognize significant long-term contributions and commitments by executives to the Company and to performance over an extended period of time;

Induce our executives to continue employment through a specified normal retirement age; and

Provide a competitive benefit to aid in attracting and retaining key executive talent.

The HCA Restoration Plan, a non-qualified retirement plan, provides a benefit to replace a portion of the contributions lost in the HCA 401(k) Plan due to certain Internal Revenue Service limitations. Effective January 1, 2008, participants in the SERP (described below) are no longer eligible for HCA Restoration Plan contributions. However, the hypothetical accounts maintained for each such named executive officers under this plan as of January 1, 2008 will continue to be maintained but will not be increased or decreased with hypothetical investment returns. For additional information concerning the HCA Restoration Plan, see 2015 Nonqualified Deferred Compensation.

Key executives may also participate in the HCA Supplemental Executive Retirement Plan (the SERP), adopted in 2001. All the named executive officers, with the exception of Mr. Rutherford, participate in the SERP. The SERP benefit brings the total value of annual retirement income to a specific income replacement level. For named executive officers with 25 years or more of service, this income replacement level is 60% of final average pay (base salary and PEP payouts) at normal retirement, a competitive level of benefit at the time the plan was implemented. All participants are fully vested in their SERP benefits, and the plan is frozen to new entrants. For additional information concerning the SERP, see 2015 Pension Benefits.

In the event a participant renders service to another health care organization within five years following retirement or termination of employment, he or she forfeits the rights to any further payment, and must repay any payments already made under the SERP and HCA Restoration Plan. This non-competition provision is subject to waiver by the Committee with respect to the named executive officers.

Pursuant to agreements governing the stock options awarded to the named executive officers prior to the Company's IPO in 2011, the vested portions of such awards will remain exercisable for 180 days following the termination of such executive's employment by reason of retirement (defined under such agreements as resignation from service after (i) attaining 65 years of age or (ii) after attaining 60 years of age and completing 36 months of service with the Company or any of its subsidiaries following the completion of the Merger).

Pursuant to the agreements governing the SARs granted to the named executive officers in 2011-2013, the vested portions of such awards will remain exercisable for 180 days following the termination of such executive's employment by reason of retirement (defined under such agreements as resignation from service (i) after attaining 65 years of age or (ii) after attaining 55 years of age and completing ten years of service with

---

**Table of Contents**

the Company or any of its subsidiaries). With respect to the SARs granted to the named executive officers in 2014–2016, the governing agreements provide that the vested portions of such awards will remain exercisable for three years following termination of the executive's employment by reason of retirement (as defined immediately above).

Pursuant to the agreements governing the PSU awards granted to the named executive officers in 2015 and 2016, in the event of the executive's termination on account of death, disability, or retirement (defined under such agreements as resignation from service (i) after attaining 65 years of age or (ii) after attaining 55 years of age and completing ten years of service with the Company or any of its subsidiaries), without a change in control, (i) the awards will be forfeited if the executive terminates employment less than one year into the performance period and (ii) the awards will be eligible to vest on a prorated basis (based on the number of days employed during the performance period) if the executive's employment is terminated more than one year into the performance period.

Pursuant to RSU agreements governing the RSUs granted to the named executive officers under the 2012–2015 PEP plans, (1) in the event the executive officer's employment terminates by reason of retirement (defined under such agreements as resignation from service (i) after attaining 65 years of age or (ii) after attaining 55 years of age and completing ten years of service with the Company or any of its subsidiaries), the executive shall become vested in any unvested RSUs, and such RSUs shall continue to be payable on each applicable vesting date that occurs following their retirement, and (2) in the event of the executive's death or disability (as defined under Section 409A of the Internal Revenue Code), all unvested RSUs shall immediately vest.

Additional information regarding applicable payments under such agreements for the named executive officers is provided under Potential Payments Upon Termination or Change in Control.

***Severance Benefits***

In connection with the Merger, we entered into employment agreements with Messrs. Johnson, Hazen, Hall and certain other members of senior management to help ensure the retention of those executives critical to the future success of the Company. Among other things, these agreements set the executives' compensation terms, their rights and benefits upon a termination of employment, and restrictive covenants around non-competition, non-solicitation, and confidentiality. Messrs. Rutherford and Foster do not have employment agreements but are covered under our Executive Severance Policy. We believe that reasonable severance benefits are appropriate in order to be competitive in our executive retention efforts. These benefits should reflect the fact that it may be difficult for such executives to find comparable employment within a short period of time. Finally, we believe formalized severance arrangements are common benefits offered by employers competing for similar senior executive talent.

***Severance Benefits for Messrs. Johnson, Hazen and Hall***

Under the Company's employment agreements with Messrs. Johnson, Hazen and Hall, if employment is terminated by the Company without cause or by the executive for good reason (whether or not the termination was in connection with a change in control), the executive would be entitled to receive:

any base salary and any bonus that is earned and unpaid through the date of termination;

reimbursement of any unreimbursed business expenses properly incurred by the executive; and

such employee benefits, if any, to which the executive may be entitled under our employee benefit plans (the payments and benefits described above being Accrued Rights )

---

**Table of Contents**

plus:

Subject to restrictive covenants and the signing of a general release of claims, an amount equal to two times for Messrs. Hazen and Hall and three times in the case of Mr. Johnson the sum of base salary plus the annual PEP incentive paid or payable in respect of the fiscal year immediately preceding the fiscal year in which termination occurs, payable over a two year period;

Pro rata portion of any annual bonus that the executive would have been entitled to receive pursuant to the employment agreement based upon our actual results for the year of termination (with such proration based on the percentage of the fiscal year that shall have elapsed through the date of termination of employment, payable to the executive when the annual bonus would have been otherwise payable (the Pro Rata Bonus )); and

Continued coverage under our group health plans during the period over which the cash severance is paid.

Cause is defined in each employment agreement as an executive's (i) willful and continued failure to perform his material duties to the Company which continues beyond 10 business days after a written demand for substantial performance is delivered; (ii) willful or intentional engagement in material misconduct that causes material and demonstrable injury, monetarily or otherwise, to the Company or the Sponsors; (iii) conviction of, or a plea of *nolo contendere* to, a crime constituting a felony, or a misdemeanor for which a sentence of more than six months imprisonment is imposed; or (iv) willful and material breach of his covenants under the employment agreement which continues beyond the designated cure period or of the agreements relating to the new equity.

Good Reason is defined as (i) a reduction in the executive's base salary (other than a general reduction that affects all similarly situated employees in substantially the same proportions which is implemented by the Board in good faith after consultation with the chief executive officer and chief operating officer), a reduction in the executive's annual incentive compensation opportunity, or the reduction of benefits payable to the executive under the SERP; (ii) a substantial diminution in the executive's title, duties and responsibilities; or (iii) a transfer of the executive's primary workplace to a location that is more than 20 miles from his or her current workplace (other than, in the case of (i) and (ii), any isolated, insubstantial and inadvertent failure that is not in bad faith and is cured within 10 business days after the executive's written notice to the Company).

Additionally, following a termination without a change in control, unvested options and SARs will be forfeited; however, stock options granted while the Company was privately held will remain exercisable until the first anniversary of the termination of the executive's employment. Pursuant to the terms of the agreements governing the stock options and SARs granted in 2011-2016, the vested portions of such awards will remain exercisable for 180 days following such termination of the executive's employment by the Company without cause or by the executive for good reason (as each is defined in the applicable award agreement).

Pursuant to the agreements governing the PSU awards granted to Messrs. Johnson, Hazen and Hall, in the event of a termination without a change in control, (i) the awards will be forfeited if the executive terminates employment less than one year into the performance period and (ii) the awards will be eligible to vest on a prorated basis (based on the number of days employed during the performance period and the Company's actual performance during the performance period) if the executive's employment is terminated more than one year into the performance period on account of death, disability, retirement, or involuntary termination without cause or by the executive for good reason (as each is defined in the applicable award agreement).

---

**Table of Contents**

*Severance Benefits for Messrs. Rutherford and Foster*

Under the Company's Executive Severance Policy applicable to Messrs. Rutherford and Foster, if employment is terminated involuntarily by the Company (other than for a reason that would result in him not being eligible for rehire), by Messrs. Rutherford or Foster for good reason (as defined below), or as a result of, and after, a change in control (as defined under Section 409A of the Internal Revenue Code), Messrs. Rutherford and Foster would be entitled to:

Subject to the signing of a separation agreement and general release (which is required unless his termination is part of a planned reduction involving a group or class of employees), an amount equal to twenty-four (24) months of his base salary in a lump sum payment at his current base salary rate;

Pro-rata PEP bonus; and

A lump sum payment equal to the amount needed in order to continue his existing medical coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (COBRA) for eighteen (18) months.

*Good Reason* under the Executive Severance Policy is defined as actions taken by the Company that result in a materially negative change to the executive, such as the duties to be performed, the conditions under which duties are performed, or the compensation received. Isolated or inadvertent failure by the Company that is not in bad faith and is remedied within ten business days of written notice from an executive does not constitute good reason.

Additionally, pursuant to the agreements governing Messrs. Rutherford and Foster's option and SAR awards and the RSU awards granted to Mr. Rutherford in 2012 and 2013, unvested awards will be forfeited following a termination without a change in control; however, vested options and SARs will remain exercisable for 180 days following a termination of the executive's employment by the Company without cause or by the executive for good reason (as each is defined in the award agreement).

Pursuant to the agreements governing the PSU awards granted to Messrs. Rutherford and Foster, in the event of a termination without a change in control, (i) the awards will be forfeited if the executive terminates employment less than one year into the performance period and (ii) the awards will be eligible to vest on a prorated basis (based on the number of days employed during the performance period) if the executive's employment is terminated more than one year into the performance period on account of death, disability, retirement, or involuntary termination without cause or by the executive for good reason (as each is defined in the applicable award agreement).

Because we believe a termination by the executive for good reason (a constructive termination) is conceptually the same as an actual termination by the Company without cause, we believe it is appropriate to provide severance benefits following such a constructive termination of the named executive officer's employment. All of our severance provisions are believed to be within the realm of competitive practice and are intended to provide fair and reasonable compensation to the executive upon a termination event.

Additional information regarding applicable payments under such agreements and policies for the named executive officers is provided under Narrative Disclosure to Summary Compensation Table and 2015 Grants of Plan-Based Awards Table Employment Agreements and Potential Payments Upon Termination or Change in Control.

***Change in Control Benefits***

The Committee believes that the potential acceleration of vesting described below is appropriate in order to provide security that equity-related consideration will be earned in the event the Company is sold or the subject of a hostile takeover. The absence of such an agreement could impact an employee's willingness to work through a merger transaction which could be beneficial to our stockholders.

---

**Table of Contents**

Beginning in 2015, SAR and PSU awards granted to the named executive officers under the Stock Incentive Plan are subject to a double-trigger for accelerated vesting under certain change in control scenarios; further, the change in control definition applicable to such awards was refined to reflect the reduced ownership of the Company's Sponsors.

Pursuant to the award agreements governing the post IPO equity awards granted under the Stock Incentive Plan from 2011-2014, upon a Change in Control of the Company (as defined below), all unvested time vesting awards (that have not otherwise terminated or become exercisable) shall become immediately exercisable, and all unvested EBITDA awards (that have not otherwise terminated or become exercisable) shall also become immediately exercisable.

For purposes of the stock options granted in 2011 and the 2012, 2013 and 2014 SARs, "Change in Control" shall mean, in lieu of any definition contained in the Stock Incentive Plan: (i) the sale or disposition, in one or a series of related transactions, of all or substantially all of the assets of the Company to any person or group other than, as of the date of determination, (A) any and all of an employee benefit plan (or trust forming a part thereof) maintained by (1) the Company or (2) any corporation or other person of which a majority of its voting power of its voting equity securities or equity interest is owned, directly or indirectly, by the Company; (B) Hercules Holding, but only for so long as Hercules Holding continues to hold at least 30% of the voting power of the Company's voting equity securities, or (C) any Equity Sponsor (as defined in the Company's Amended and Restated Certificate of Incorporation dated as of March 8, 2011), but only for so long as the Equity Sponsors, in the aggregate, continue to hold at least 30% of the voting power of the Company's voting equity securities (any of the foregoing, "Permitted Holders"); or (ii) any person or group, other than the Permitted Holders, becomes the beneficial owner (as such term is defined in Rule 13d-3 under the Exchange Act (or any successor rule thereto)) (except that a person shall be deemed to have beneficial ownership of all shares that any such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 50% of the total voting power of the voting stock of the Company (or any entity which controls the Company), including by way of merger, consolidation, tender or exchange offer or otherwise; or (iii) a reorganization, recapitalization, merger or consolidation (a "Corporate Transaction") involving the Company, unless securities representing more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the Company or the corporation resulting from such Corporate Transaction (or the parent of such corporation) are beneficially owned subsequent to such transaction by the person or persons who were the beneficial owners of the outstanding voting securities entitled to vote generally in the election of directors of the Company immediately prior to such Corporate Transaction, in substantially the same proportions as their ownership immediately prior to such Corporate Transaction; or (iv) during any period of 12 months, individuals who at the beginning of such period constituted the Board (together with any new directors whose election by such Board or whose nomination for election by the stockholders of the Company was approved by a vote of a majority of the directors of the Company, then still in office, who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board then in office.

Pursuant to the RSU agreements governing the RSUs granted to the named executive officers under the 2013 PEP, 2014 PEP and 2015 PEP, upon a Change in Control (as defined immediately above and refined in 2015 to reflect the reduced ownership of the Company's Sponsors), all unvested RSUs shall immediately vest.

Additional information regarding applicable payments under such agreements for the named executive officers is provided under "Narrative Disclosure to Summary Compensation Table and 2015 Grants of Plan-Based Awards Table," "Employment Agreements" and "Potential Payments Upon Termination or Change in Control."

## **Table of Contents**

### ***Recoupment of Compensation***

The Company can recoup (or clawback ) incentive compensation pursuant to our 2013 PEP, 2014 PEP and 2015 PEP that was based on (i) achievement of financial results that are subsequently the subject of a restatement due to material noncompliance with any financial reporting requirement under either generally accepted accounting principles or federal securities laws, other than as a result of changes to accounting rules and regulations, or (ii) a subsequent finding that the financial information or performance metrics used by the Committee to determine the amount of the incentive compensations are materially inaccurate, in each case regardless of individual fault. In addition, the Company may recover any incentive compensation awarded or paid pursuant to this policy based on the participant s conduct which is not in good faith and which materially disrupts, damages, impairs or interferes with the business of the Company and its affiliates. The Committee may also provide for incremental additional payments to then-current executives in the event any restatement or error indicates that such executives should have received higher performance-based payments. This policy is administered by the Committee in the exercise of its discretion and business judgment based on the relevant facts and circumstances.

### ***Tax and Accounting Implications***

The Committee considers the impact of Section 162(m) of the Internal Revenue Code in the design of its compensation strategies. Under Section 162(m), compensation paid to executive officers in excess of \$1,000,000 cannot be taken by us as a tax deduction unless the compensation qualifies as performance-based compensation. The design of the Company s PEP and other incentive compensation is intended to constitute performance-based compensation for purposes of Section 162(m) of the Internal Revenue Code. We have determined, however, that we will not necessarily seek to limit executive compensation to amounts deductible under Section 162(m) if we believe such limitation is not in the best interests of our stockholders. While considering the tax implications of its compensation decisions, the Committee believes its primary focus should be to attract, retain and motivate executives and to align the executives interests with those of our stakeholders.

The Committee operates its compensation programs with the good faith intention of complying with Section 409A of the Internal Revenue Code. We account for stock based payments with respect to our long-term equity incentive award programs in accordance with the requirements of FASB ASC 718.

### **Compensation Committee Report**

The Compensation Committee has reviewed and discussed the foregoing Compensation Discussion and Analysis with management. Based on our review and discussion with management, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Jay O. Light, Chairperson

Ann H. Lamont

Geoffrey G. Meyers



**Table of Contents****2015 Summary Compensation Table**

The following table sets forth information regarding the compensation earned by the Chief Executive Officer, the Chief Financial Officer and our other three most highly compensated executive officers during 2015.

Name and Principal Positions	Year	Salary (\$)	Stock Awards \$(1)	Option/ Stock	Non-Equity	Changes in Pension	All Other Compensation \$(5)	Total (\$)
				Appreciation Right Awards \$(2)	Incentive Plan Compensation \$(3)	Value and Nonqualified Deferred Compensation \$(4)		
R. Milton Johnson Chairman and Chief Executive Officer	2015	\$ 1,283,309	\$ 4,303,104	\$ 4,062,708	\$ 4,303,094	\$ 3,794,546	\$ 18,000	\$ 17,764,761
	2014	\$ 1,099,979		\$ 6,906,384	\$ 2,830,944	\$ 3,766,209	\$ 21,997	\$ 14,625,513
	2013	\$ 899,983		\$ 5,385,738	\$ 1,411,020		\$ 21,707	\$ 7,718,448
William B. Rutherford Executive Vice President and Chief Financial Officer	2015	\$ 714,570	\$ 1,013,712	\$ 963,591	\$ 1,341,066		\$ 128,380	\$ 4,161,319
	2014	\$ 599,989		\$ 1,608,336	\$ 827,224		\$ 91,879	\$ 3,127,428
Samuel N. Hazen Chief Operating Officer	2015	\$ 945,815	\$ 1,620,560	\$ 1,536,537	\$ 2,034,721	\$ 845,827	\$ 18,000	\$ 7,001,460
	2014	\$ 899,983		\$ 3,122,064	\$ 1,489,003	\$ 2,761,695	\$ 17,500	\$ 8,290,245
	2013	\$ 850,000		\$ 3,148,585	\$ 1,132,736		\$ 17,500	\$ 5,148,821
Jon M. Foster President American Group	2015	\$ 763,781	\$ 662,016	\$ 625,032	\$ 1,083,570	\$ 1,098,555	\$ 18,000	\$ 4,250,954
	2014	\$ 748,736		\$ 1,419,120	\$ 1,034,030	\$ 1,363,068	\$ 19,286	\$ 4,584,240
	2013	\$ 729,153		\$ 2,071,438	\$ 922,048	\$ 469,986	\$ 23,210	\$ 4,215,835
Charles J. Hall President National Group	2015	\$ 763,782	\$ 662,016	\$ 625,032	\$ 1,117,222		\$ 18,000	\$ 3,186,052
	2014	\$ 750,000		\$ 1,419,120	\$ 1,034,050	\$ 1,208,247	\$ 17,500	\$ 4,428,917
	2013	\$ 750,000		\$ 1,822,865	\$ 787,009		\$ 17,500	\$ 3,377,374

- (1) All amounts for 2015 are attributable to PSU awards. PSU awards for 2015 include the aggregate grant date fair value of the PSUs granted during fiscal year 2015 in accordance with FASB ASC 718 as awarded to the named executive officers under the Stock Incentive Plan.
- (2) SAR awards for 2015 include the aggregate grant date fair value of the SARs granted during fiscal year 2015 in accordance with FASB ASC 718 as awarded to the named executive officers under the Stock Incentive Plan. Assumptions used in the calculations of these amounts are set forth in Note 2 to our consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015.
- (3) Non-Equity Incentive Plan Compensation for 2015 reflects amounts earned for the year ended December 31, 2015 under the 2015 PEP, which amounts were paid in cash up to the target level and 50% in cash and 50% through the grant of RSU awards in the first quarter of 2016 for amounts in excess of target, pursuant to the terms of the 2015 PEP. With respect to the EBITDA weighted portion of the 2015 PEP, the Company achieved its maximum performance level, as adjusted, resulting in a 200% of target payout for the named executive officers, with the exception of Mr. Foster, whose EBITDA weighted portion was paid out at 186.20% of his target amount, due to the 50% of his PEP based on the EBITDA of the American Group, which exceeded the target performance level but did not reach the maximum performance level. With respect to the quality weighted portion of the 2015 PEP, the Company exceeded the target level for all metrics, other than the Core Measures Grand Composite metric which exceeded the threshold level but did not reach target level, resulting in an approximate 164.73% of target payout for the quality weighted portion of the 2015 PEP. Therefore, pursuant to the terms of the 2015 PEP, awards under the 2015 PEP were paid out to the named executive officers at 194.71% of each named executive officer's respective target amount, with exception of Mr. Foster, whose award was paid out at 188.85% of his target amount.

**Table of Contents**

- (4) All amounts for 2015 are attributable to changes in value of the SERP benefits. Assumptions used to calculate these figures are provided under the table titled 2015 Pension Benefits. The changes in the SERP benefit value during 2015 were impacted mainly by: (i) the passage of time which reflects another year of pay and service plus actual investment return and (ii) the discount rate changing from 3.42% to 3.74%, which resulted in a decrease in the value. The impact of these events on the SERP benefit values was:

	Johnson	Hazen	Foster	Hall
Passage of Time	\$ 4,732,270	\$ 1,658,507	\$ 1,447,566	\$ 46,991
Discount Rate Change	\$ (937,724)	\$ (812,680)	\$ (349,011)	\$ (475,642)

- (5) 2015 amounts consist of matching Company contributions to our 401(k) Plan and Company accruals for the HCA Restoration Plan as set forth below.

	Johnson	Rutherford	Hazen	Foster	Hall
HCA 401(k) matching contribution	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000
HCA Restoration Plan		\$ 110,380			

**2015 Grants of Plan-Based Awards**

The following table provides information with respect to awards made under our Stock Incentive Plan and 2015 PEP during the 2015 fiscal year.

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (\$)(1)			Estimated Possible Payouts Under Equity Incentive Plan Awards (#)(2)			All Other Awards: Number of Securities Underlying Options/SARs(3)	Exercise or Base Price of Option/SAR Awards (\$/sh)	Grant Date Fair Value of Stock/Option/SAR Awards
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)			
R. Milton Johnson	2/4/2015							156,000	\$ 68.96	\$ 4,062,708
R. Milton Johnson	2/4/2015				15,600	62,400	124,800			\$ 4,303,104
R. Milton Johnson	N/A	\$ 469,625	\$ 2,210,000	\$ 4,420,000						
William B. Rutherford	2/4/2015							37,000	\$ 68.96	\$ 963,591
William B. Rutherford	2/4/2015				3,675	14,700	29,400			\$ 1,013,712
William B. Rutherford	N/A	\$ 146,359	\$ 688,750	\$ 1,377,500						
Samuel N. Hazen	2/4/2015							59,000	\$ 68.96	\$ 1,536,537
Samuel N. Hazen	2/4/2015				5,875	23,500	47,000			\$ 1,620,560
Samuel N. Hazen	N/A	\$ 222,063	\$ 1,045,000	\$ 2,090,000						
Jon M. Foster	2/4/2015							24,000	\$ 68.96	\$ 625,032
Jon M. Foster	2/4/2015				2,400	9,600	19,200			\$ 662,016
Jon M. Foster	N/A	\$ 121,930	\$ 573,788	\$ 1,147,575						
Charles J. Hall	2/4/2015							24,000	\$ 68.96	\$ 625,032
Charles J. Hall	2/4/2015				2,400	9,600	19,200			\$ 662,016
Charles J. Hall	N/A	\$ 121,930	\$ 573,788	\$ 1,147,575						

- (1) Non-equity incentive awards granted to each of the named executive officers pursuant to our 2015 PEP for the 2015 fiscal year, as described in more detail under Compensation Discussion and Analysis Elements of Compensation Annual Incentive Compensation: PEP. The amounts shown in the Threshold column reflect the threshold payment, which represents 25% of the amount shown in the Target column with respect to the 85% of the 2015 PEP subject to 2015 EBITDA performance and 0% of the amount shown in the Target column with respect to the 15% of the 2015 PEP subject to 2015 quality metrics performance. The amount shown in the Maximum column is 200% of the target amount. With respect to the EBITDA weighted portion of the 2015 PEP, the Company achieved its maximum performance level, as adjusted, resulting in a 200% of target payout for the named executive officers, with the exception of Mr. Foster, whose EBITDA weighted portion was paid out at 186.20% of his target amount, due to the 50% of his PEP based on the EBITDA of the American Group, which exceeded the target performance level but did not reach the maximum performance level. With respect to the

## Edgar Filing: HCA Holdings, Inc. - Form DEF 14A

quality weighted portion of the 2015 PEP, the Company exceeded the target level for all metrics, other than the Core Measures Grand Composite metric which exceeded the threshold level but did not reach the target level,

**Table of Contents**

resulting in an approximate 164.73% of target payout for the quality weighted portion of the 2015 PEP. Therefore, pursuant to the terms of the 2015 PEP, awards under the 2015 PEP were paid out to the named executive officers at 194.71% of each named executive officer's respective target amount, with exception of Mr. Foster, whose award was paid out at 188.85% of his target amount. Under the 2015 PEP for the 2015 fiscal year, Messrs. Johnson, Rutherford, Hazen, Foster and Hall received cash payments of \$3,256,594, \$1,014,936, \$1,539,891, \$828,700 and \$845,552, respectively, and approximately \$1,046,500, \$326,130, \$494,830, \$254,870 and \$271,670, respectively, payable in RSU awards at a grant price of \$70.00 (the close price of our common stock on the NYSE on February 25, 2016), in accordance with the 2015 PEP and our equity award policy, which RSU awards will vest 50% on the second anniversary of the grant date and 50% on the third anniversary of the grant date. Such amounts are reflected in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.

- (2) PSUs awarded under the Stock Incentive Plan by the Committee as part of the named executive officer's long-term equity incentive award. The 2015 PSUs vest based upon achievement of a cumulative earnings per share goal for fiscal years 2015-2017. The amounts shown in the Threshold column reflect the number of PSUs that will vest upon achievement of 80% of Target EPS, which represents 25% of the amount shown in the Target column. The amounts shown in the Target column reflect the number of PSUs that will vest upon achievement of Target EPS. The amounts shown in the Maximum column reflect the number PSUs will vest upon achievement of 120% of Target EPS or greater, which represents 200% of the target amount. The terms of the 2015 PSUs are described in more detail under Compensation Discussion and Analysis Elements of Compensation Long-Term Equity Incentive Awards: Performance Share Units. The aggregate grant date fair value of the 2015 PSUs in accordance with FASB ASC 718 is reflected in the Stock Awards column of the Summary Compensation Table.
- (3) SARs awarded under the Stock Incentive Plan by the Committee as part of the named executive officer's long-term equity incentive award. The 2015 SARs vest based upon continued employment, in four equal installments on the first four anniversaries of the grant date. The 2015 SARs are reflected in the All Other Option Awards: Number of Securities Underlying Options/SARs column. The terms of the 2015 SARs are described in more detail under Compensation Discussion and Analysis Elements of Compensation Long-Term Equity Incentive Awards: Stock Appreciation Rights. The aggregate grant date fair value of the 2015 SARs in accordance with FASB ASC 718 is reflected in the Option/Stock Appreciation Right Awards column of the Summary Compensation Table.

**Narrative Disclosure to Summary Compensation Table and 2015 Grants of Plan-Based Awards Table****Total Compensation**

In 2015, 2014 and 2013, total direct compensation, as described in the Summary Compensation Table, consisted primarily of base salary, annual PEP awards payable in cash, with  $\frac{1}{2}$  of payouts in excess of target paid out in RSU awards, and long-term equity incentive awards. In 2015, the long-term equity incentive awards granted to the named executive officers were structured such that  $\frac{1}{2}$  of the target award was granted in the form of time-based SARs, and the other  $\frac{1}{2}$  of the target award was granted in the form of PSUs which vest based on achievement of a three-year cumulative EPS goal. In 2013 and 2014, the named executive officers were awarded long-term equity incentive awards in the form of SARs,  $\frac{1}{2}$  of which are subject to time vesting and  $\frac{1}{2}$  of which are subject to EBITDA performance vesting conditions.

This mix was intended to reflect our philosophy that a significant portion of an executive's compensation should be equity-linked and/or tied to our operating performance. In addition, we provide an opportunity for executives to participate in two supplemental retirement plans; however, effective January 1, 2008, participants in the SERP are no longer eligible for HCA Restoration Plan contributions, although HCA Restoration Plan accounts will continue to be maintained for such participants (for additional information concerning the HCA Restoration Plan, see 2015 Nonqualified Deferred Compensation ).

---

**Table of Contents**

***Annual PEP Awards***

With respect to the 2015, 2014 and 2013 fiscal years, each named executive officer was eligible to earn under the 2015 PEP, 2014 PEP and 2013 PEP, respectively, (i) a target bonus, if performance targets were met; (ii) a specified percentage of the target bonus, if threshold levels of performance were achieved but performance targets were not met; or (iii) two times the target bonus if maximum performance goals were achieved, with the annual bonus amount being interpolated, in the sole discretion of the Committee, for performance results that exceeded threshold levels but do not meet or exceed maximum levels. The annual bonus opportunities for 2015 for the named executive officers were set forth in the 2015 PEP, as described in more detail under Compensation Discussion and Analysis Elements of Compensation Annual Incentive Compensation: PEP.

***Stock Appreciation Rights and Performance Share Units***

In February of 2015, time-based SAR awards and EPS performance-based PSU awards were granted to the named executive officers under the Stock Incentive Plan. In February 2014 and 2013, SAR awards (time and EBITDA performance-based) were granted under the Stock Incentive Plan to members of management and key employees, including the named executive officers. These SARs and PSUs were designed to be long-term equity incentive awards. The terms of the SAR and PSU awards are described in detail under Compensation Discussion and Analysis Elements of Compensation Long-Term Equity Incentive Awards.

All stock option, SAR, PSU and RSU awards held by the named executive officers are described in the Outstanding Equity Awards at 2015 Fiscal Year-End Table.

***Employment Agreements and other Compensation Arrangements***

In connection with the Merger, on November 16, 2006, Hercules Holding entered into substantially similar employment agreements with Messrs. Johnson, Hazen, Hall and certain other executives, which agreements were shortly thereafter assumed by HCA Inc., and then in November 2010, to the extent applicable, by HCA Holdings, Inc., and which agreements govern the terms of each executive's employment. Effective as of February 9, 2011, the Company entered into amendments to Messrs. Johnson and Hazen's employment agreements reflecting their new titles and new responsibilities resulting from the Company's internal reorganization, and Mr. Johnson's amendment also reflected that he shall serve as a member of the Board of Directors of the Company for so long as he is an officer of the Company. Mr. Johnson's employment agreement was further amended, effective as of January 1, 2014 and December 31, 2014, to reflect his appointment to the positions of President and Chief Executive Officer and then Chairman and Chief Executive Officer, respectively. Mr. Hazen's employment agreement was further amended, effective as of January 29, 2015, to reflect his appointment to the position of Chief Operating Officer. The employment agreements with Messrs. Johnson, Hazen and Hall were further amended effective January 27, 2016 to remove legacy language in such agreements providing that the Company and the executive would work together in good faith to try to address any issues posed by Section 280G and 4999 of the Internal Revenue Code that could arise as a result of a change in control of the Company (within the meaning of Section 280G of the Internal Revenue Code). Messrs. Rutherford and Foster do not have employment agreements with the Company.

***Employment Agreements Messrs. Johnson, Hazen and Hall***

The term of employment under Messrs. Johnson, Hazen and Hall's agreements is indefinite, and they are terminable by either party at any time; provided that the executive must give no less than 90 days notice prior to a resignation. Each employment agreement sets forth the executive's annual base salary, which will be subject to discretionary annual increases upon review by the Board of Directors, and states that the executive will be eligible to earn an annual bonus as a percentage of salary with respect to each fiscal year, based upon the extent to which annual performance targets established by the Board of Directors are achieved.

## **Table of Contents**

Additionally, pursuant to the employment agreements, we agree to indemnify each executive against any adverse tax consequences (including, without limitation, under Section 409A and 4999 of the Internal Revenue Code), if any, that result from the adjustment by us of stock options held by the executive in connection with the Merger or the future payment of any extraordinary cash dividends.

Pursuant to each employment agreement, if an executive's employment terminates due to death or disability, the executive would be entitled to receive Accrued Rights and the Pro Rata Bonus (as defined in Compensation Discussion and Analysis Severance Benefits Severance Benefits for Messrs. Johnson, Hazen and Hall ).

Further, under each employment agreement, if an executive's employment is terminated by us without Cause or by the executive for Good Reason (each as defined in the applicable employment agreement and set forth above in Compensation Discussion and Analysis Severance Benefits Severance Benefits for Messrs. Johnson, Hazen and Hall ) (each a qualifying termination ), the executive would be (i) entitled to Accrued Rights; (ii) subject to compliance with certain confidentiality, non-competition and non-solicitation covenants contained in his employment agreement and execution of a general release of claims on behalf of the Company, an amount equal to the product of (x) three in the case of Mr. Johnson and two in the case of Messrs. Hazen and Hall and (y) the sum of (A) the executive's base salary and (B) annual bonus paid or payable in respect of the fiscal year immediately preceding the fiscal year in which termination occurs, payable over a two-year period; (iii) entitled to the Pro Rata Bonus; and (iv) entitled to continued coverage under our group health plans during the period over which the cash severance described in clause (ii) is paid. The executive's stock options granted while the Company was privately held would also remain exercisable until the first anniversary of the termination of the executive's employment. However, in lieu of receiving the payments and benefits described in (ii), (iii) and (iv) immediately above, the executive may instead elect to have his or her covenants not to compete waived by us. The same severance applies regardless of whether the termination was in connection with a change in control of the Company.

Pursuant to each employment agreement, in the event of an executive's termination of employment that is not a qualifying termination or a termination due to death or disability, he will only be entitled to Accrued Rights.

### *Executive Severance Policy*

The Company's Executive Severance Policy applies to Messrs. Rutherford and Foster if their employment is terminated involuntarily by the Company (other than for a reason that would result in them not being eligible for rehire), by Messrs. Rutherford or Foster for good reason (as defined in the policy), or as a result of, and after, a change in control (as defined under Section 409A of the Internal Revenue Code). The severance benefits applicable to Messrs. Rutherford and Foster under this policy are described in more detail under Compensation Discussion and Analysis Severance Benefits Severance Benefits for Messrs. Rutherford and Foster.

Additional information with respect to potential payments to the named executive officers pursuant to their employment agreements or other compensation arrangements and the Stock Incentive Plan is contained in Potential Payments Upon Termination or Change in Control.

**Table of Contents****Outstanding Equity Awards at 2015 Fiscal Year-End**

The following table includes certain information with respect to options, SARs, PSUs and RSUs held by the named executive officers as of December 31, 2015.

Name	Number of Securities Underlying Unexercised Options and SARs		Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options and SARs		Option/SAR Exercise/ Base Price		Option/SAR Expiration Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested
	(#)(1)	(2)(3)(4)	(#)(2)	(3)(4)(5)	(6)(7)	(8)(9)			
R. Milton Johnson	562,567				\$	5.31	1/30/2017		
R. Milton Johnson	213,365				\$	13.21	10/6/2019		
R. Milton Johnson	213,356				\$	17.65	10/6/2019		
R. Milton Johnson	640,070				\$	22.64	10/6/2019		
R. Milton Johnson	371,875	53,125			\$	22.95	2/8/2022		
R. Milton Johnson	203,125	81,250	40,625		\$	37.18	2/6/2023		
R. Milton Johnson	136,875	136,875	91,250		\$	47.97	2/5/2024		
R. Milton Johnson		156,000			\$	68.96	2/4/2025		
R. Milton Johnson								3,829	\$ 258,955
R. Milton Johnson								5,155	\$ 348,633
R. Milton Johnson								62,400	\$ 4,220,112
R. Milton Johnson								9,093	\$ 614,960
William B. Rutherford	9,832				\$	5.34	2/25/2019		
William B. Rutherford	9,829				\$	7.47	2/25/2019		
William B. Rutherford	9,829				\$	11.36	2/25/2019		
William B. Rutherford	27,594				\$	5.98	8/27/2019		
William B. Rutherford	16,554				\$	6.48	8/27/2019		
William B. Rutherford	5,518				\$	10.92	8/27/2019		
William B. Rutherford	5,518				\$	15.91	8/27/2019		
William B. Rutherford	37,500				\$	17.33	11/2/2021		
William B. Rutherford	6,250				\$	21.35	11/2/2021		
William B. Rutherford	5,000				\$	22.10	11/2/2021		
William B. Rutherford	43,750	6,250			\$	22.95	2/8/2022		
William B. Rutherford	10,625	4,250	2,125		\$	37.18	2/6/2023		
William B. Rutherford	31,875	31,875	21,250		\$	47.97	2/5/2024		
William B. Rutherford		37,000			\$	68.96	2/4/2025		
William B. Rutherford								875	\$ 59,176
William B. Rutherford								2,100	\$ 142,023
William B. Rutherford								14,700	\$ 994,161
William B. Rutherford								2,657	\$ 179,693
Samuel N. Hazen	84,464				\$	13.21	10/6/2019		
Samuel N. Hazen	84,450				\$	17.65	10/6/2019		
Samuel N. Hazen	253,352				\$	22.64	10/6/2019		
Samuel N. Hazen	93,750				\$	17.33	11/2/2021		
Samuel N. Hazen	15,625				\$	21.35	11/2/2021		
Samuel N. Hazen	12,500				\$	22.10	11/2/2021		
Samuel N. Hazen	218,750	31,250			\$	22.95	2/8/2022		
Samuel N. Hazen	118,750	47,500	23,750		\$	37.18	2/6/2023		
Samuel N. Hazen	61,875	61,875	41,250		\$	47.97	2/5/2024		
Samuel N. Hazen		59,000			\$	68.96	2/4/2025		
Samuel N. Hazen								3,074	\$ 207,895
Samuel N. Hazen								4,138	\$ 279,853
Samuel N. Hazen								23,500	\$ 1,589,305
Samuel N. Hazen								4,783	\$ 323,474
Jon M. Foster	27,594				\$	5.98	8/27/2019		

Edgar Filing: HCA Holdings, Inc. - Form DEF 14A

Jon M. Foster	16,554			\$ 6.48	8/27/2019
Jon M. Foster	5,518			\$ 10.92	8/27/2019
Jon M. Foster	5,518			\$ 15.91	8/27/2019
Jon M. Foster	75,000			\$ 17.33	11/2/2021
Jon M. Foster	12,500			\$ 21.35	11/2/2021
Jon M. Foster	10,000			\$ 22.10	11/2/2021
Jon M. Foster	175,000	25,000		\$ 22.95	2/8/2022
Jon M. Foster	78,125	31,250	15,625	\$ 37.18	2/6/2023
Jon M. Foster	28,125	28,125	18,750	\$ 47.97	2/5/2024
Jon M. Foster		24,000		\$ 68.96	2/4/2025



**Table of Contents**

Name	Number of Securities Underlying Unexercised Options and SARs		Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options and SARs		Option/SAR Exercise/ Base Price (\$)(6)(7)(8)(9)(10)(11)	Option/SAR Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(12)(13)(14)(15)(16)(17)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(18)
	Exercisable (#)(1)(2)(3)(4)	Unexercisable (#)(2)(3)(4)(5)	Options and SARs(#)(2)(3)(4)	Options and SARs(#)(2)(3)(4)				
Jon M. Foster							2,667	\$ 180,369
Jon M. Foster							3,740	\$ 252,936
Jon M. Foster							9,600	\$ 649,248
Jon M. Foster							3,321	\$ 224,599
Charles J. Hall	100,023				\$ 5.31	1/30/2017		
Charles J. Hall	84,464				\$ 13.21	10/6/2019		
Charles J. Hall	84,450				\$ 17.65	10/6/2019		
Charles J. Hall	253,352				\$ 22.64	10/6/2019		
Charles J. Hall	75,000				\$ 17.33	11/2/2021		
Charles J. Hall	12,500				\$ 21.35	11/2/2021		
Charles J. Hall	10,000				\$ 22.10	11/2/2021		
Charles J. Hall	131,250	18,750			\$ 22.95	2/8/2022		
Charles J. Hall	68,750	27,500	13,750		\$ 37.18	2/6/2023		
Charles J. Hall	28,125	28,125	18,750		\$ 47.97	2/5/2024		
Charles J. Hall		24,000			\$ 68.96	2/4/2025		
Charles J. Hall							1,650	\$ 111,590
Charles J. Hall							2,264	\$ 153,114
Charles J. Hall							9,600	\$ 649,248
Charles J. Hall							3,321	\$ 224,599

- (1) Reflects (i) long-term stock options granted in January 2007 consistent with the terms of Messrs. Johnson and Hall's respective employment agreements, consisting of a one-time, multi-year stock option grant in lieu of annual long-term equity incentive award grants, one-third of which vested on the basis of time, EBITDA performance and investor return, respectively (the 2007 Options); (ii) options granted to Mr. Rutherford in February 2009 after he joined the Company consisting of a one-time, multi-year stock option grant, 1/3 of which vested on the basis of time, EBITDA performance and investor return, respectively (the February 2009 Options); (iii) options granted to Messrs. Rutherford and Foster in August 2009 consisting of a one-time, multi-year stock option grant, 1/2 of which vested on the basis of time and the other 1/2 of which vested on the basis of EBITDA performance (the August 2009 Options and together with the February 2009 Options, the 2009 Options); (iv) options granted to Messrs. Johnson, Hazen and Hall in October 2009 consistent with the terms of their employment agreements, which provided that 10% of the options initially authorized for grant under the Stock Incentive Plan would be granted to Messrs. Johnson, Hazen and Hall and certain other executives at some time before November 17, 2011 at an exercise price per share that is the equivalent of \$22.64 per share and vest on the basis of time (the 2x Time Options); (v) options granted to Messrs. Rutherford, Hazen, Foster and Hall in November 2011 which were structured such that 1/2 were time vested options (vesting in four equal installments on the first four anniversaries of the grant date) and 1/2 were EBITDA-based performance vested options (95% of which vested, comprised of the 20% that vested as of December 31, 2011 and the 25% that vested as of December 31, 2012, December 31, 2013 and December 31, 2014, respectively) (the 2011 Options); (vi) the 75% of each named executive officer's time vested 2012 SARs that vested as of February 8, 2015 and all of the named executive officer's EBITDA-based performance vested 2012 SARs that vested as of December 31, 2012, December 31, 2013, December 31, 2014 and December 31, 2015, respectively (upon the Committee's determination that the Company achieved 100% vesting level of the 2012, 2013, 2014 and 2015 EBITDA performance targets under the 2012 SARs, as adjusted); (vii) the 50% of each named executive officer's time vested 2013 SARs vested as of February 6, 2015 and the 75% of the named executive officer's EBITDA-based performance vested 2013 SARs that vested as of December 31, 2013, December 31, 2014 and December 31, 2015, respectively (upon the Committee's determination that the Company achieved 100% vesting level of the 2013, 2014 and 2015 EBITDA performance targets under the 2013 SARs, as adjusted); and (viii) the 25% of each named executive officer's time vested 2014 SARs that vested February 5, 2015 and the 50% of the named executive officer's EBITDA-based performance

**Table of Contents**

vested 2014 SARs that vested as of December 31, 2014 and December 31, 2015 (upon the Committee's determination that the Company achieved 100% vesting level of the 2014 and 2015 EBITDA performance targets under the 2014 SARs, as adjusted).

- (2) Reflects 2012 SARs awarded in February 2012 under the Stock Incentive Plan as part of the named executive officer's long-term equity incentive award. The 2012 SARs are structured so that  $\frac{1}{2}$  are time vested (vesting in four equal installments on the first four anniversaries of the grant date) and  $\frac{1}{2}$  are EBITDA-based performance vested (with up to 25% vesting at the end of each of fiscal years 2012, 2013, 2014 and 2015). Of the time vested 2012 SARs, 25% are reflected in the Number of Securities Underlying Unexercised Options Unexercisable column. Of the time vested 2012 SARs and EBITDA-based performance vested 2012 SARs, 75% and 100%, respectively, are reflected in the Number of Securities Underlying Unexercised Options and SARs Exercisable column.
- (3) Reflects 2013 SARs awarded in February 2013 under the Stock Incentive Plan as part of the named executive officer's long-term equity incentive award. The 2013 SARs are structured so that  $\frac{1}{2}$  are time vested (vesting in four equal installments on the first four anniversaries of the grant date) and  $\frac{1}{2}$  are EBITDA-based performance vested (with up to 25% vesting at the end of each of fiscal years 2013, 2014, 2015 and 2016 upon the Committee's determination of the extent to which certain EBITDA performance targets have been met for the applicable fiscal year). The time vested 2013 SARs are reflected in the Number of Securities Underlying Unexercised Options Unexercisable column (with the exception of 50% of the time vested 2013 SARs that were vested as of February 6, 2015, which are reflected in the Number of Securities Underlying Unexercised Options and SARs Exercisable column), and the EBITDA-based performance vested 2013 SARs are reflected in the Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options and SARs column (with the exception of the 75% of the EBITDA-based performance vested 2013 SARs that were vested as of December 31, 2015, which are reflected in the Number of Securities Underlying Unexercised Options and SARs Exercisable column).
- (4) Reflects 2014 SARs awarded in February 2014 under the Stock Incentive Plan as part of the named executive officer's long-term equity incentive award. The 2014 SARs are structured so that  $\frac{1}{2}$  are time vested (vesting in four equal installments on the first four anniversaries of the grant date) and  $\frac{1}{2}$  are EBITDA-based performance vested (with up to 25% vesting at the end of each of fiscal years 2014, 2015, 2016 and 2017 upon the Committee's determination of the extent to which certain EBITDA performance targets have been met for the applicable fiscal year). The time vested 2014 SARs are reflected in the Number of Securities Underlying Unexercised Options Unexercisable column (with the exception of 25% of the time vested 2014 SARs that were vested as of February 5, 2015, which are reflected in the Number of Securities Underlying Unexercised Options and SARs Exercisable column), and the EBITDA-based performance vested 2014 SARs are reflected in the Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options and SARs column (with the exception of the 50% of the EBITDA-based performance vested 2014 SARs that were vested as of December 31, 2015, which are reflected in the Number of Securities Underlying Unexercised Options and SARs Exercisable column).
- (5) Reflects 2015 SARs awarded in February 2015 under the Stock Incentive Plan as part of the named executive officer's long-term equity incentive award. The 2015 SARs are structured as time vested (vesting in four equal installments on the first four anniversaries of the grant date). The 2015 SARs are reflected in the Number of Securities Underlying Unexercised Options Unexercisable column. The terms of the 2015 SARs are described in more detail under Narrative Disclosure to Summary Compensation Table and 2015 Grants of Plan-Based Awards Table.
- (6) The exercise price for the 2007 Options granted under the Stock Incentive Plan to Messrs. Johnson and Hall on January 30, 2007 was equal to the fair value of our common stock on the date of the grant, as determined by our Board of Directors in consultation with our Chief Executive Officer and other advisors, pursuant to the terms of the Stock Incentive Plan. Pursuant to the 2007 Options award agreements, in connection with

---

**Table of Contents**

the distributions of \$3.88, \$1.11 and \$4.44, respectively, per share of outstanding common stock and outstanding vested stock options held on the February 1, May 6 and November 24, 2010 record dates, respectively (the 2010 Distributions ), the Company reduced the per share exercise price of any unvested 2007 Options outstanding as of the applicable record dates by the per share distribution amount to the extent the per share exercise price could be reduced under applicable tax rules. With respect to the November 24, 2010 distribution and pursuant to the 2007 Option award agreements, to the extent the per share exercise price could not be reduced by the full \$4.44 per share distribution, the Company paid the named executive officers an amount on a per share basis equal to the balance of the per share distribution amount not permitted to be applied to reduce the exercise price of the applicable option in respect of each share of common stock subject to such unvested option outstanding as of the November 24, 2010 record date upon the vesting of such option. Pursuant to the 2007 Options award agreements, in connection with the distributions of \$2.00, \$2.50 and \$2.00, respectively, per share of outstanding common stock and outstanding vested stock options held on the February 16, November 2 and December 17, 2012 record dates, respectively (the 2012 Distributions ), the Company could not reduce the per share exercise price of any unvested 2007 Options outstanding as of the applicable record dates by the per share distribution amount due to applicable tax rules. The Company paid the named executive officers an amount on a per share basis equal to the balance of the per share distribution amount not permitted to be applied to reduce the exercise price of the applicable option in respect of each share of common stock subject to such unvested options outstanding as of the February 16, November 2 and December 17, 2012 record dates, respectively, upon the vesting of such option.

- (7) The exercise price for the February 2009 Options granted under the Stock Incentive Plan to Mr. Rutherford on February 25, 2009 was \$11.36. Pursuant to the February 2009 Options award agreement, in connection with the 2010 Distributions, the Company reduced the per share exercise price of any unvested February 2009 Options outstanding as of the applicable record dates by the per share distribution amount to the extent the per share exercise price could be reduced under applicable tax rules. With respect to the November 24, 2010 distribution and pursuant to the February 2009 Option award agreement, to the extent the per share exercise price could not be reduced by the full \$4.44 per share distribution, the Company paid the named executive officer an amount on a per share basis equal to the balance of the per share distribution amount not permitted to be applied to reduce the exercise price of the applicable option in respect of each share of common stock subject to such unvested option outstanding as of the November 24, 2010 record date upon the vesting of such option. Pursuant to the February 2009 Options award agreement, in connection with the 2012 Distributions, the Company could not reduce the per share exercise price of any unvested February 2009 Options outstanding as of the applicable record dates by the per share distribution amount due to applicable tax rules. The Company paid the named executive officer an amount on a per share basis equal to the balance of the per share distribution amount not permitted to be applied to reduce the exercise price of the applicable option in respect of each share of common stock subject to such unvested options outstanding as of the February 16, November 2 and December 17, 2012 record dates, respectively, upon the vesting of such option.
- (8) The exercise price for the August 2009 Options granted under the Stock Incentive Plan to Messrs. Rutherford and Foster on August 27, 2009 was \$15.91. Pursuant to the award agreement governing the August 2009 Options, in connection with the 2010 Distributions, the Company reduced the per share exercise price of any unvested 2009 Option outstanding as of the applicable record dates by the per share distribution amount to the extent the per share exercise price could be reduced under applicable tax rules. Pursuant to the award agreements governing the August 2009 Options, in connection with the 2012 Distributions, the Company reduced the per share exercise price of any unvested August 2009 Options outstanding as of the applicable record dates by the per share distribution amount to the extent the per share exercise price could be reduced under applicable tax rules. With respect to the 2012 Distribution and pursuant to the August 2009 Options award agreements, the Company paid the named executive officers an amount on a per share basis equal to the balance of the per share distribution amount not permitted to be applied to reduce the exercise price of the applicable option in respect of each share of common stock

**Table of Contents**

subject to such unvested options outstanding as of the February 16, November 2 and December 17, 2012 record dates, respectively, upon the vesting of such options.

- (9) The exercise price for the 2x Time Options granted under the Stock Incentive Plan to Messrs. Johnson, Hazen and Hall on October 6, 2009 was \$22.64, pursuant to the named executive officers' employment agreements. Pursuant to the 2x Time Option award agreements, in connection with the 2010 Distributions, the Company reduced the per share exercise price of any unvested 2x Time Options outstanding as of the applicable record dates by the per share distribution amount to the extent the per share exercise price could be reduced under applicable tax rules.
- (10) The exercise price for the 2011 Options granted under the Stock Incentive Plan to Messrs. Rutherford, Hazen, Foster and Hall on November 2, 2011 was \$23.35. Pursuant to the award agreement governing the 2011 Options, in connection with the 2012 Distributions, the Company reduced the per share exercise price of any unvested 2011 Option outstanding as of the applicable record dates by the per share distribution amount to the extent the per share exercise price could be reduced under applicable tax rules. With respect to the November 2, 2012 distribution and pursuant to the 2011 Options award agreements, to the extent the per share exercise price could not be reduced by the full \$2.50 per share distribution, the Company has paid the named executive officers an amount on a per share basis equal to the balance of the per share distribution amount not permitted to be applied to reduce the exercise price of the applicable option in respect of each share of common stock subject to such unvested option outstanding as of the November 2, 2012 record date upon the vesting of such option. Also in connection with the November 2, 2012 distribution, the option exercise price of the vested 2011 Options was reduced by 50% of the \$2.50 distribution, consistent with applicable tax rules, and a cash payment was made equal to 50% of the \$2.50 distribution.
- (11) The base price for the 2012 SARs granted under the Stock Incentive Plan to the named executive officers on February 8, 2012 was \$28.97. Pursuant to the award agreement governing the 2012 SARs, in connection with the 2012 Distributions, the Company reduced the per share base price of any unvested 2012 SAR award outstanding as of the applicable record dates by the per share distribution amount to the extent the per share base price could be reduced under applicable tax rules. With respect to the November 2, 2012 distribution and pursuant to the 2012 SAR award agreements, to the extent the per share base price could not be reduced by the full \$2.50 per share distribution, the Company has paid and will continue to pay the named executive officers an amount on a per share basis equal to the balance of the per share distribution amount not permitted to be applied to reduce the base price of the applicable SARs outstanding as of the November 2, 2012 record date upon the vesting of such awards.
- (12) Reflects unvested RSUs awarded to Mr. Rutherford in February 2012 under the Stock Incentive Plan. The 2012 RSUs are structured so that  $\frac{1}{2}$  are time vested (vesting in four equal installments on the first four anniversaries of the grant date) and  $\frac{1}{2}$  were EBITDA-based performance vested (which vested at the end of fiscal years 2012, 2013, 2014 and 2015).
- (13) Reflects unvested RSUs awarded to Mr. Rutherford in February 2013 under the Stock Incentive Plan. The 2013 RSUs are structured so that  $\frac{1}{2}$  are time vested (vesting in four equal installments on the first four anniversaries of the grant date) and  $\frac{1}{2}$  are EBITDA-based performance vested (with up to 25% vesting at the end of each of fiscal years 2013, 2014, 2015 and 2016 upon the Committee's determination of the extent to which certain EBITDA performance targets have been met for the applicable fiscal year).
- (14) Reflects  $\frac{1}{2}$  of the RSUs awarded to Messrs. Johnson, Hazen, Foster and Hall in February 2013 under the 2012 PEP for performance in excess of the target performance level, reflecting 50% of the value of each executive's 2012 PEP payment in excess of their respective target payment level. The remaining  $\frac{1}{2}$  of these RSUs will vest on the third anniversary of their February 25, 2013 grant date.
- (15) Reflects RSUs awarded to Messrs. Johnson, Hazen, Foster and Hall in February 2014 under the 2013 PEP for performance in excess of the target performance level, reflecting 50% of the value of each executive's

**Table of Contents**

2013 PEP payment in excess of their respective target payment level. These RSU awards will vest in two equal installments on the second and third anniversaries of their February 25, 2014 grant date.

- (16) Reflects PSUs awarded to Messrs. Johnson, Rutherford, Hazen, Foster and Hall in February 2015 under the 2015 long-term equity incentive awards structured to vest based upon achievement of a cumulative earnings per share goal for fiscal years 2015–2017. These PSU awards will be eligible to vest at the end of fiscal year 2017 upon the Committee’s determination of the extent to which the three-year cumulative EPS target has been met.
- (17) Reflects RSUs awarded to Messrs. Johnson, Rutherford, Hazen, Foster and Hall in February 2015 under the 2014 PEP for performance in excess of the target performance level, reflecting 50% of the value of each executive’s 2014 PEP payment in excess of their respective target payment level. These RSU awards will vest in two equal installments on the second and third anniversaries of their February 25, 2015 grant date.
- (18) The market value of the unvested RSUs and PSUs is calculated at \$67.63 per share (the closing price of the Company’s common stock on the NYSE on December 31, 2015).

**Option Exercises and Stock Vested in 2015**

The following table includes certain information with respect to options exercised by the named executive officers during the fiscal year ended December 31, 2015.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise(1)	Value Realized on Exercise \$(2)	Number of Shares Acquired on Vesting(3)	Value Realized on Vesting \$(4)
R. Milton Johnson	581,942	\$ 41,815,075	3,829	\$ 271,782
William B. Rutherford			3,150	\$ 218,862
Samuel N. Hazen	360,000	\$ 25,670,124	3,073	\$ 218,122
Jon M. Foster	108,010	\$ 7,696,068	2,667	\$ 189,304
Charles J. Hall	362,026	\$ 23,674,600	1,650	\$ 117,117

- (1) Messrs. Johnson, Hazen and Foster elected a cashless exercise of 300,658, 180,000 and 36,010 stock options, respectively, resulting in net shares realized of 153,583, 89,558 and 18,294, respectively. Messrs. Johnson, Hazen, Foster and Hall elected a cashless full sale exercise of 281,284, 180,000, 72,000 and 362,026 stock options, respectively, resulting in zero net shares realized.
- (2) Represents the difference between the exercise price of the options and the fair market value of the common stock on the date of exercise, which is the closing price of the Company’s common stock on the NYSE on the date of exercise.
- (3) Messrs. Johnson, Rutherford, Hazen, Foster and Hall vested in 3,829, 3,150, 3,073, 2,667 and 1,650 RSUs, respectively, resulting in net shares realized of 2,312, 2,238, 2,233, 1,943 and 996, respectively.
- (4) Calculated by multiplying the number of shares of stock or units vested by the fair market value of the common stock on the vesting date, which is the closing price of the Company’s common stock on the NYSE on the vesting date.

**Table of Contents****2015 Pension Benefits**

Our SERP is intended to qualify as a top-hat plan designed to benefit a select group of management or highly compensated employees. There are no other defined benefit plans that provide for payments or benefits to any of the named executive officers. Information about benefits provided by the SERP is as follows:

Name	Plan Name	Number of Years Credited Service	Present Value of Accumulated Benefit	Payments During Last Fiscal Year
R. Milton Johnson	SERP	33	\$ 21,705,243	
Samuel N. Hazen	SERP	33	\$ 14,799,725	
Jon M. Foster	SERP	15	\$ 6,221,033	
Charles J. Hall	SERP	29	\$ 13,383,227	

Messrs. Johnson and Hazen are eligible for early retirement. Mr. Hall is eligible for normal retirement. Mr. Foster has not satisfied the eligibility requirements for normal or early retirement. Messrs. Johnson, Hazen, Foster and Hall are 100% vested in their accrued SERP benefit.

**Plan Provisions**

In the event the employee's accrued benefits under the Company's Plans (computed using actuarial factors) are insufficient to provide the life annuity amount, (as such terms are defined below) the SERP will provide a benefit equal to the amount of the shortfall. Benefits can be paid in the form of an annuity or a lump sum. The lump sum is calculated by converting the annuity benefit using the actuarial factors. All benefits with a present value not exceeding one million dollars are paid as a lump sum regardless of the election made.

Normal retirement eligibility requires attainment of age 60 for employees who were SERP participants at the time of the change in control which occurred as a result of the Merger, including all of the named executive officers set forth in the table above. Early retirement eligibility requires age 55 with 20 or more years of service. The service requirement for early retirement is waived for employees participating in the SERP at the time of its inception in 2001, including all of the named executive officers set forth in the table above except for Mr. Foster. The life annuity amount payable to a participant who takes early retirement is reduced by three percent for each full year or portion thereof that the participant retires prior to normal retirement age.

The life annuity amount is the annual benefit payable as a life annuity to a participant upon normal retirement. It is equal to the participant's accrual rate multiplied by the product of the participant's years of service times the participant's pay average. The SERP benefit for each year equals the life annuity amount less the annual life annuity amount produced by the employee's accrued benefit under the Company's Plans.

The accrual rate is a percentage assigned to each participant, and is either 2.2% or 2.4%. All of the named executive officers set forth in the table above are assigned a percentage of 2.4%, except for Mr. Foster.

A participant is credited with a year of service for each calendar year that the participant performs 1,000 hours of service for HCA Inc. or one of its subsidiaries, or for each year the participant is otherwise credited by us, subject to a maximum credit of 25 years of service.

A participant's pay average is an amount equal to one-fifth of the sum of the compensation during the period of 60 consecutive months for which total compensation is greatest within the 120 consecutive month period immediately preceding the participant's retirement. For purposes of this calculation, the participant's compensation includes base compensation, payments under the PEP, and bonuses paid prior to the establishment of the PEP.

The accrued benefits under the Company's Plans for an employee equals the sum of the employer-funded benefits accrued under the former HCA Retirement Plan (which was merged into the HCA 401(k) Plan in 2008),

**Table of Contents**

the HCA 401(k) Plan and any other tax-qualified plan maintained by HCA Inc. or one of its subsidiaries, the income/loss adjusted amount distributed to the participant under any of these plans, the account credit and the income/loss adjusted amount distributed to the participant under the HCA Restoration Plan and any other nonqualified retirement plans sponsored by HCA Inc. or one of its subsidiaries.

The actuarial factors include (a) interest at the long-term Applicable Federal Rate under Section 1274(d) of the Internal Revenue Code or any successor thereto as of the first day of November preceding the plan year in which the participant's retirement, death, disability, or termination with benefit rights under Section 5.3 or 6.2 of the SERP occurs, and (b) mortality being the applicable Section 417(e)(3) of the Internal Revenue Code mortality table, as specified and changed by the U.S. Treasury Department.

Credited service does not include any amount other than service with HCA Inc. or one of its subsidiaries.

**Assumptions**

The Present Value of Accumulated Benefit is based on a measurement date of December 31, 2015. The measurement date for valuing plan liabilities on the Company's balance sheet is December 31, 2015.

The assumption is made that there is no probability of pre-retirement death or termination. Retirement age is assumed to be the Normal Retirement Age as defined in the SERP for all named executive officers set forth in the table above, as adjusted by the provisions relating to change in control, or age 60. Age 60 also represents the earliest date the named executive officers set forth in the table above are eligible to receive an unreduced benefit.

All other assumptions used in the calculations are the same as those used for the valuation of the plan liabilities in the plan's most recent annual valuation.

**Supplemental Information**

In the event a participant renders service to another health care organization within five years following retirement or termination of employment, he or she forfeits his rights to any further payment, and must repay any benefits already paid. This non-competition provision is subject to waiver by the Committee with respect to the named executive officers set forth in the table above.

**2015 Nonqualified Deferred Compensation**

Amounts shown in the table are attributable to the HCA Restoration Plan, an unfunded, nonqualified defined contribution plan designed to restore benefits under the HCA 401(k) Plan based on compensation in excess of the Internal Revenue Code Section 401(a)(17) compensation limit.

Name	Executive Contributions in Last Fiscal Year	Registrant Contributions in Last Fiscal Year	Aggregate Earnings in Last Fiscal Year	Aggregate Withdrawals/ Distributions	Aggregate Balance at Last Fiscal Year End
R. Milton Johnson					\$ 666,338
William B. Rutherford		\$ 110,380	\$ (6,353)		\$ 424,615
Samuel N. Hazen					\$ 889,505
Jon M. Foster					\$ 141,770
Charles J. Hall					\$ 427,073

Registrant contributions in the last fiscal year as reported in the table above are also included in the 2015 Summary Compensation Table for Mr. Rutherford.

**Table of Contents**

The following amounts from the column titled "Aggregate Balance at Last Fiscal Year End" have also been reported in the Summary Compensation Tables in prior years:

Name	2003	2004	Registrant Contribution		2007	2014
			2005	2006		
R. Milton Johnson			\$ 71,441	\$ 212,109	\$ 57,792	
William B. Rutherford						\$ 74,379
Samuel N. Hazen	\$ 79,510	\$ 101,488	\$ 97,331	\$ 247,060	\$ 62,004	

**Plan Provisions**

Until 2008, hypothetical accounts for each HCA Restoration Plan participant were credited each year with a contribution designed to restore benefits forgone under the HCA 401(k) Plan due to the participants' compensation being in excess of the Internal Revenue Code Section 401(a)(17) compensation limit, based on years of service. Effective January 1, 2008, participants in the SERP are no longer eligible for HCA Restoration Plan contributions. However, the hypothetical accounts for such participants as of January 1, 2008 will continue to be maintained and were increased or decreased with hypothetical investment returns based on the actual investment return of the Mix B fund of the HCA 401(k) Plan through December 31, 2010. Effective January 1, 2011, the hypothetical HCA Restoration Plan accounts were frozen, and no investment earnings were reflected after this date.

Executive officers are not allowed to defer compensation under this or any other nonqualified deferred compensation plan.

Prior to April 30, 2009, eligible employees made a one-time election prior to participation (or prior to December 31, 2006, if earlier) regarding the form of distribution of the HCA Restoration Plan benefit. Participants chose between a lump sum and five or ten-year installments. All distributions are paid in the form of a lump-sum distribution unless the participant submitted an installment payment election prior to April 30, 2009. Distributions are paid (or begin) during the July following the year of termination of employment or retirement. All balances not exceeding \$500,000 are automatically paid as a lump sum, regardless of election.

**Supplemental Information**

In the event a named executive officer renders service to another health care organization within five years following retirement or termination of employment, he or she forfeits the rights to any further payment, and must repay any payments already made. This non-competition provision is subject to waiver by the Committee with respect to the named executive officers.

**Potential Payments Upon Termination or Change in Control**

The following tables show the estimated amount of potential severance payable to each of the named executive officers (based upon their respective 2015 base salary and PEP payment received in 2015 for 2014 performance, for Messrs. Johnson, Hazen and Hall, and based upon their respective 2015 base salary, for Messrs. Rutherford and Foster, as well as the estimated value of continuing benefits, based on compensation and benefit levels in effect on December 31, 2015), assuming the executive's employment terminates or the Company undergoes a Change in Control (as defined in the Stock Incentive Plan and set forth above under "Compensation Discussion and Analysis - Change in Control Benefits") effective December 31, 2015. Due to the numerous factors involved in estimating these amounts, the actual value of benefits and amounts to be paid can only be determined upon an executive's termination of employment. As noted above, in the event a named executive officer breaches or violates those certain confidentiality, non-competition and/or non-solicitation covenants contained in his or her employment agreement or separation agreement, the SERP or the HCA Restoration Plan, certain of the payments described below may be subject to forfeiture and/or repayment. See "Narrative



**Table of Contents**

Disclosure to Summary Compensation Table and 2015 Grants of Plan-Based Awards Table Employment Agreements and Other Compensation Arrangements, 2015 Pension Benefits Supplemental Information, and 2015 Nonqualified Deferred Compensation Supplemental Information.

**R. Milton Johnson**

	Voluntary Termination	Early Retirement	Normal Retirement	Involuntary Termination Without Cause	Termination for Cause	Voluntary Termination for Good Reason	Disability	Death	Change in Control
Cash Severance(1)				\$ 12,392,832		\$ 12,392,832			
Non-Equity Incentive Bonus(2)	\$ 4,303,094	\$ 4,303,094	\$ 4,303,094	\$ 4,303,094		\$ 4,303,094	\$ 4,303,094	\$ 4,303,094	\$ 4,303,094
Unvested Equity Awards(3)	\$ 1,222,548	\$ 1,222,548	\$ 1,222,548	\$ 1,222,548	\$ 1,222,548	\$ 1,222,548	\$ 1,222,548	\$ 1,222,548	\$ 16,012,317
SERP(4)	\$ 22,064,244	\$ 22,064,244		\$ 22,064,244	\$ 22,064,244	\$ 22,064,244	\$ 22,064,244	\$ 19,247,390	
Retirement Plans(5)	\$ 2,566,421	\$ 2,566,421	\$ 2,566,421	\$ 2,566,421	\$ 2,566,421	\$ 2,566,421	\$ 2,566,421	\$ 2,566,421	
Health and Welfare Benefits(6)				\$ 21,238		\$ 21,238			
Disability Income(7)							\$ 1,719,655		
Life Insurance Benefits(8)								\$ 1,300,000	
Accrued Vacation Pay	\$ 180,000	\$ 180,000	\$ 180,000	\$ 180,000	\$ 180,000	\$ 180,000	\$ 180,000	\$ 180,000	
<b>Total</b>	<b>\$ 30,336,307</b>	<b>\$ 30,336,307</b>	<b>\$ 8,272,063</b>	<b>\$ 42,750,377</b>	<b>\$ 26,033,213</b>	<b>\$ 42,750,377</b>	<b>\$ 32,055,962</b>	<b>\$ 28,819,453</b>	<b>\$ 20,315,411</b>

- (1) Represents amounts Mr. Johnson would be entitled to receive pursuant to his employment agreement. See Narrative Disclosure to Summary Compensation Table and 2015 Grants of Plan-Based Awards Table Employment Agreements and Other Compensation Arrangements.
- (2) Represents the amount Mr. Johnson would be entitled to receive for the 2015 fiscal year pursuant to the 2015 PEP and his employment agreement, which amount is also included in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.
- (3) Represents the (a) the intrinsic value of all unvested SAR awards, which will become vested upon a Change in Control, calculated as the difference between the base price of Mr. Johnson's unvested SAR awards and the fair value price of our common stock on December 31, 2015 or \$67.63 (the closing price of the Company's common stock on the NYSE on December 31, 2015) and (b) the value of all unvested PSUs and RSUs, which will become vested upon a Change in Control or Mr. Johnson's termination of employment, death or disability, calculated at \$67.63 (the closing price of the Company's common stock on the NYSE on December 31, 2015). In instances other than as a result of a Change of Control or his death or disability, Mr. Johnson's RSUs will become vested upon termination of his employment since he meets the definition of retirement under the RSU grant agreement; however such newly vested RSUs will continue to be payable on each applicable vesting date following his termination.
- (4) Reflects the actual lump sum value of the SERP based on the 2015 interest rate of 2.91%.
- (5) Reflects the estimated lump sum present value of qualified and nonqualified retirement plans to which Mr. Johnson would be entitled. The value includes \$1,900,083 from the HCA 401(k) Plan (which represents the value of the Company's contributions) and \$666,338 from the

## Edgar Filing: HCA Holdings, Inc. - Form DEF 14A

### HCA Restoration Plan.

- (6) Reflects the estimated costs of the continuing medical coverage, based upon 2016 COBRA rates, that Mr. Johnson would be entitled to receive pursuant to his employment agreement. See Narrative Disclosure to Summary Compensation Table and 2015 Grants of Plan-Based Awards Table Employment Agreements and other Compensation Arrangements.
- (7) Reflects the estimated lump sum present value of all future payments which Mr. Johnson would be entitled to receive under our disability program, including five months of salary continuation, long-term disability benefits of \$10,000 per month payable after the five-month elimination period until age 66 and 4 months, and benefits of \$10,000 per month from our Supplemental Insurance Program payable after the 180 day elimination period to age 65.
- (8) No post-retirement or post-termination life insurance or death benefits are provided to Mr. Johnson. Mr. Johnson's payment upon death while actively employed with the Company includes \$1,300,000 of Company-paid life insurance.

**Table of Contents****William B. Rutherford**

	Voluntary Termination	Early Retirement	Normal Retirement	Involuntary Termination Without Cause	Termination for Cause	Voluntary Termination for Good Reason	Disability	Death	Change in Control
Cash Severance(1)				\$ 1,450,000		\$ 1,450,000			
Non-Equity Incentive Bonus(2)	\$ 1,341,066	\$ 1,341,066	\$ 1,341,066	\$ 1,341,066		\$ 1,341,066	\$ 1,341,066	\$ 1,341,066	\$ 1,341,066
Unvested Equity Awards(3)							\$ 179,693	\$ 179,693	\$ 2,892,860
Retirement Plans(4)	\$ 1,109,454	\$ 1,109,454	\$ 1,109,454	\$ 1,109,454	\$ 1,109,454	\$ 1,109,454	\$ 1,109,454	\$ 1,109,454	
Health and Welfare Benefits(5)				\$ 32,933		\$ 32,933			
Disability Income(6)							\$ 2,449,694		
Life Insurance Benefits(7)								\$ 726,000	
Accrued Vacation Pay	\$ 79,471	\$ 79,471	\$ 79,471	\$ 79,471	\$ 79,471	\$ 79,471	\$ 79,471	\$ 79,471	
<b>Total</b>	<b>\$ 2,529,991</b>	<b>\$ 2,529,991</b>	<b>\$ 2,529,991</b>	<b>\$ 4,012,924</b>	<b>\$ 1,188,925</b>	<b>\$ 4,012,924</b>	<b>\$ 5,159,378</b>	<b>\$ 3,435,684</b>	<b>\$ 4,233,926</b>

- (1) Represents amounts Mr. Rutherford would be entitled to receive pursuant to the Company's Executive Severance Policy based upon his position as Executive Vice President and Chief Financial Officer at the time of termination. See Compensation Discussion and Analysis Severance Benefits Severance Benefits for Messrs. Rutherford and Foster.
- (2) Represents the amount Mr. Rutherford would be entitled to receive for the 2015 fiscal year pursuant to the 2015 PEP, which amount is also included in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.
- (3) Represents the (a) the intrinsic value of all unvested stock options and SAR awards, which will become vested upon a Change in Control, calculated as the difference between the base price of Mr. Rutherford's unvested options and SAR awards and the fair value price of our common stock on December 31, 2015 or \$67.63 (the closing price of the Company's common stock on the NYSE on December 31, 2015), and (b) the value of all unvested PSUs and RSUs, which will become vested upon a Change in Control or Mr. Rutherford's death or disability, calculated at \$67.63 (the closing price of the Company's common stock on the NYSE on December 31, 2015).
- (4) Reflects the estimated lump sum present value of qualified and nonqualified retirement plans to which Mr. Rutherford would be entitled. The value includes \$684,839 from the HCA 401(k) Plan (which represents the value of the Company's contributions) and \$424,615 from the HCA Restoration Plan.
- (5) Reflects the estimated costs of the continuing medical coverage, based upon 2016 COBRA rates, that Mr. Rutherford would be entitled to receive pursuant to the Company's Executive Severance Policy. See Compensation Discussion and Analysis Severance Benefits Severance Benefits for Messrs. Rutherford and Foster.
- (6) Reflects the estimated lump sum present value of all future payments which Mr. Rutherford would be entitled to receive under our disability program, including five months of salary continuation, long-term disability benefits of \$10,000 per month payable after the five-month elimination period until age 67, and benefits of \$10,000 per month from our Supplemental Insurance Program payable after the

Edgar Filing: HCA Holdings, Inc. - Form DEF 14A

180 day elimination period to age 65.

- (7) No post-retirement or post-termination life insurance or death benefits are provided to Mr. Rutherford. Mr. Rutherford's payment upon death while actively employed includes \$726,000 of Company-paid life insurance.

**Table of Contents****Samuel N. Hazen**

	Voluntary Termination	Early Retirement	Normal Retirement	Involuntary Termination Without Cause	Termination for Cause	Voluntary Termination for Good Reason	Disability	Death	Change in Control
Cash Severance(1)				\$ 4,878,006		\$ 4,878,006			
Non-Equity Incentive Bonus(2)	\$ 2,034,721	\$ 2,034,721	\$ 2,034,721	\$ 2,034,721		\$ 2,034,721	\$ 2,034,721	\$ 2,034,721	\$ 2,034,721
Unvested Equity Awards(3)	\$ 811,222	\$ 811,222	\$ 811,222	\$ 811,222	\$ 811,222	\$ 811,222	\$ 811,222	\$ 811,222	\$ 7,993,778
SERP(4)	\$ 16,788,785	\$ 16,788,785		\$ 16,788,785	\$ 16,788,785	\$ 16,788,785	\$ 16,788,785	\$ 14,675,167	
Retirement Plans(5)	\$ 1,783,022	\$ 1,783,022	\$ 1,783,022	\$ 1,783,022	\$ 1,783,022	\$ 1,783,022	\$ 1,783,022	\$ 1,783,022	
Health and Welfare Benefits(6)				\$ 31,857		\$ 31,857			
Disability Income(7)							\$ 2,130,379		
Life Insurance Benefits(8)								\$ 951,000	
Accrued Vacation Pay	\$ 131,538	\$ 131,538	\$ 131,538	\$ 131,538	\$ 131,538	\$ 131,538	\$ 131,538	\$ 131,538	
<b>Total</b>	<b>\$ 21,549,288</b>	<b>\$ 21,549,288</b>	<b>\$ 4,760,503</b>	<b>\$ 26,459,151</b>	<b>\$ 19,514,567</b>	<b>\$ 26,459,151</b>	<b>\$ 23,679,667</b>	<b>\$ 20,386,670</b>	<b>\$ 10,028,499</b>

- (1) Represents amounts Mr. Hazen would be entitled to receive pursuant to his employment agreement. See Narrative Disclosure to Summary Compensation Table and 2015 Grants of Plan-Based Awards Table Employment Agreements and other Compensation Arrangements.
- (2) Represents the amount Mr. Hazen would be entitled to receive for the 2015 fiscal year pursuant to the 2015 PEP and his employment agreement, which amount is also included in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.
- (3) Represents the (a) intrinsic value of all unvested stock options and SAR awards, which will become vested upon a Change in Control, calculated as the difference between the exercise or base price of Mr. Hazen's unvested options and SAR awards and the fair value price of our common stock on December 31, 2015 or \$67.63 (the closing price of the Company's common stock on the NYSE on December 31, 2015) and (b) the value of all unvested PSUs and RSUs, which will become vested upon a Change in Control or Mr. Hazen's death or disability, calculated at \$67.63 (the closing price of the Company's common stock on the NYSE on December 31, 2015). In instances other than as a result of a Change of Control or his death or disability, Mr. Hazen's RSUs will become vested upon termination of his employment since he meets the definition of retirement under the RSU grant agreement; however such newly vested RSUs will continue to be payable on each applicable vesting date following his termination.
- (4) Reflects the actual lump sum value of the SERP based on the 2015 interest rate of 2.91%.
- (5) Reflects the estimated lump sum present value of qualified and nonqualified retirement plans to which Mr. Hazen would be entitled. The value includes \$893,517 from the HCA 401(k) Plan (which represents the value of the Company's contributions) and \$889,505 from the HCA Restoration Plan.

## Edgar Filing: HCA Holdings, Inc. - Form DEF 14A

- (6) Reflects the estimated costs of the continuing medical coverage, based upon 2016 COBRA rates, that Mr. Hazen would be entitled to receive pursuant to his employment agreement. See Narrative Disclosure to Summary Compensation Table and 2015 Grants of Plan-Based Awards Table Employment Agreements and other Compensation Arrangements.
- (7) Reflects the estimated lump sum present value of all future payments which Mr. Hazen would be entitled to receive under our disability program, including five months of salary continuation, long-term disability benefits of \$10,000 per month payable after the five-month elimination period until age 67, and benefits of \$10,000 per month from our Supplemental Insurance Program payable after the 180 day elimination period to age 65.
- (8) No post-retirement or post-termination life insurance or death benefits are provided to Mr. Hazen. Mr. Hazen's payment upon death while actively employed with the Company includes \$951,000 of Company-paid life insurance.

**Table of Contents****Jon M. Foster**

	Voluntary Termination	Early Retirement	Normal Retirement	Involuntary Termination Without Cause	Termination for Cause	Voluntary Termination for Good Reason	Disability	Death	Change in Control
Cash Severance(1)				\$ 1,530,100		\$ 1,530,100			
Non-Equity Incentive Bonus(2)	\$ 1,083,570	\$ 1,083,570	\$ 1,083,570	\$ 1,083,570		\$ 1,083,570	\$ 1,083,570	\$ 1,083,570	\$ 1,083,570
Unvested Equity Awards(3)							\$ 657,904	\$ 657,904	\$ 4,773,059
SERP(4)	\$ 6,541,773			\$ 7,921,604	\$ 6,541,773	\$ 7,921,604	\$ 6,541,773	\$ 5,701,955	
Retirement Plans(5)	\$ 378,740	\$ 378,740	\$ 378,740	\$ 378,740	\$ 378,740	\$ 378,740	\$ 378,740	\$ 378,740	
Health and Welfare Benefits(6)				\$ 37,017		\$ 37,017			
Disability Income(7)							\$ 1,856,297		
Life Insurance Benefits(8)								\$ 766,000	
Accrued Vacation Pay	\$ 105,930	\$ 105,930	\$ 105,930	\$ 105,930	\$ 105,930	\$ 105,930	\$ 105,930	\$ 105,930	
<b>Total</b>	<b>\$ 8,110,013</b>	<b>\$ 1,568,240</b>	<b>\$ 1,568,240</b>	<b>\$ 11,056,961</b>	<b>\$ 7,026,443</b>	<b>\$ 11,056,961</b>	<b>\$ 10,624,214</b>	<b>\$ 8,694,099</b>	<b>\$ 5,856,629</b>

- (1) Represents amounts Mr. Foster would be entitled to receive pursuant to the Company's Executive Severance Policy based upon his position as a group president at the time of termination. See Compensation Discussion and Analysis Severance Benefits Severance Benefits for Messrs. Rutherford and Foster.
- (2) Represents the amount Mr. Foster would be entitled to receive for the 2015 fiscal year pursuant to the 2015 PEP, which amount is also included in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.
- (3) Represents the (a) intrinsic value of all unvested stock options and SAR awards, which will become vested upon a Change in Control, calculated as the difference between the exercise or base price of Mr. Foster's unvested options and SAR awards and the fair value price of our common stock on December 31, 2015 or \$67.63 (the closing price of the Company's common stock on the NYSE on December 31, 2015) and (b) the value of all unvested PSUs and RSUs, which will become vested upon a Change in Control or Mr. Foster's death or disability, calculated at \$67.63 (the closing price of the Company's common stock on the NYSE on December 31, 2015).
- (4) Reflects the actual lump sum value of the SERP based on the 2015 interest rate of 2.91%.
- (5) Reflects the estimated lump sum present value of qualified and nonqualified retirement plans to which Mr. Foster would be entitled. The value includes \$236,970 from the HCA 401(k) Plan (which represents the value of the Company's contributions) and \$141,770 from the HCA Restoration Plan.
- (6) Reflects the estimated costs of the continuing medical coverage, based upon 2016 COBRA rates, that Mr. Foster would be entitled to receive pursuant to the Company's Executive Severance Policy. See Compensation Discussion and Analysis Severance Benefits Severance Benefits for Messrs. Rutherford and Foster.

## Edgar Filing: HCA Holdings, Inc. - Form DEF 14A

- (7) Reflects the estimated lump sum present value of all future payments which Mr. Foster would be entitled to receive under our disability program, including five months of salary continuation, long-term disability benefits of \$10,000 per month payable after the five-month elimination period until age 67, and benefits of \$6,290 per month from our Supplemental Insurance Program payable after the 180 day elimination period to age 65.
  
- (8) No post-retirement or post-termination life insurance or death benefits are provided to Mr. Foster. Mr. Foster's payment upon death while actively employed includes \$766,000 of Company-paid life insurance.



**Table of Contents****Charles J. Hall**

	Voluntary Termination	Early Retirement	Normal Retirement	Involuntary Termination Without Cause	Termination for Cause	Voluntary Termination for Good Reason	Disability	Death	Change in Control
Cash Severance(1)				\$ 3,598,200		\$ 3,598,200			
Non-Equity Incentive Bonus(2)	\$ 1,117,222	\$ 1,117,222	\$ 1,117,222	\$ 1,117,222		\$ 1,117,222	\$ 1,117,222	\$ 1,117,222	\$ 1,117,222
Unvested Equity Awards(3)	\$ 489,303	\$ 489,303	\$ 489,303	\$ 489,303	\$ 489,303	\$ 489,303	\$ 489,303	\$ 489,303	\$ 4,153,927
SERP(4)	\$ 13,123,606	\$ 13,123,606	\$ 13,123,606	\$ 13,123,606	\$ 13,123,606	\$ 13,123,606	\$ 13,123,606		
Retirement Plans(5)	\$ 1,118,211	\$ 1,118,211	\$ 1,118,211	\$ 1,118,211	\$ 1,118,211	\$ 1,118,211	\$ 1,118,211	\$ 1,118,211	
Health and Welfare Benefits(6)				\$ 25,915		\$ 25,915			
Disability Income(7)							\$ 911,799		
Life Insurance Benefits(8)								\$ 766,000	
Accrued Vacation Pay	\$ 105,930	\$ 105,930	\$ 105,930	\$ 105,930	\$ 105,930	\$ 105,930	\$ 105,930	\$ 105,930	
Total	\$ 15,954,272	\$ 15,954,272	\$ 15,954,272	\$ 19,578,387	\$ 14,837,050	\$ 19,578,387	\$ 16,866,071	\$ 3,596,666	\$ 5,271,149

- (1) Represents amounts Mr. Hall would be entitled to receive pursuant to his employment agreement. See Narrative Disclosure to Summary Compensation Table and 2015 Grants of Plan-Based Awards Table Employment Agreements and other Compensation Arrangements.
- (2) Represents the amount Mr. Hall would be entitled to receive for the 2015 fiscal year pursuant to the 2015 PEP and his employment agreement, which amount is also included in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.
- (3) Represents the (a) the intrinsic value of all unvested options and SAR awards, which will become vested upon a Change in Control, calculated as the difference between the base price of Mr. Hall's unvested SAR awards and the fair value price of our common stock on December 31, 2015 or \$67.63 (the closing price of the Company's common stock on the NYSE on December 31, 2015) and (b) the value of all unvested PSUs and RSUs, which will become vested upon a Change in Control or Mr. Hall's termination of employment, death or disability, calculated at \$67.63 (the closing price of the Company's common stock on the NYSE on December 31, 2015). In instances other than as a result of a Change of Control or his death or disability, Mr. Hall's RSUs will become vested upon termination of his employment since he meets the definition of retirement under the RSU grant agreement; however such newly vested RSUs will continue to be payable on each applicable vesting date following his termination.
- (4) Reflects the actual lump sum value of the SERP based on the 2015 interest rate of 2.91%.
- (5) Reflects the estimated lump sum present value of qualified and nonqualified retirement plans to which Mr. Hall would be entitled. The value includes \$691,138 from the HCA 401(k) Plan (which represents the value of the Company's contributions) and \$427,073 from the HCA Restoration Plan.
- (6)

## Edgar Filing: HCA Holdings, Inc. - Form DEF 14A

Reflects the estimated costs of the continuing medical coverage, based upon 2016 COBRA rates, that Mr. Hall would be entitled to receive pursuant to his employment agreement. See Narrative Disclosure to Summary Compensation Table and 2015 Grants of Plan-Based Awards Table Employment Agreements and other Compensation Arrangements.

- (7) Reflects the estimated lump sum present value of all future payments which Mr. Hall would be entitled to receive under our disability program, including five months of salary continuation, long-term disability benefits of \$10,000 per month payable after the five-month elimination period for 48 months, and benefits of \$10,000 per month from our Supplemental Insurance Program payable after the 180 day elimination period for 42 months.
- (8) No post-retirement or post-termination life insurance or death benefits are provided to Mr. Hall. Mr. Hall's payment upon death while actively employed with the Company includes \$766,000 of Company-paid life insurance.

**Table of Contents****Director Compensation**

The Compensation Committee is responsible for reviewing and making recommendations to the Board regarding all matters pertaining to compensation paid to directors for Board, committee and committee chair services. Under the Compensation Committee's charter, the Compensation Committee is authorized to engage consultants or advisors in connection with its review and analysis of director compensation. Directors who also serve as employees of the Company or who are not considered independent do not receive payment for services as directors.

In making director compensation recommendations, the Compensation Committee takes various factors into consideration, including, but not limited to, the responsibilities of directors generally and the forms of compensation paid to directors by comparable companies. The Board reviews the recommendations of the Compensation Committee and determines the form and amount of director compensation.

The following table and text discuss the compensation of persons who served as a member of our Board of Directors during all or part of 2015, other than Mr. Johnson whose compensation is discussed under Executive Compensation above. Mr. Johnson was not separately compensated for Board service during 2015. We have omitted from this table the columns pertaining to non-equity incentive plan compensation, option awards, nonqualified deferred compensation and all other compensation, because they are inapplicable.

**Fiscal 2015 Director Compensation**

Name	Fees		Total
	Earned or Paid in Cash	Stock Awards(1)	
Robert J. Dennis	\$110,000	\$174,926	\$284,926
Nancy-Ann DeParle	\$110,000	\$174,926	\$284,926
Thomas F. Frist III			
William R. Frist			
Ann H. Lamont	\$125,838	\$174,926	\$300,764
Jay O. Light	\$162,507	\$174,926	\$337,433
Geoffrey G. Meyers	\$136,676	\$174,926	\$311,602
Michael W. Michelson			
Wayne J. Riley, M.D.	\$140,838	\$174,926	\$315,764
John W. Rowe, M.D.	\$110,000	\$174,926	\$284,926

- (1) This column reflects the grant date fair value of restricted share unit awards granted to directors calculated in accordance with applicable financial accounting standards. The fair value of restricted share unit awards is computed by multiplying the total number of shares subject to the award by the closing market price of the Company's common stock on the date of grant. Grants of restricted share units were made to Mr. Dennis, Ms. DeParle, Ms. Lamont, Mr. Light, Mr. Meyers, Dr. Riley and Dr. Rowe on May 6, 2015. As of March 4, 2016, (i) each of Mr. Dennis, Ms. DeParle and Dr. Rowe held 5,474 unvested restricted share units; (ii) each of Ms. Lamont, Mr. Light, Mr. Meyers and Dr. Riley held 2,348 unvested restricted share units; (iii) Mr. Dennis held 3,054 restricted share units with respect to which he has elected to defer vesting until the date he ceases to be a member of the Board of Directors; and (iv) Mr. Light held 19,301 restricted share units with respect to which he has elected to defer vesting until the date he ceases to be a member of the Board of Directors.

**Table of Contents**

**Cash Compensation** Pursuant to the Company's Board of Directors Compensation program, each independent director receives quarterly payment of the following cash compensation, as applicable (prorated for partial years):

\$100,000 annual retainer for service as a Board member;

\$30,000 annual retainer for service as the non-management and independent presiding director;

\$15,000 annual retainer for service as a member of the Audit and Compliance Committee;

\$10,000 annual retainer for service as a member on each of the Compensation Committee, Nominating and Corporate Governance Committee or Patient Safety and Quality of Care Committee;

\$30,000 annual retainer for service as Chair of the Audit and Compliance Committee (increased from \$20,000 effective April 30, 2015);

\$20,000 annual retainer for service as Chair of the Compensation Committee (increased from \$12,500 effective April 30, 2015); and

\$17,500 annual retainer for service as Chair of each of the Nominating and Corporate Governance Committee or Patient Safety and Quality of Care Committee (increased from \$12,500 effective April 30, 2015).

**Equity Compensation** In addition to the director compensation described above, each independent director receives an annual board equity award with a value of \$175,000, awarded upon joining the Board of Directors (prorated for months of service) and at each annual meeting of the stockholders thereafter. These equity grants consist of restricted share units ultimately payable in shares of our common stock and vest as to 100% of the award on the first anniversary of the grant date, subject to the director's continued service on our Board of Directors. The restricted share units will also immediately vest upon the occurrence of a Change in Control (as defined in the applicable grant agreement). The directors may elect to defer receipt of shares under the restricted share units.

Pursuant to the Board of Directors Compensation program in effect prior to April 30, 2015, each independent director, upon joining the Board of Directors, previously received a one-time initial equity award with a value of \$150,000. These equity grants consisted of restricted share units ultimately payable in shares of our common stock and vest as to 100% of the award on the third anniversary of the grant date, subject to the director's continued service on our Board of Directors. Each independent director also previously received, pursuant to the Board of Directors Compensation program in effect prior to April 30, 2015, an annual board equity award with a value of \$125,000, awarded upon joining the Board of Directors (prorated for months of service) and at each annual meeting of the stockholders thereafter.

**Reimbursements.** All of our directors are reimbursed for their reasonable expenses incurred in connection with their service.

**Share Ownership.** Each independent director is expected to directly or indirectly acquire a number of shares of our common stock with a value of three times the value of the annual cash retainer for a director's service on the Board of Directors within three years from the date on which they are elected to the Board of Directors.

---

**Table of Contents**

**CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS**

In accordance with its charter, our Audit and Compliance Committee reviews and approves all material related party transactions. Prior to its approval of any material related party transaction, the Audit and Compliance Committee will discuss the proposed transaction with management and our independent registered public accounting firm. In addition, our Code of Conduct requires that all of our employees, including our executive officers, remain free of conflicts of interest in the performance of their responsibilities to the Company. An executive officer who wishes to enter into a transaction in which their interests might conflict with ours must first receive the approval of the Audit and Compliance Committee. The Amended and Restated Limited Liability Company Agreement of Hercules Holding generally requires that an Investor must obtain the prior written consent of each other Investor before it or any of its affiliates (including our directors) enter into any transaction with us.

**Management Stockholder Agreements**

On January 30, 2007, our Board of Directors awarded to members of management and certain key employees options to purchase shares of our common stock pursuant to the Stock Incentive Plan. Our Compensation Committee approved additional option awards periodically throughout 2010, 2009, 2008 and 2007 to members of management and certain key employees in cases of promotions, significant contributions to the Company and new hires. In addition, in accordance with agreements entered into at the time of the Merger, certain of our named executive officers received the 2x Time Options. In connection with their option awards, the participants under the Stock Incentive Plan were, prior to our IPO, required to enter into a Management Stockholder's Agreement and an Option Agreement with respect to the options. Effective upon the consummation of our IPO, we amended the Management Stockholder's Agreement so that shares acquired in the open market or through the directed share program will not be subject to the Management Stockholder's Agreement. Further, equity awards granted to members of management following our IPO are not subject to the Management Stockholder's Agreement.

Below is a brief summary of the principal remaining terms of the Management Stockholder's Agreement, which is qualified in its entirety by reference to the agreement itself, a form of which was filed as Exhibit 10.12 to our annual report on Form 10-K for the fiscal year ended December 31, 2006 filed on March 27, 2007. The Management Stockholder's Agreement was assumed by HCA Holdings, Inc. in connection with the Corporate Reorganization pursuant to an omnibus amendment, a form of which was filed as Exhibit 10.2 to our current report on Form 8-K filed on November 24, 2010. The Management Stockholder's Agreement was further amended pursuant to an omnibus amendment, a form of which was filed as Exhibit 10.39 to our registration statement on Form S-1 filed on March 9, 2011. The terms of the award agreements with respect to the 2007 Options, 2009 Options and 2x Time Options and the Stock Incentive Plan, all of which were assumed by HCA Holdings, Inc. in connection with the Corporate Reorganization, are described in more detail in the footnotes to the Outstanding Equity Awards at 2015 Fiscal Year-End table.

Pursuant to the Management Stockholder's Agreement, following our IPO, certain members of senior management, including certain executive officers (the Senior Management Stockholders) have limited piggyback registration rights with respect to their shares of common stock. The maximum number of shares of Common Stock which a Senior Management Stockholder may register is generally proportionate with the percentage of common stock being sold by the Sponsors (relative to their holdings thereof).

**Amended and Restated Limited Liability Company Agreement of Hercules Holding II, LLC**

The Investors and certain other investment funds who agreed to co-invest with them through a vehicle jointly controlled by the Investors to provide equity financing for the Merger entered into a limited liability company operating agreement in respect of Hercules Holding (the LLC Agreement). The LLC Agreement was amended upon consummation of our IPO, and many of its operative provisions were replaced by the

---

## **Table of Contents**

Stockholders Agreement described below. A copy of the LLC Agreement has been filed as Exhibit 10.3 to our registration statement on Form 8-A filed on April 29, 2008, and a copy of the amendment to the LLC Agreement has been filed as Exhibit 10.32(a) to our registration statement on Form S-1 filed on March 9, 2011.

### **Stockholders Agreement**

Upon the consummation of our IPO, we entered into the Stockholders Agreement with Hercules Holding and the Investors. Under the Stockholders Agreement, (i) Kohlberg Kravis Roberts & Co. has the right to nominate one director to our Board of Directors; however, Kohlberg Kravis Roberts & Co. will lose its right to nominate any directors to our Board of Directors once Kohlberg Kravis Roberts & Co. owns less than 3% of our outstanding shares of common stock; and (ii) the Frist Entities have the right to nominate two directors to our Board of Directors; however, the Frist Entities will lose their right to nominate any directors to our Board of Directors once the Frist Entities own less than 3% of our outstanding shares of common stock. As of March 4, 2016, Kohlberg Kravis Roberts & Co. owned approximately 3.9% of our common stock and the Frist Entities owned approximately 17.4% of our common stock.

A copy of the Stockholders Agreement and the Amendment, dated as of September 21, 2011, thereto have been filed as Exhibit 10.38 to our registration statement on Form S-1 filed on March 9, 2011 and Exhibit 10.2 to our current report on Form 8-K filed on September 21, 2011, respectively.

### **Registration Rights Agreement**

Hercules Holding and the Investors have entered into a registration rights agreement with HCA Holdings, Inc. Pursuant to this agreement, the Investors who still hold shares of our common stock directly or through Hercules Holding can cause us to register those shares under the Securities Act and, if requested, to maintain a shelf registration statement effective with respect to such shares. These Investors are also entitled to participate on a pro rata basis in any registration of our common stock under the Securities Act that we may undertake. A copy of this agreement has been filed as Exhibit 4.4 to our current report on Form 8-K filed on November 24, 2010.

### **Other Relationships**

On April 18, 2015, the Company entered into an agreement (the Share Repurchase Agreement) to repurchase 3,806,500 shares of its common stock beneficially owned by affiliates of Bain Capital Investors, LLC (the Bain Entities) and certain charitable organizations that received shares of common stock as charitable contributions from certain partners and other employees of the Bain Entities at a purchase price of \$77.26 per share, the closing price of the Company's common stock on the NYSE on April 17, 2015, less a discount of 1% (the Share Repurchase). The Share Repurchase was made in connection with the distribution to the Bain Entities of all of their remaining shares of the Company from Hercules Holding. The Share Repurchase was made pursuant to the Company's \$1.0 billion repurchase program adopted by the Company's Board of Directors in February 2015.

Bulow Holdings, LLC and certain of its subsidiaries (collectively, Bulow Holdings) lease office space in two medical office buildings owned by the Company. In 2015, the Company received approximately \$103,000 in aggregate payments from Bulow Holdings with respect to such leased office space. Pursuant to the applicable lease agreements, the aggregate amount of all payments due from Bulow Holdings to the Company from the beginning of 2016 through the expiration of the terms thereof is estimated to be approximately \$113,000. In addition, Bulow Holdings provides orthotic devices and related services to patients at certain of the Company's hospital facilities. The fees for 2015 under such agreements were approximately \$385,000. Two members of our Board of Directors, Thomas F. Frist III and William R. Frist, collectively held approximately 30% of the outstanding ownership interest in Bulow Holdings, LLC as of December 31, 2015. The Company believes that its leases and orthotics services agreements with Bulow Holdings are on commercially reasonable terms.

**Table of Contents**

Clark B. Rollins, IV joined the Company in October 2015 as a Director of Assessment and Consulting Services for the Company's Physician Services Group. Mr. Rollins is expected to earn total compensation in respect of base salary and target bonus of approximately \$155,000 for his services in 2016. Mr. Rollins also receives certain other benefits customary to similar positions within the Company. Mr. Rollins' father-in-law, R. Milton Johnson, serves as Chairman and CEO of HCA.

**Table of Contents**

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

The following table sets forth information regarding the beneficial ownership of our common stock as of March 4, 2016 for:

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

each of our directors;

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

all of our directors and executive officers as a group.

The percentages of shares outstanding provided in the tables are based on 395,768,344 shares of our common stock, par value \$0.01 per share, outstanding as of March 4, 2016. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Shares issuable upon the vesting of PSUs and RSUs and exercise of SARs and options that will vest or become exercisable within 60 days of March 4, 2016 are considered outstanding for the purpose of calculating the percentage of outstanding shares of our common stock held by the individual, but not for the purpose of calculating the percentage of outstanding shares held by any other individual. The address of each of our directors and executive officers listed below is c/o HCA Holdings, Inc., One Park Plaza, Nashville, Tennessee 37203.

Name of Beneficial Owner	Number of Shares	Percent
Hercules Holding II, LLC	84,137,913(1)	21.3%
Wellington Management Group LLP.	22,350,693(2)	5.6%
Robert J. Dennis	7,136(3)	*
Nancy-Ann DeParle	3,054	*
Jon M. Foster	516,255(4)	*
Thomas F. Frist III	(1)	
William R. Frist	405,714(1)	*
Charles J. Hall	902,712(5)	*
Samuel N. Hazen	1,652,436(6)	*
R. Milton Johnson	2,748,053(7)	*
Ann H. Lamont	9,219	*
Jay O. Light	24,301(8)	*
Geoffrey G. Meyers	29,301	*
Michael W. Michelson	(1)	
Wayne J. Riley, M.D.	6,749	*
John W. Rowe, M.D.	17,410	*
William B. Rutherford	277,518(9)	*
Charles O. Holliday, Jr.	4,000(10)	*
All directors and executive officers as a group (33 persons)	12,495,705(11)	3.1%

\* Less than one percent.



- (1) Hercules Holding holds 84,137,913 shares, or approximately 21.3%, of our outstanding common stock. Hercules Holding is held by a private investor group, including affiliates of Kohlberg Kravis Roberts & Co. and affiliates of our founder Dr. Thomas F. Frist, Jr., including Mr. Thomas F. Frist III and Mr. William R.

**Table of Contents**

Frist, who serve as directors. Mr. Michelson is affiliated with Kohlberg Kravis Roberts & Co., which indirectly holds 15,225,839 shares, or 3.9%, of our outstanding common stock through the interests of certain of its affiliated funds in Hercules Holding. Thomas F. Frist III and William R. Frist may each be deemed to indirectly, beneficially hold an additional 68,912,031 shares, or 17.4%, of our outstanding common stock through their interests in Hercules Holding. Each of such persons, other than Hercules Holding, disclaims membership in any such group and disclaims beneficial ownership of these securities, except to the extent of his or its pecuniary interest therein. The principal office addresses of Hercules Holding are c/o Kohlberg Kravis Roberts & Co. L.P., 9 West 57th Street, Suite 4200, New York, NY 10019; and c/o Dr. Thomas F. Frist, Jr., 3100 West End Ave., Suite 500, Nashville, TN 37203.

- (2) Based on a Schedule 13G filed by Wellington Management Group LLP with the SEC on February 11, 2016. The Schedule 13G indicates that as of December 31, 2015, Wellington Management Group LLP, as the parent holding company, was the beneficial owner with sole voting power as to 0 shares, shared voting power as to 7,320,980 shares, sole dispositive power as to 0 shares and shared dispositive power as to 22,350,693 shares. The principal office address of Wellington Management Group LLP is c/o Wellington Management Company LLP, 280 Congress Street, Boston, MA 02210.
- (3) Includes 3,054 restricted share units issuable upon vesting.
- (4) Includes 489,934 shares issuable upon exercise of SARs and options.
- (5) Includes 895,789 shares issuable upon exercise of SARs and options.
- (6) Includes 1,033,891 shares issuable upon exercise of SARs and options.
- (7) Includes 1,957,041 shares issuable upon exercise of SARs and options.
- (8) Includes 19,301 restricted share units issuable upon vesting.
- (9) Includes 247,924 shares issuable upon exercise of SARs and options.
- (10) Mr. Holliday is a nominee for election to our Board of Directors and is not currently serving as a director.
- (11) Includes 8,830,078 shares issuable upon exercise of SARs and options and 22,355 restricted share units issuable upon vesting.

**Table of Contents**

**AUDIT AND COMPLIANCE COMMITTEE REPORT**

*The following Report of the Audit and Compliance Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates this Report by reference therein.*

In the performance of its oversight function, the Audit and Compliance Committee has reviewed and discussed the audited financial statements with management and the independent registered public accounting firm. The Audit and Compliance Committee has discussed with the independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 16 (Communications with Audit Committee), as amended. In addition, the Audit and Compliance Committee has received from the independent registered public accounting firm the written disclosures and letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the Audit and Compliance Committee concerning independence, and discussed with it the firm's independence from the Company and its management. The Audit and Compliance Committee has considered whether the independent registered public accounting firm's provision of nonaudit services to us is compatible with its independence.

The Audit and Compliance Committee discussed with our internal auditors and the independent registered public accounting firm the overall scope and plans for their respective audits. The Audit and Compliance Committee meets with the internal auditors and the independent registered public accounting firm, with and without management present, to discuss the results of the audits of the financial statements, the audit of the effectiveness of our internal control over financial reporting, our progress in assessing the effectiveness of our internal control over financial reporting as required by Section 404 of the Sarbanes-Oxley Act of 2002, and the overall quality of our financial reporting, and reports to the Board of Directors on its findings.

In reliance on the reviews and discussions referred to above, the Audit and Compliance Committee recommended to the Board of Directors, and the Board has approved, the inclusion of the audited financial statements in our filing with the Securities and Exchange Commission of our Annual Report on Form 10-K for the year ended December 31, 2015.

Geoffrey G. Meyers, Chair  
Jay O. Light  
Wayne J. Riley, M.D.

**Table of Contents**

**WHERE TO FIND ADDITIONAL INFORMATION**

We are subject to the informational requirements of the Exchange Act and in accordance therewith, we file annual, quarterly and current reports and other information with the SEC. This information can be inspected and copied at the Public Reference Room at the SEC's office at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Such information may also be accessed electronically by means of the SEC's home page on the Internet at <http://www.sec.gov>. We are an electronic filer, and the SEC maintains an Internet site at <http://www.sec.gov> that contains the reports and other information we file electronically. Our website address is [www.hcahealthcare.com](http://www.hcahealthcare.com). Please note that our website address is provided as an inactive textual reference only. We make available free of charge, through our website, our annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. The information provided on or accessible through our website is not part of this proxy statement.

Nashville, TN

March 17, 2016

---

**Table of Contents**

Appendix A

**2006 Stock Incentive Plan for Key Employees of HCA Holdings, Inc.  
and its Affiliates, as Amended and Restated**

1. *Purpose of Plan*

The 2006 Stock Incentive Plan for Key Employees of HCA Holdings, Inc. and its Affiliates, as amended and restated (the Plan ) is designed:

(a) to promote the long term financial interests and growth of HCA Holdings, Inc. (the Company ) and its Subsidiaries by attracting and retaining management and other personnel and key service providers with the training, experience and ability to enable them to make a substantial contribution to the success of the Company s business;

(b) to motivate management personnel by means of growth-related incentives to achieve long range goals; and

(c) to further the alignment of interests of participants with those of the stockholders of the Company through opportunities for increased stock, or stock-based ownership in the Company.

2. *Definitions*

As used in the Plan, the following words shall have the following meanings:

(a) Affiliate means with respect to any Person, any entity directly or indirectly controlling, controlled by or under common control with such Person.

(b) Board means the Board of Directors of the Company.

(c) Except as otherwise provided in a Grant Agreement at or after Grant, Change in Control means in one or more of a series of transactions (i) the transfer or sale of all or substantially all of the assets of the Company (or any direct or indirect parent of the Company) to an Unaffiliated Person (as defined below); (ii) a merger, consolidation, recapitalization or reorganization of the Company (or any direct or indirect parent of the Company) with or into another Unaffiliated Person, or a transfer or sale of the voting stock of the Company (or any direct or indirect parent of the Company), an Investor, or any Affiliate of any of the Investors to an Unaffiliated Person, in any such event that results in more than 50% of the common stock of the Company (or any direct or indirect parent of the Company) or the resulting company being held by an Unaffiliated Person; or (iii) a merger, consolidation, recapitalization or reorganization of the Company (or any direct or indirect parent of the Company) with or into another Unaffiliated Person, or a transfer or sale by the Company (or any direct or indirect parent of the Company), an Investor or any Affiliate of any of the Investors, in any such event after which the Investors and their Affiliates (x) collectively own less than 15% of the Common Stock of and (y) collectively have the ability to appoint less than 50% of the directors to the Board (or any resulting company after a merger). For purposes of this definition, the term Unaffiliated Person means a Person or Group who is not an Investor, an Affiliate of any of the Investors or an entity in which any Investor holds, directly or indirectly, a majority of the economic interest in such entity.

(d) Code means the United States Internal Revenue Code of 1986, as amended.

(e) Committee means either (i) the Compensation Committee of the Board or, (ii) the Board, if the Board takes an action in place of the Compensation Committee.

(f) Common Stock or Share means the common stock, par value \$0.01 per share, of the Company, which may be authorized but unissued, or issued and reacquired.

(g) Employee means a person, including an officer, in the regular employment of the Company or any other Service Recipient who, in the opinion of the Committee, is, or is expected to have involvement in the management, growth or protection of some part or all of the business of the Company or any other Service Recipient.



---

**Table of Contents**

- (h) Exchange Act means the Securities Exchange Act of 1934, as amended.
- (i) Fair Market Value means, on a per Share basis, on any given date, the closing trading price of the Common Stock on the New York Stock Exchange, unless otherwise determined by the Board.
- (j) Grant means an award made to a Participant pursuant to the Plan and described in Section 5, including, without limitation, an award of a Stock Option, Stock Appreciation Right, Other Stock-Based Award, Dividend Equivalent Right, Non-Employee Director Grants or Performance-Based Awards (as such terms are defined in Section 5), or any combination of the foregoing.
- (k) Grant Agreement means an agreement between the Company and a Participant that sets forth the terms, conditions and limitations applicable to a Grant.
- (l) Group means group, as such term is used for purposes of Section 13(d) or 14(d) of the Exchange Act.
- (m) Investors means, collectively, Bain Capital Fund IX, L.P., KKR Millennium Fund, L.P., and ML Global Private Equity Fund, L.P.
- (n) Management Stockholders Agreement shall mean that certain Management Stockholders Agreement between the applicable Participant and the Company.
- (o) Participant means an Employee, non-employee member of the Board, consultant or other person having a service relationship with the Company or any other Service Recipient, to whom one or more Grants have been made and remain outstanding.
- (p) Person means person, as such term is used for purposes of Section 13(d) or 14(d) of the Exchange Act.
- (q) Public Offering means any registered public offering of the Common Stock on the New York Stock Exchange or the NASDAQ National Market or other nationally recognized stock exchange or listing system.
- (r) Sale Participation Agreement shall mean that certain Sale Participation Agreement between the applicable Participant and Hercules Holdings II, LLC.
- (s) Service Recipient shall mean, the Company, any Subsidiary of the Company, or any Affiliate of the Company that satisfies the definition of service recipient within the meaning of Proposed Treasury Regulation Section 1.409A-1(g) (or any successor regulation), with respect to which the person is a service provider (within the meaning of Proposed Treasury Regulation Section 1.409A-1(f) (or any successor regulation)).
- (t) Subsidiary means any corporation or other entity in an unbroken chain of corporations or other entities beginning with the Company if each of the corporations or other entities, or group of commonly controlled corporations or other entities, other than the last corporation or other entity in the unbroken chain then owns stock or other equity interests possessing 50% or more of the total combined voting power of all classes of stock or other equity interests in one of the other corporations or other entities in such chain.

*3. Administration of Plan*

- (a) The Plan shall be administered by the Committee, which may delegate its duties and powers in whole or in part to any subcommittee thereof consisting solely of at least two individuals who are intended to qualify as Non-Employee Directors within the meaning of Rule 16b-3 under the Exchange Act (or any successor rule thereto), independent directors within the meaning of the New York Stock Exchange listed company rules and outside directors within the meaning of Section 162(m) of the Code (or any successor section thereto), to the extent Rule 16b-3 under the Exchange Act and Section 162(m) of the Code, respectively, are applicable to the Company and the Plan; provided, however, that the Board may, in its sole discretion, take any action designated to the Committee under this Plan as it may deem necessary. The Committee may, by resolution, delegate to the

---

## **Table of Contents**

Chief Executive Officer of the Company its duties under the Plan, subject to applicable law, the terms and limitations of the Plan, and such conditions and limitations as the Committee shall prescribe, including the authority, within specified parameters, to (i) designate Employees to be recipients of Grants (excluding Grants in the form of an award of Shares or restricted Shares) under the Plan, and (ii) to determine the number of such Grants (excluding Grants in the form of an award of Shares or restricted Shares) to be received by any such Participants; provided, however, that such delegation of duties and responsibilities to an officer of the Company may not be made with respect to Grants to eligible participants (a) who are subject to Section 16(a) of the Exchange Act at the time of grant, or (b) who are at the time of grant, or are anticipated to be become during the term of the Grants, covered employees as defined in Section 162(m)(3) of the Code.

(b) The Committee may adopt its own rules of procedure, and action of a majority of the members of the Committee taken at a meeting, or action taken without a meeting by unanimous written consent, shall constitute action by the Committee. The Committee shall have the power and authority to administer, construe and interpret the Plan, and to make rules for carrying it out and to make changes in such rules. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan in the manner and to the extent the Committee deems necessary or desirable. Any such interpretations, rules, and administration shall be consistent with the basic purposes of the Plan. The Committee shall have the full power and authority to establish the terms and conditions of any Grant consistent with the provisions of the Plan and to waive any such terms and conditions at any time (including, without limitation, accelerating or waiving any vesting conditions).

(c) The Committee may employ counsel, consultants, accountants, appraisers, brokers or other persons. The Committee, the Company, and the officers and directors of the Company shall be entitled to rely upon the advice, opinions or valuations of any such persons. All actions taken and all interpretations and determinations made by the Committee in good faith shall be final and binding upon all Participants and their beneficiaries or successors. No member of the Committee, nor employee or representative of the Company shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or the Grants, and all such members of the Committee, employees and representatives shall be fully protected and indemnified to the greatest extent permitted by applicable law by the Company with respect to any such action, determination or interpretation.

### *4. Eligibility*

The Committee may from time to time make Grants under the Plan to such Employees, or other persons having a relationship with Company or any other Service Recipient, and in such form and having such terms, conditions and limitations as the Committee may determine. The terms, conditions and limitations of each Grant under the Plan shall be set forth in a Grant Agreement, in a form approved by the Committee, consistent, however, with the terms of the Plan; provided, however, that such Grant Agreement shall contain provisions dealing with the treatment of Grants in the event of the termination of employment or other service relationship, death or disability of a Participant, and may also include provisions concerning the treatment of Grants in the event of a Change in Control of the Company.

### *5. Grants*

From time to time, the Committee will determine the forms and amounts of Grants for Participants. Such Grants may take the following forms in the Committee's sole discretion:

(a) Stock Options These are options to purchase Common Stock ( Stock Options ). At the time of Grant the Committee shall determine, and shall include in the Grant Agreement or other Plan rules, the option exercise period, the option exercise price, vesting requirements, and such other terms, conditions or restrictions on the grant or exercise of the option as the Committee deems appropriate including, without limitation, the right to receive dividend equivalent payments on vested options. Notwithstanding the foregoing, the exercise price per Share of a Stock Option shall in no event be less than the Fair Market



---

**Table of Contents**

Value on the date the Stock Option is granted (subject to later adjustment pursuant to Section 8 hereof). In addition to other restrictions contained in the Plan, a Stock Option granted under this Section 5(a) may not be exercised more than 10 years after the date it is granted. Payment of the Stock Option exercise price shall be made (i) in cash, (ii) with the consent of the Committee, in Shares (any such Shares valued at Fair Market Value on the date of exercise) having an aggregate Fair Market Value equal to the aggregate exercise price for the Shares being purchased and that the Participant has held for at least six months (or such other period of time as may be required to attain tax or financial reporting treatments that are not considered to be adverse to the Company), (iii) through the withholding of Shares (any such Shares valued at Fair Market Value on the date of exercise) otherwise issuable upon the exercise of the Stock Option in a manner that is compliant with applicable law, (iv) if there is a public market for the Shares at such time, to the extent permitted by, and subject to such rules as may be established by the Committee, through delivery of irrevocable instructions to a broker to sell Shares obtained upon the exercise of the Option and to deliver promptly to the Company an amount out of the proceeds of such sale equal to the aggregate exercise price for the Shares being purchased, or (v) a combination of the foregoing methods, in each such case in accordance with the terms of the Plan, the Grant Agreement and of any applicable guidelines of the Committee in effect at the time.

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

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

(d) Dividend Equivalent Rights The Committee may grant Dividend Equivalent Rights either alone or in connection with the grant of a Stock Option, SAR, Other Stock Based Award, or other grant provided for in Section 5(e) below. A Dividend Equivalent Right shall be the right to receive a payment in respect of one Share (whether or not subject to a Stock Option) equal to the amount of any dividend paid in respect of one Share held by a shareholder in the Company. Each Dividend Equivalent Right shall be subject to such terms as the Committee may determine. All dividend or dividend equivalents which are not paid currently may, at the Committee's discretion, accrue interest, be reinvested into additional Shares, or, in the case of dividends or dividend equivalents credited in connection with Performance-Based Awards be credited as additional Performance-Based Awards and paid to the Participant if and when, and to the extent

**Table of Contents**

that, payment is made pursuant to such Grant. The total number of Shares available for grant under Section 6 shall not be reduced to reflect any dividends or dividend equivalents that are reinvested into additional Shares or credited as Performance-Based Awards.

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

(f) Performance-Based Awards.

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

(ii) A Participant's Performance-Based Award shall be determined based on the attainment of written performance goals approved by the Committee for a performance period established by the Committee (A) while the outcome for that performance period is substantially uncertain and (B) no more than 90 days after the commencement of the performance period to which the performance goal relates or, if less, the number of days which is equal to 25 percent of the relevant performance period. The performance goals, which must be objective, shall be based upon one or more of the following criteria: (i) consolidated income before or after taxes (including income before interest, taxes, depreciation and amortization); (ii) EBITDA; (iii) adjusted EBITDA; (iv) operating income; (v) net income; (vi) net income per Share; (vii) book value per Share; (viii) return on members' or shareholders' equity; (ix) expense management; (x) return on investment; (xi) improvements in capital structure; (xii) profitability of an identifiable business unit or product; (xiii) maintenance or improvement of profit margins; (xiv) stock price; (xv) market share; (xvi) revenue or sales; (xvii) costs; (xviii) cash flow; (xix) working capital; (xx) multiple of invested capital; (xxi) total return; and (xxii) such other objective performance criteria as determined by the Committee in its sole discretion, to the extent such criteria would be a permissible performance criteria under Section 162(m) of the Code. The foregoing criteria may relate to the Company, one or more of its Subsidiaries or one or more of its or their divisions or units, or any combination of the foregoing, and may be applied on an absolute basis and/or be relative to one or more peer group companies or indices, or any combination thereof, all as the Committee shall determine. The Committee may appropriately adjust any evaluation of performance under criteria set forth in this Section 5(f) to exclude any of the following events that occurs during a performance period: (1) gains or losses on sales of assets (2) asset impairments or write-downs, (3) litigation or claim judgments or settlements, (4) the effect of changes in tax law, accounting principles or

---

**Table of Contents**

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

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

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

*6. Limitations and Conditions*

(a) The number of Shares available for Grants under this Plan shall be the sum of (i) 40,000,000 and (ii) the number of shares available for grant under the Plan as of the end of the day that is the Effective Date of the amendment and restatement of this Plan, subject to adjustment as provided for in Sections 8 and 9, unless restricted by applicable law. The number of Shares with respect to which Incentive Stock Options may be granted after the Effective Date shall be no more than 1,000,000 per fiscal year. Shares related to Grants that are forfeited, terminated, settled for cash, canceled without the delivery of Shares, expire unexercised, withheld to satisfy tax withholding obligations or exercise prices, or are repurchased by the Company shall immediately become available for new Grants.

(b) Grants may, in the discretion of the Committee, be made under the Plan in assumption of, or in substitution for, outstanding awards previously granted by the Company or any of its Subsidiaries or a company acquired by the Company or with which the Company combines. The number of Shares underlying awards made in assumption of, or in substitution for, outstanding awards previously granted by a company acquired by the Company or any of its Subsidiaries or with which the Company or any of its Subsidiaries combines shall not be counted against the aggregate number of Shares available for Grants under the Plan, nor shall the Shares subject to such substitute awards become available for new Grants under the circumstances described in the prior paragraph of this Section 3. In addition, in the event that a company acquired by the Company or any of its Subsidiaries or with which the Company or any of its Subsidiaries combines has shares available under a pre-existing plan approved by shareholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or

**Table of Contents**

combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Grants and shall not reduce the Shares authorized for issuance under the Plan; provided that Grants using such available shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not employees or directors of the Company or any of its Subsidiaries prior to such acquisition or combination.

(c) No Grants shall be made under the Plan beyond ten years after the Effective Date, but the terms of Grants made on or before the expiration of the Plan may extend beyond such expiration. At the time a Grant is made or amended or the terms or conditions of a Grant are changed in accordance with the terms of the Plan or the Grant Agreement, the Committee may provide for limitations or conditions on such Grant.

(d) Nothing contained herein shall affect the right of the Company or any other Service Recipient to terminate any Participant's employment or other service relationship at any time or for any reason.

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

(f) Participants shall not be, and shall not have any of the rights or privileges of, stockholders of the Company in respect of any Shares purchasable or deliverable in connection with any Grant unless and until certificates representing any such Shares have been issued by the Company to such Participants (or book entry representing such Shares has been made and such Shares have been deposited with the appropriate registered book-entry custodian). All certificates, if any, evidencing Shares or other securities of the Company delivered under the Plan pursuant to any Grant or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission or other applicable governmental authority, any stock exchange or market upon which such securities are then listed, admitted or quoted, as applicable, and any applicable Federal, state or any other applicable laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(g) No election as to benefits or exercise of any Grant may be made during a Participant's lifetime by anyone other than the Participant except by a legal representative appointed for or by the Participant.

(h) Absent express provisions to the contrary, any Grant under this Plan shall not be deemed compensation for purposes of computing benefits or contributions under any retirement or severance plan of the Company or other Service Recipient and shall not affect any benefits under any other benefit plan of any kind now or subsequently in effect under which the availability or amount of benefits is related to level of compensation. This Plan is not a Retirement Plan or Welfare Plan under the Employee Retirement Income Security Act of 1974, as amended.

(i) Unless the Committee determines otherwise, no benefit or promise under the Plan shall be secured by any specific assets of the Company or any other Service Recipient, nor shall any assets of the Company or any

---

**Table of Contents**

other Service Recipient be designated as attributed or allocated to the satisfaction of the Company's obligations under the Plan. Neither the Plan nor any Grant shall create or be construed to create a fiduciary relationship between the Company or any Subsidiary or Affiliate and a Participant or any other Person. To the extent that any Person acquires a right to receive payments from the Company or any Subsidiary or Affiliate pursuant to a Grant, such right shall be no greater than the right of any unsecured general creditor of the Company or any Subsidiary or Affiliate.

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

*7. Transfers and Leaves of Absence*

For purposes of the Plan, unless the Committee determines otherwise: (a) a transfer of a Participant's employment without an intervening period of separation among the Company and any other Service Recipient shall not be deemed a termination of employment, and (b) a Participant who is granted in writing a leave of absence or who is entitled to a statutory leave of absence shall be deemed to have remained in the employ of the Company (and other Service Recipient) during such leave of absence.

*8. Adjustments*

In the event after the Effective Date, any Share dividend, Share split, extraordinary distribution, reorganization, recapitalization, merger, consolidation, spin-off, combination, combination or transaction or exchange of Shares, any equity restructuring (as defined under FASB ASC Topic 718) or other corporate change, or any distribution to Shareholders other than regular cash dividends, or any transaction similar to any of the foregoing, the Committee shall, in an equitable and proportionate manner as it deems reasonably necessary to address on an equitable basis the effect of such event, and in such manner as is consistent with Sections 162(m), 422, and 409A of the Code and the regulations thereunder, make such substitution or adjustment, if any, (a) as to the number and kind of shares subject to the Plan and available for or covered by Grants; (b) as to share prices related to outstanding Grants (including, without limitation, the exercise price of Stock Options), or by providing for an equivalent award in respect of securities of the surviving entity of any merger, consolidation, or other transaction or event having a similar effect; or (c) by providing for a cash payment to the holder of an outstanding Grant, and shall make such other revisions to outstanding Grants as it deems, in good faith, are equitably required.

*9. Change in Control*

(a) *Generally.* In the event of a Change in Control: (i) if determined by the Committee in the applicable Grant Agreement or otherwise determined by the Committee in its sole discretion, any outstanding Grants then held by Participants which are unexercisable or otherwise unvested or subject to lapse restrictions may automatically be deemed exercisable or otherwise vested or no longer subject to lapse restrictions, as the case may be, as of immediately prior to such Change in Control and (ii) the Committee may, to the extent determined by the Committee to be permitted under Section 409A of the Code, but shall not be obligated to: (A) cancel such awards for fair value (as determined in the sole discretion of the Committee) which, in the case of Stock Options and Stock Appreciation Rights, may equal the excess, if any, of the value of the consideration to be paid in the Change in Control transaction to holders of the same number of Shares subject to such Stock Options or Stock Appreciation Rights (or, if no consideration is paid in any such transaction, the Fair Market Value of the Shares

---

**Table of Contents**

subject to such Stock Options or Stock Appreciation Rights) over the aggregate option price of such Stock Options or the aggregate exercise price of such Stock Appreciation Rights, as the case may be; (B) provide for the issuance of substitute awards that will substantially preserve the otherwise applicable terms of any affected Grants previously granted hereunder, as determined by the Committee in its sole discretion; or (C) provide that for a period of at least 15 days prior to the Change in Control, any Stock Options or Stock Appreciation Rights shall be exercisable as to all Shares subject thereto and that upon the occurrence of the Change in Control, such Stock Options or Stock Appreciation Rights shall terminate and be of no further force and effect: provided, however, that subpart (ii) shall not apply to a Change in Control under clause (C) of such definition that occurs due to a gradual sell down of voting stock of the Company by the Investors or their Affiliates.

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

*10. Amendment and Termination; Section 409A of the Code*

(a) The Committee shall have the authority to make such amendments to any terms and conditions applicable to outstanding Grants as are consistent with this Plan, provided that no amendment may modify Grants that disadvantages Participants in more than a de minimis way but less than a material way without approval by a majority of affected Participants; and provided, further, that no such action shall modify any Grant in a manner that materially disadvantages a Participant with respect to any outstanding Grants, other than pursuant to Section 8 or 9 hereof, without the Participant's consent, except as such modification is provided for or contemplated in the terms of the Grant or this Plan.

(b) The Board may amend, suspend or terminate the Plan, except that no such action, other than an action under Section 8 or 9 hereof, may be taken which would, without stockholder approval, increase the aggregate number of Shares available for Grants under the Plan, decrease the price of outstanding Grants, change the requirements relating to the Committee, extend the term of the Plan, or otherwise require the approval of the stockholder of the Company to the extent such approval is (i) required by or (ii) desirable to satisfy the requirements of, in each case, any applicable law, regulation or other rule, including, the listing standards of the securities exchange, which is, at the applicable time, the principal market for the Shares. However, no amendment, suspension or termination of the Plan may disadvantage Participants in more than a de minimis way but less than a material way without approval by a majority of affected Participants, and no such action shall materially disadvantage a Participant with respect to any outstanding Grants, other than pursuant to Section 8 or 9 hereof, without the Participant's consent, except as otherwise contemplated in the terms of the Grant or the Plan.

(c) This Plan and all Grants granted hereunder are intended to comply with Section 409A of the Code and will be interpreted in a manner intended to comply with Section 409A of the Code. References under the Plan or any Grants to the Participant's termination of Employment shall be deemed to refer to the date upon which the Participant has experienced a separation from service within the meaning of Section 409A of the Code. Notwithstanding anything herein to the contrary, (a) if at the time of the Participant's separation from service with any Service Recipient the Participant is a specified employee as defined in Section 409A of the Code, and the deferral of the commencement of any payments or benefits otherwise payable hereunder as a result of such separation from service is necessary in order to prevent the imposition of any accelerated or additional tax under Section 409A of the Code, then the Company will defer the commencement of the payment of any such payments or benefits hereunder (without any reduction in such payments or benefits ultimately paid or provided

---

**Table of Contents**

to the Participant) until the date that is six months and one day following the Participant's separation from service with all Service Recipients (or the earliest date as is permitted under Section 409A of the Code), if such payment or benefit is payable upon a termination of Employment and (b) if any other payments of money or other benefits due to the Participant hereunder would cause the application of an accelerated or additional tax under Section 409A of the Code, such payments or other benefits shall be deferred, if deferral will make such payment or other benefits compliant under Section 409A of the Code, or otherwise such payment or other benefits shall be restructured, to the minimum extent necessary, in a manner, reasonably determined by the Board, that does not cause such an accelerated or additional tax or result in an additional cost to the Company (without any reduction in such payments or benefits ultimately paid or provided to the Participant). Unless otherwise provided in a Grant Agreement or any other agreement between the Company or any of its Subsidiaries and any Participant, the Company shall not be liable to any Participant for any tax, interest, or penalties that Participant might owe as a result of the grant, holding, vesting, exercise, or payment of any Grant under the Plan.

*11. Governing Law; International Participants*

(a) This Plan shall be governed by and construed in accordance with the laws of Delaware applicable therein.

(b) With respect to Participants who reside or work outside the United States of America, the Committee may, in its sole discretion, amend the terms of the Plan or awards with respect to such Participants in order to conform such terms with the requirements of local law or to obtain more favorable tax or other treatment for a Participant, the Company or any other Service Recipient.

*12. Withholding Taxes*

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

*13. Effective Date and Termination Dates*

The Plan shall be effective on March 9, 2011 (the Effective Date ) and shall terminate ten years later, subject to earlier termination by the Board pursuant to Section 10. Unless otherwise expressly provided in the Plan or in an applicable Grant Agreement, any Grant made hereunder may, and the authority of the Board or the Committee to amend, alter, adjust, suspend, discontinue or terminate any such Grant or to waive any conditions or rights under any such Grant shall, continue after the tenth anniversary of the Effective Date.

**Table of Contents**



**Table of Contents**