

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

Form 10-Q

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

For the quarterly period ended June 30, 2019

Or

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

For the transition period from _____ to _____
Commission file number 1-11239

HCA Healthcare, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

27-3865930
(I.R.S. Employer
Identification No.)

37203
(Zip Code)

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

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Voting common stock, \$.01 par value	HCA	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

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

<u>Class of Common Stock</u>	<u>Outstanding at July 31, 2019</u>
Voting common stock, \$.01 par value	340,982,800 shares

HCA HEALTHCARE, INC.
Form 10-Q
June 30, 2019

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HCA HEALTHCARE, INC.
CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE QUARTERS AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018
Unaudited
(Dollars in millions, except per share amounts)

	Quarter		Six Months	
	2019	2018	2019	2018
Revenues	\$ 12,602	\$ 11,529	\$ 25,119	\$ 22,952
Salaries and benefits	5,837	5,274	11,484	10,563
Supplies	2,118	1,917	4,159	3,832
Other operating expenses	2,362	2,118	4,661	4,228
Equity in earnings of affiliates	(8)	(7)	(19)	(16)
Depreciation and amortization	636	562	1,255	1,115
Interest expense	477	436	938	867
Gains on sales of facilities	(18)	(9)	(17)	(414)
	11,404	10,291	22,461	20,175
Income before income taxes	1,198	1,238	2,658	2,777
Provision for income taxes	271	272	550	529
Net income	927	966	2,108	2,248
Net income attributable to noncontrolling interests	144	146	286	284
Net income attributable to HCA Healthcare, Inc.	\$ 783	\$ 820	\$ 1,822	\$ 1,964
Per share data:				
Basic earnings	\$ 2.29	\$ 2.35	\$ 5.32	\$ 5.62
Diluted earnings	\$ 2.25	\$ 2.31	\$ 5.22	\$ 5.50
Shares used in earnings per share calculations (in millions):				
Basic	342.170	348.615	342.513	349.726
Diluted	348.373	355.039	349.334	357.388

The accompanying notes are an integral part of the condensed consolidated financial statements.

HCA HEALTHCARE, INC.
CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENTS
FOR THE QUARTERS AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018
Unaudited
(Dollars in millions)

	<u>Quarter</u>		<u>Six Months</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Net income	\$927	\$966	\$2,108	\$2,248
Other comprehensive income (loss) before taxes:				
Foreign currency translation	(38)	(76)	(18)	(22)
Unrealized gains (losses) on available-for-sale securities	6	(1)	14	(6)
Defined benefit plans	—	—	—	—
Pension costs included in salaries and benefits	4	5	7	10
	4	5	7	10
Change in fair value of derivative financial instruments	(34)	15	(52)	50
Interest benefits included in interest expense	(6)	(2)	(11)	(2)
	(40)	13	(63)	48
Other comprehensive (loss) income before taxes	(68)	(59)	(60)	30
Income taxes (benefits) related to other comprehensive income items	(11)	5	(10)	13
Other comprehensive (loss) income	(57)	(64)	(50)	17
Comprehensive income	870	902	2,058	2,265
Comprehensive income attributable to noncontrolling interests	144	146	286	284
Comprehensive income attributable to HCA Healthcare, Inc.	\$726	\$756	\$1,772	\$1,981

The accompanying notes are an integral part of the condensed consolidated financial statements.

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

	June 30, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,430	\$ 502
Accounts receivable	7,219	6,789
Inventories	1,826	1,732
Other	1,394	1,190
	<u>12,869</u>	<u>10,213</u>
Property and equipment, at cost	45,369	42,965
Accumulated depreciation	<u>(23,902)</u>	<u>(23,208)</u>
	21,467	19,757
Investments of insurance subsidiaries	342	362
Investments in and advances to affiliates	247	232
Goodwill and other intangible assets	8,140	7,953
Right-of-use operating lease assets	1,787	—
Other	597	690
	<u>\$ 45,449</u>	<u>\$ 39,207</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 2,609	\$ 2,577
Accrued salaries	1,497	1,580
Other accrued expenses	2,782	2,624
Long-term debt due within one year	2,073	788
	<u>8,961</u>	<u>7,569</u>
Long-term debt, less debt issuance costs and discounts of \$252 and \$157	34,120	32,033
Professional liability risks	1,354	1,275
Right-of-use operating lease obligations	1,460	—
Income taxes and other liabilities	1,324	1,248
Stockholders' deficit:		
Common stock \$0.01 par; authorized 1,800,000,000 shares; outstanding 341,516,800 shares in 2019 and 342,895,200 shares in 2018	3	3
Accumulated other comprehensive loss	(431)	(381)
Retained deficit	<u>(3,474)</u>	<u>(4,572)</u>
Stockholders' deficit attributable to HCA Healthcare, Inc.	(3,902)	(4,950)
Noncontrolling interests	2,132	2,032
	<u>(1,770)</u>	<u>(2,918)</u>
	<u>\$ 45,449</u>	<u>\$ 39,207</u>

The accompanying notes are an integral part of the condensed consolidated financial statements.

HCA HEALTHCARE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE QUARTERS AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018
Unaudited
(Dollars in millions)

	Equity (Deficit) Attributable to HCA Healthcare, Inc.				Equity Attributable to Noncontrolling Interests	Total
	Common Stock	Capital in Excess of Par Value	Accumulated Other Comprehensive Loss	Retained Deficit		
	Shares (in millions)	Par Value				
Balances, December 31, 2017	350.092	\$ 4	\$ —	\$ (278)	\$ 1,811	\$(4,995)
Comprehensive income				81	138	1,363
Repurchase of common stock	(4.370)		114	(537)		(423)
Share-based benefit plans	5.265		(114)			(114)
Cash dividends declared (\$0.35 per share)				(126)		(126)
Distributions					(92)	(92)
Other					(47)	(47)
Balances, March 31, 2018	350.987	4	—	(197)	1,810	(4,434)
Comprehensive income				(64)	146	902
Repurchase of common stock	(4.670)	(1)	(93)	(376)		(470)
Share-based benefit plans	0.443		96			96
Cash dividends declared (\$0.35 per share)				(124)		(124)
Distributions					(93)	(93)
Other			(3)		1	(2)
Balances, June 30, 2018	346.760	3	—	(261)	1,864	(4,125)
Comprehensive income				(5)	137	891
Repurchase of common stock	(2.518)		(55)	(247)		(302)
Share-based benefit plans	0.844		54			54
Cash dividends declared (\$0.35 per share)				(123)		(123)
Distributions					(130)	(130)
Other			1		4	5
Balances, September 30, 2018	345.086	3	—	(266)	1,875	(3,730)
Comprehensive income				(20)	181	1,225
Repurchase of common stock	(2.512)		(69)	(266)		(335)
Share-based benefit plans	0.321		79			79
Cash dividends declared (\$0.35 per share)				(123)		(123)
Distributions					(126)	(126)
Other			(10)	(95)	102	92
Balances, December 31, 2018	342.895	3	—	(381)	2,032	(2,918)
Comprehensive income				7	142	1,188
Repurchase of common stock	(2.106)		32	(310)		(278)
Share-based benefit plans	2.242		(29)			(29)
Cash dividends declared (\$0.40 per share)				(140)		(140)
Distributions					(136)	(136)
Other			(3)		61	58
Balances, March 31, 2019	343.031	3	—	(374)	2,099	(2,255)
Comprehensive income				(57)	144	870
Repurchase of common stock	(1.928)		(107)	(135)		(242)
Share-based benefit plans	0.414		118			118
Cash dividends declared (\$0.40 per share)				(139)		(139)
Distributions					(111)	(111)
Other			(11)			(11)
Balances, June 30, 2019	341.517	\$ 3	\$ —	\$ (431)	\$ 2,132	\$(1,770)

The accompanying notes are an integral part of the condensed consolidated financial statements.

HCA HEALTHCARE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018
Unaudited
(Dollars in millions)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Net income	\$ 2,108	\$ 2,248
Adjustments to reconcile net income to net cash provided by operating activities:		
Increase (decrease) in cash from operating assets and liabilities:		
Accounts receivable	(174)	(233)
Inventories and other assets	(231)	(200)
Accounts payable and accrued expenses	(238)	31
Depreciation and amortization	1,255	1,115
Income taxes	27	118
Gains on sales of facilities	(17)	(414)
Amortization of debt issuance costs and discounts	16	15
Share-based compensation	158	134
Other	67	51
Net cash provided by operating activities	<u>2,971</u>	<u>2,865</u>
Cash flows from investing activities:		
Purchase of property and equipment	(1,745)	(1,574)
Acquisition of hospitals and health care entities	(1,504)	(538)
Disposal of hospitals and health care entities	41	799
Change in investments	59	23
Other	36	(25)
Net cash used in investing activities	<u>(3,113)</u>	<u>(1,315)</u>
Cash flows from financing activities:		
Issuances of long-term debt	6,451	—
Net change in revolving bank credit facilities	(3,040)	210
Repayment of long-term debt	(98)	(101)
Distributions to noncontrolling interests	(247)	(185)
Payment of debt issuance costs	(63)	(2)
Payment of cash dividends	(278)	(245)
Repurchases of common stock	(520)	(893)
Other	(135)	(192)
Net cash provided by (used in) financing activities	<u>2,070</u>	<u>(1,408)</u>
Effect of exchange rate changes on cash and cash equivalents	—	(6)
Change in cash and cash equivalents	1,928	136
Cash and cash equivalents at beginning of period	502	732
Cash and cash equivalents at end of period	<u>\$ 2,430</u>	<u>\$ 868</u>
Interest payments	\$ 910	\$ 873
Income tax payments, net	\$ 523	\$ 411

The accompanying notes are an integral part of the condensed consolidated financial statements.

HCA HEALTHCARE, INC.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****NOTE 1 — BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES***Reporting Entity*

HCA Healthcare, Inc. is a holding company whose affiliates own and operate hospitals and related health care entities. The term “affiliates” includes direct and indirect subsidiaries of HCA Healthcare, Inc. and partnerships and joint ventures in which such subsidiaries are partners. At June 30, 2019, these affiliates owned and operated 184 hospitals, 125 freestanding surgery centers and provided extensive outpatient and ancillary services. HCA Healthcare, Inc.’s facilities are located in 21 states and England. The terms “Company,” “HCA,” “we,” “our” or “us,” as used herein and unless otherwise stated or indicated by context, refer to HCA Healthcare, Inc. and its affiliates. The terms “facilities” or “hospitals” refer to entities owned and operated by affiliates of HCA and the term “employees” refers to employees of affiliates of HCA.

Basis of Presentation

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

The majority of our expenses are “costs of revenues” items. Costs that could be classified as general and administrative would include our corporate office costs, which were \$94 million and \$83 million for the quarters ended June 30, 2019 and 2018, respectively, and \$180 million and \$164 million for the six months ended June 30, 2019 and 2018, respectively. Operating results for the quarter and six months ended June 30, 2019 are not necessarily indicative of the results that may be expected for the year ending December 31, 2019. For further information, refer to the consolidated financial statements and footnotes thereto included in our annual report on Form 10-K for the year ended December 31, 2018.

Revenues

Our revenues generally relate to contracts with patients in which our performance obligations are to provide health care services to the patients. Revenues are recorded during the period our obligations to provide health care services are satisfied. Our performance obligations for inpatient services are generally satisfied over periods that average approximately five days, and revenues are recognized based on charges incurred in relation to total expected charges. Our performance obligations for outpatient services are generally satisfied over a period of less than one day. The contractual relationships with patients, in most cases, also involve a third-party payer (Medicare, Medicaid, managed care health plans and commercial insurance companies, including plans offered through the health insurance exchanges) and the transaction prices for the services provided are dependent upon the terms provided by (Medicare and Medicaid) or negotiated with (managed care health plans and commercial insurance companies) the third-party payers. The payment arrangements with third-party payers for the services we provide to the related patients typically specify payments at amounts less than our standard charges. Medicare generally pays for inpatient and outpatient services at prospectively determined rates based on clinical, diagnostic and other factors. Services provided to patients having Medicaid coverage are generally paid at prospectively determined rates per discharge, per identified service or per covered member. Agreements with commercial insurance carriers, managed care and preferred provider organizations generally provide for payments based upon predetermined rates per diagnosis, per diem rates or discounted fee-for-service rates. Our revenues for the six months ended June 30, 2019 include \$86 million related to the resolution of transaction price differences regarding certain out-of-network services performed in prior periods. Management continually reviews the

HCA HEALTHCARE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
NOTE 1 — BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)
Revenues (continued)

contractual estimation process to consider and incorporate updates to laws and regulations and the frequent changes in managed care contractual terms resulting from contract renegotiations and renewals.

Our revenues are based upon the estimated amounts we expect to be entitled to receive from patients and third-party payers. Estimates of contractual allowances under managed care and commercial insurance plans are based upon the payment terms specified in the related contractual agreements. Revenues related to uninsured patients and uninsured copayment and deductible amounts for patients who have health care coverage may have discounts applied (uninsured discounts and contractual discounts). We also record estimated implicit price concessions (based primarily on historical collection experience) related to uninsured accounts to record self-pay revenues at the estimated amounts we expect to collect. Our revenues from third-party payers and others (including uninsured patients) for the quarters and six months ended June 30, 2019 and 2018 are summarized in the following table (dollars in millions):

	Quarter			
	2019	Ratio	2018	Ratio
Medicare	\$ 2,635	20.9%	\$ 2,425	21.0%
Managed Medicare	1,595	12.7	1,345	11.7
Medicaid	416	3.3	357	3.1
Managed Medicaid	554	4.4	586	5.1
Managed care and insurers	6,425	50.9	5,993	51.9
International (managed care and insurers)	284	2.3	295	2.6
Other	693	5.5	528	4.6
Revenues	<u>\$12,602</u>	<u>100.0%</u>	<u>\$11,529</u>	<u>100.0%</u>

	Six Months			
	2019	Ratio	2018	Ratio
Medicare	\$ 5,405	21.5%	\$ 4,949	21.6%
Managed Medicare	3,184	12.7	2,744	12.0
Medicaid	763	3.0	638	2.8
Managed Medicaid	1,167	4.6	1,147	5.0
Managed care and insurers	12,851	51.1	12,055	52.5
International (managed care and insurers)	581	2.3	600	2.6
Other	1,168	4.8	819	3.5
Revenues	<u>\$25,119</u>	<u>100.0%</u>	<u>\$22,952</u>	<u>100.0%</u>

HCA HEALTHCARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 1 — BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues (continued)

To quantify the total impact of the trends related to uninsured accounts, we believe it is beneficial to view total uncompensated care, which is comprised of charity care, uninsured discounts and implicit price concessions. A summary of the estimated cost of total uncompensated care for the quarters and six months ended June 30, 2019 and 2018 follows (dollars in millions):

	Quarter		Six Months	
	2019	2018	2019	2018
Patient care costs (salaries and benefits, supplies, other operating expenses and depreciation and amortization)	\$10,953	\$9,871	\$21,559	\$19,738
Cost-to-charges ratio (patient care costs as percentage of gross patient charges)	12.2%	12.6%	12.0%	12.5%
Total uncompensated care	\$ 7,695	\$6,486	\$14,780	\$12,738
Multiply by the cost-to-charges ratio	12.2%	12.6%	12.0%	12.5%
Estimated cost of total uncompensated care	\$ 938	\$ 817	\$ 1,774	\$ 1,592

Total uncompensated care as a percentage of the sum of revenues and total uncompensated care was 37.9% and 36.0% for the quarters ended June 30, 2019 and 2018, respectively, and 37.0% and 35.7% for the six months ended June 30, 2019 and 2018, respectively. The total uncompensated care amounts include charity care of \$3.311 billion and \$1.977 billion, and the related estimated costs of charity care were \$403 million and \$249 million, for the quarters ended June 30, 2019 and 2018, respectively, and \$6.216 billion and \$3.856 billion, and the related estimated costs of charity care were \$746 million and \$482 million, for the six months ended June 30, 2019 and 2018, respectively.

Reclassifications

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

NOTE 2 — ACQUISITIONS AND DISPOSITIONS

During the six months ended June 30, 2019, we paid \$1.397 billion to acquire a seven-hospital health system in North Carolina and \$107 million to acquire other nonhospital health care entities. During the six months ended June 30, 2018, we paid \$360 million to acquire a hospital facility and \$178 million to acquire other nonhospital health care entities. Purchase price amounts have been allocated to the related assets acquired and liabilities assumed based upon their respective fair values. The purchase price paid in excess of the fair value of identifiable net assets of these acquired entities aggregated \$201 million for the six months ended June 30, 2019. The consolidated financial statements include the accounts and operations of the acquired entities subsequent to the respective acquisition dates. The pro forma effects of these acquired entities on our results of operations for periods prior to the respective acquisition dates were not significant.

During the six months ended June 30, 2019, we received proceeds of \$25 million and recognized a net pretax loss of \$1 million related to a sale of a hospital facility in one of our Louisiana markets. During the six months ended June 30, 2019, we also received proceeds of \$16 million and recognized a net pretax gain of \$18 million related to sales of real estate and other investments. During the six months ended June 30, 2018, we received proceeds of \$758 million and recognized a net pretax gain of \$372 million related to the sale of the two hospital facilities in our Oklahoma market. During the six months ended June 30, 2018, we also received proceeds of \$41 million and recognized a net pretax gain of \$42 million related to sales of real estate and other investments.

HCA HEALTHCARE, INC.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 3 — INCOME TAXES**

Our provision for income taxes for the quarters ended June 30, 2019 and 2018 was \$271 million and \$272 million, respectively, and the effective tax rates were 25.7% and 24.9%, respectively. Our provision for income taxes for the six months ended June 30, 2019 and 2018 was \$550 million and \$529 million, respectively, and the effective tax rates were 23.2% and 21.2%, respectively. Our provision for income taxes included tax benefits related to the settlement of employee equity awards of \$4 million for each of the quarters ended June 30, 2019 and 2018, and \$53 million and \$96 million for the six months ended June 30, 2019 and 2018, respectively.

Our liability for unrecognized tax benefits was \$510 million, including accrued interest of \$60 million, as of June 30, 2019 (\$435 million and \$48 million, respectively, as of December 31, 2018). Unrecognized tax benefits of \$153 million (\$137 million as of December 31, 2018) would affect the effective rate, if recognized.

The Internal Revenue Service began an examination of the Company's 2016 and 2017 federal income tax returns during 2019. We are also subject to examination by state and foreign taxing authorities. Depending on the resolution of any federal, state and foreign tax disputes, the completion of examinations by federal, state or foreign taxing authorities, or the expiration of statutes of limitation for specific taxing jurisdictions, we believe it is reasonably possible that our liability for unrecognized tax benefits may significantly increase or decrease within the next 12 months. However, we are currently unable to estimate the range of any possible change.

NOTE 4 — EARNINGS PER SHARE

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

The following table sets forth the computation of basic and diluted earnings per share for the quarters and six months ended June 30, 2019 and 2018 (dollars and shares in millions, except per share amounts):

	Quarter		Six Months	
	2019	2018	2019	2018
Net income attributable to HCA Healthcare, Inc.	\$ 783	\$ 820	\$ 1,822	\$ 1,964
Weighted average common shares outstanding	342.170	348.615	342.513	349.726
Effect of dilutive incremental shares	6.203	6.424	6.821	7.662
Shares used for diluted earnings per share	348.373	355.039	349.334	357.388
Earnings per share:				
Basic earnings	\$ 2.29	\$ 2.35	\$ 5.32	\$ 5.62
Diluted earnings	\$ 2.25	\$ 2.31	\$ 5.22	\$ 5.50

HCA HEALTHCARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 5 — INVESTMENTS OF INSURANCE SUBSIDIARIES

A summary of our insurance subsidiaries' investments at June 30, 2019 and December 31, 2018 follows (dollars in millions):

	Amortized Cost	June 30, 2019 Unrealized Amounts		Fair Value
		Gains	Losses	
Debt securities	\$ 334	\$ 17	\$ —	\$ 351
Money market funds and other	104	—	—	104
	<u>\$ 438</u>	<u>\$ 17</u>	<u>\$ —</u>	<u>455</u>
Amounts classified as current assets				(113)
Investment carrying value				<u>\$ 342</u>

	Amortized Cost	December 31, 2018 Unrealized Amounts		Fair Value
		Gains	Losses	
Debt securities	\$ 338	\$ 5	\$ (2)	\$341
Money market funds and other	68	—	—	68
	<u>\$ 406</u>	<u>\$ 5</u>	<u>\$ (2)</u>	<u>409</u>
Amounts classified as current assets				(47)
Investment carrying value				<u>\$362</u>

At June 30, 2019 and December 31, 2018, the investments of our insurance subsidiaries were classified as “available-for-sale.” Changes in temporary unrealized gains and losses are recorded as adjustments to other comprehensive income (loss).

Scheduled maturities of investments in debt securities at June 30, 2019 were as follows (dollars in millions):

	Amortized Cost	Fair Value
Due in one year or less	\$ 3	\$ 3
Due after one year through five years	74	77
Due after five years through ten years	192	203
Due after ten years	65	68
	<u>\$ 334</u>	<u>\$351</u>

The average expected maturity of the investments in debt securities at June 30, 2019 was 5.8 years, compared to the average scheduled maturity of 10.1 years. Expected and scheduled maturities may differ because the issuers of certain securities have the right to call, prepay or otherwise redeem such obligations prior to their scheduled maturity date.

HCA HEALTHCARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 6 — FINANCIAL INSTRUMENTS

Interest Rate Swap Agreements

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

The following table sets forth our interest rate swap agreements, which have been designated as cash flow hedges, at June 30, 2019 (dollars in millions):

	<u>Notional Amount</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Pay-fixed interest rate swaps	\$ 2,000	December 2021	\$ 7
Pay-fixed interest rate swaps	500	December 2022	(7)

During the next 12 months, we estimate \$7 million will be reclassified from other comprehensive income (“OCI”) and will reduce interest expense.

Derivatives — Results of Operations

The following table presents the effect of our interest rate swaps on our results of operations for the six months ended June 30, 2019 (dollars in millions):

<u>Derivatives in Cash Flow Hedging Relationships</u>	<u>Amount of Loss Recognized in OCI on Derivatives, Net of Tax</u>	<u>Location of Gain Reclassified from Accumulated OCI into Operations</u>	<u>Amount of Gain Reclassified from Accumulated OCI into Operations</u>
Interest rate swaps	\$ 40	Interest expense	\$ 11

NOTE 7 — ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

Accounting Standards Codification 820, *Fair Value Measurements and Disclosures* (“ASC 820”), emphasizes fair value is a market-based measurement, and fair value measurements should be determined based on the assumptions market participants would use in pricing assets or liabilities. ASC 820 utilizes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs classified within Levels 1 and 2 of the hierarchy) and the reporting entity’s own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves observable at commonly quoted intervals. Level 3 inputs are unobservable

HCA HEALTHCARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment.

Cash Traded Investments

Our cash traded investments are generally classified within Level 1 or Level 2 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

Derivative Financial Instruments

We have entered into interest rate swap agreements to manage our exposure to fluctuations in interest rates. The valuation of these instruments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. We incorporate credit valuation adjustments to reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements of these instruments.

Although we determined the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by us and our counterparties. We assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our derivative positions, and at June 30, 2019 and December 31, 2018, we determined the credit valuation adjustments were not significant to the overall valuation of our derivatives.

The following tables summarize our assets measured at fair value on a recurring basis as of June 30, 2019 and December 31, 2018, aggregated by the level in the fair value hierarchy within which those measurements fall (dollars in millions):

		June 30, 2019		
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments of insurance subsidiaries:				
Debt securities	\$ 351	\$ —	\$ 351	\$ —
Money market funds and other	104	104	—	—
Investments of insurance subsidiaries	455	104	351	—
Less amounts classified as current assets	(113)	(103)	(10)	—
	<u>\$ 342</u>	<u>1</u>	<u>\$ 341</u>	<u>\$ —</u>

HCA HEALTHCARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	December 31, 2018			
	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments of insurance subsidiaries:				
Debt securities	\$ 341	\$ —	\$ 341	\$ —
Money market funds and other	68	68	—	—
Investments of insurance subsidiaries	409	68	341	—
Less amounts classified as current assets	(47)	(47)	—	—
	<u>\$ 362</u>	<u>\$ 21</u>	<u>\$ 341</u>	<u>\$ —</u>
Interest rate swaps (Other)	\$ 63	\$ —	\$ 63	\$ —

The estimated fair value of our long-term debt was \$38.773 billion and \$32.887 billion at June 30, 2019 and December 31, 2018, respectively, compared to carrying amounts, excluding debt issuance costs and discounts, aggregating \$36.445 billion and \$32.978 billion, respectively. The estimates of fair value are generally based upon the quoted market prices or quoted market prices for similar issues of long-term debt with the same maturities.

NOTE 8 — LONG-TERM DEBT

A summary of long-term debt at June 30, 2019 and December 31, 2018, including related interest rates at June 30, 2019, follows (dollars in millions):

	June 30, 2019	December 31, 2018
Senior secured asset-based revolving credit facility	\$ —	\$ 3,040
Senior secured revolving credit facility	—	—
Senior secured term loan facilities (effective interest rate of 3.6%)	3,752	3,801
Senior secured notes (effective interest rate of 5.4%)	18,800	13,800
Other senior secured debt (effective interest rate of 5.5%)	641	585
Senior secured debt	23,193	21,226
Senior unsecured notes (effective interest rate of 6.3%)	13,252	11,752
Debt issuance costs and discounts	(252)	(157)
Total debt (average life of 8.2 years, rates averaging 5.5%)	36,193	32,821
Less amounts due within one year	2,073	788
	<u>\$ 34,120</u>	<u>\$ 32,033</u>

During January 2019, we issued \$1.500 billion aggregate principal amount of senior unsecured notes comprised of \$1.000 billion aggregate principal amount of 5.875% notes due 2029 and \$500 million aggregate principal amount of 5.625% notes due 2028. We used the net proceeds to fund the purchase of a seven-hospital health system located in western North Carolina.

During June 2019, we issued \$5.000 billion aggregate principal amount of senior secured notes comprised of \$2.000 billion aggregate principal amount of 4 1/8% notes due 2029, \$1.000 billion aggregate principal amount of 5 1/8% notes due 2039 and \$2.000 billion aggregate principal amount of 5 1/4% notes due 2049.

HCA HEALTHCARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 8 — LONG-TERM DEBT (continued)

During June 2019, we used the proceeds to temporarily reduce the balance under the asset-based revolving credit facility. During July 2019, we redeemed all \$600 million outstanding aggregate principal amount of 4.25% senior secured notes due 2019, all \$3.000 billion outstanding aggregate principal amount of 6.50% senior secured notes due 2020 and all \$1.350 billion outstanding aggregate principal amount of 5.875% senior secured notes due 2022. Pretax losses on retirement of debt totaling \$211 million for these redemptions will be recognized during the quarter ending September 30, 2019.

NOTE 9 — LEASES

We adopted ASU No. 2016-02, *Leases (Topic 842)*, which requires leases with durations greater than 12 months to be recognized on the balance sheet, effective January 1, 2019, using the modified retrospective approach. Prior period financial statement amounts and disclosures have not been adjusted to reflect the provisions of the new standard. We elected the package of transition provisions available which allowed us to carryforward our historical assessments of (1) whether contracts are or contain leases, (2) lease classification and (3) initial direct costs.

We lease property and equipment under finance and operating leases. For leases with terms greater than 12 months, we record the related right-of-use assets and right-of-use obligations at the present value of lease payments over the term. Many of our leases include rental escalation clauses and renewal options that are factored into our determination of lease payments when appropriate. We do not separate lease and nonlease components of contracts.

Generally, we use our estimated incremental borrowing rate to discount the lease payments based on information available at lease commencement, as most of our leases do not provide a readily determinable implicit interest rate.

The following table presents our lease-related assets and liabilities at June 30, 2019 (dollars in millions):

	Balance Sheet Classification	June 30, 2019
Assets:		
Operating leases	Right-of-use operating lease assets	\$ 1,787
Finance leases	Property and equipment	598
Total lease assets		<u>\$ 2,385</u>
Liabilities:		
Current:		
Operating leases	Other accrued expenses	\$ 339
Finance leases	Long-term debt due within one year	90
Noncurrent:		
Operating leases	Right-of-use operating lease obligations	1,460
Finance leases	Long-term debt	447
Total lease liabilities		<u>\$ 2,336</u>
Weighted-average remaining term:		
Operating leases		11.5 years
Finance leases		9.9 years
Weighted-average discount rate:		
Operating leases(1)		5.5%
Finance leases		6.2%

(1) Upon adoption of the new lease standard, discount rates used for existing leases were established at January 1, 2019.

HCA HEALTHCARE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
NOTE 9 — LEASES (continued)

The following table presents certain information related to lease expense for finance and operating leases for the quarter and six months ended June 30, 2019 (dollars in millions):

	2019	
	Quarter	Six Months
Finance lease expense:		
Amortization of leased assets	\$ 20	\$ 37
Interest on lease liabilities	9	15
Operating leases(2)	99	193
Short-term lease expense(2)	75	153
Variable lease expense(2)	35	74
	<u>\$ 238</u>	<u>\$ 472</u>

(2) Expenses are included in “other operating expenses” in our condensed consolidated income statements.

Other Information

The following table presents supplemental cash flow information for the six months ended June 30, 2019 (dollars in millions):

	2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows for operating leases	\$ 267
Operating cash flows for finance leases	15
Financing cash flows for finance leases	37

Maturities of Lease Liabilities

The following table reconciles the undiscounted cash flows to the finance lease liabilities and operating lease liabilities recorded on the balance sheet at June 30, 2019 (dollars in millions):

	Operating Leases	Finance Leases
Year 1	\$ 400	\$ 115
Year 2	375	102
Year 3	282	99
Year 4	223	62
Year 5	174	60
Thereafter	1,210	293
Total minimum lease payments	2,664	731
Less: amount of lease payments representing interest	(865)	(194)
Present value of future minimum lease payments	1,799	537
Less: current obligations under leases	(339)	(90)
Long-term lease obligations	<u>\$ 1,460</u>	<u>\$ 447</u>

HCA HEALTHCARE, INC.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 10 — CONTINGENCIES**

We operate in a highly regulated and litigious industry. As a result, various lawsuits, claims and legal and regulatory proceedings have been and can be expected to be instituted or asserted against us. We are also subject to claims and suits arising in the ordinary course of business, including claims for personal injuries or wrongful restriction of, or interference with, physicians' staff privileges. In certain of these actions the claimants may seek punitive damages against us which may not be covered by insurance. We are also subject to claims by various taxing authorities for additional taxes and related interest and penalties. The resolution of any such lawsuits, claims or legal and regulatory proceedings could have a material, adverse effect on our results of operations, financial position or liquidity.

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

Texas operates a state Medicaid program pursuant to a waiver from CMS under Section 1115 of the Social Security Act ("Program"). The Program includes uncompensated-care pools; payments from these pools are intended to defray the uncompensated costs of services provided by our and other hospitals to Medicaid eligible or uninsured individuals. Separately, we and other hospitals provide charity care services in several communities in the state. We believe that our participation is and has been consistent with the requirements of the Program. In 2018, the Civil Division of the U.S. Department of Justice and the U.S. Attorney's Office for the Southern District of Texas requested information about whether the Program, as operated in Harris County, complied with the laws and regulations applicable to provider related donations, and the Company cooperated with that request. On May 21, 2019, a *qui tam* lawsuit asserting violations of the FCA and the Texas Medicaid Fraud Prevention Act related to the Program, as operated in Harris County, was unsealed by the U.S. District Court for the Southern District of Texas. Both the federal and state governments declined to intervene in the *qui tam* lawsuit, and the Company has not yet been served with the complaint. We cannot predict what effect, if any, the *qui tam* lawsuit could have on the Company.

HCA HEALTHCARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 11 — SHARE REPURCHASES TRANSACTIONS AND OTHER COMPREHENSIVE LOSS

During January 2019, our Board of Directors authorized a share repurchase program for up to \$2 billion of our outstanding common stock. During the six months ended June 30, 2019, we repurchased 4.034 million shares of our common stock at an average price of \$128.88 per share through market purchases pursuant to the \$2.0 billion share repurchase program authorized during October 2017 (which was completed during 2019) and the \$2.0 billion share repurchase program authorized during January 2019. At June 30, 2019, we had \$1.753 billion of repurchase authorization available under the January 2019 authorization.

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

	Unrealized Gains on Available- for-Sale Securities	Foreign Currency Translation Adjustments	Defined Benefit Plans	Change in Fair Value of Derivative Instruments	Total
Balances at December 31, 2018	\$ 3	\$ (283)	\$ (148)	\$ 47	\$(381)
Unrealized gains on available-for-sale securities, net of \$3 of income taxes	11	—	—	—	11
Foreign currency translation adjustments, net of \$1 income tax benefit	—	(17)	—	—	(17)
Change in fair value of derivative instruments, net of \$12 income tax benefits	—	—	—	(40)	(40)
Expense (income) reclassified into operations from other comprehensive income, net of \$2 income tax benefits and \$2 of income taxes, respectively	—	—	5	(9)	(4)
Balances at June 30, 2019	<u>\$ 14</u>	<u>\$ (300)</u>	<u>\$ (143)</u>	<u>\$ (2)</u>	<u>\$(431)</u>

NOTE 12 — SEGMENT AND GEOGRAPHIC INFORMATION

We operate in one line of business, which is operating hospitals and related health care entities. We operate in two geographically organized groups: the National and American Groups. The National Group includes 95 hospitals located in Alaska, California, Florida, southern Georgia, Idaho, Indiana, northern Kentucky, Nevada, New Hampshire, North Carolina, South Carolina, Utah and Virginia, and the American Group includes 83 hospitals located in Colorado, northern Georgia, Kansas, southern Kentucky, Louisiana, Mississippi, Missouri, Tennessee and Texas. We also operate six hospitals in England, and these facilities are included in the Corporate and other group.

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

HCA HEALTHCARE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
NOTE 12 — SEGMENT AND GEOGRAPHIC INFORMATION (continued)

depreciation and amortization for the quarters and six months ended June 30, 2019 and 2018 are summarized in the following table (dollars in millions):

	Quarter		Six Months	
	2019	2018	2019	2018
Revenues:				
National Group	\$ 6,444	\$ 5,609	\$ 12,761	\$ 11,177
American Group	5,626	5,390	11,221	10,717
Corporate and other	532	530	1,137	1,058
	<u>\$ 12,602</u>	<u>\$ 11,529</u>	<u>\$ 25,119</u>	<u>\$ 22,952</u>
Equity in earnings of affiliates:				
National Group	\$ (3)	\$ (2)	\$ (5)	\$ (4)
American Group	(11)	(10)	(22)	(19)
Corporate and other	6	5	8	7
	<u>\$ (8)</u>	<u>\$ (7)</u>	<u>\$ (19)</u>	<u>\$ (16)</u>
Adjusted segment EBITDA:				
National Group	\$ 1,364	\$ 1,284	\$ 2,818	\$ 2,466
American Group	1,117	1,147	2,258	2,178
Corporate and other	(188)	(204)	(242)	(299)
	<u>\$ 2,293</u>	<u>\$ 2,227</u>	<u>\$ 4,834</u>	<u>\$ 4,345</u>
Depreciation and amortization:				
National Group	\$ 283	\$ 232	\$ 548	\$ 457
American Group	270	255	551	507
Corporate and other	83	75	156	151
	<u>\$ 636</u>	<u>\$ 562</u>	<u>\$ 1,255</u>	<u>\$ 1,115</u>
Adjusted segment EBITDA	<u>\$ 2,293</u>	<u>\$ 2,227</u>	<u>\$ 4,834</u>	<u>\$ 4,345</u>
Depreciation and amortization	636	562	1,255	1,115
Interest expense	477	436	938	867
Gains on sales of facilities	(18)	(9)	(17)	(414)
Income before income taxes	<u>\$ 1,198</u>	<u>\$ 1,238</u>	<u>\$ 2,658</u>	<u>\$ 2,777</u>

NOTE 13 — SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION

HCA Healthcare, Inc. has \$1.000 billion aggregate principal amount of 6.250% senior unsecured notes due 2021 outstanding. These notes are senior unsecured obligations and are not guaranteed by any of our subsidiaries.

HCA Inc., a direct wholly-owned subsidiary of HCA Healthcare, Inc., is the obligor under a significant portion of our other indebtedness, including our senior secured credit facilities, senior secured notes and senior unsecured notes (other than the senior unsecured notes issued by HCA Healthcare, Inc.). The senior secured notes and senior unsecured notes issued by HCA Inc. are fully and unconditionally guaranteed by HCA Healthcare, Inc. The senior secured credit facilities and senior secured notes are fully and unconditionally guaranteed by substantially all existing and future, direct and indirect, 100% owned material domestic subsidiaries that are “Unrestricted Subsidiaries” under our Indenture dated December 16, 1993 (except for certain special purpose subsidiaries that only guarantee and pledge their assets under our senior secured asset-based revolving credit facility).

HCA HEALTHCARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 13 — SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (continued)

Our summarized condensed consolidating comprehensive income statements for the quarters and six months ended June 30, 2019 and 2018, condensed consolidating balance sheets at June 30, 2019 and December 31, 2018 and condensed consolidating statements of cash flows for the six months ended June 30, 2019 and 2018, segregating HCA Healthcare, Inc. issuer, HCA Inc. issuer, the subsidiary guarantors, the subsidiary non-guarantors and eliminations, follow:

HCA HEALTHCARE, INC. CONDENSED CONSOLIDATING COMPREHENSIVE INCOME STATEMENT FOR THE QUARTER ENDED JUNE 30, 2019 (Dollars in millions)

	HCA Healthcare, Inc. Issuer	HCA Inc. Issuer	Subsidiary Guarantors	Subsidiary Non- Guarantors	Eliminations	Condensed Consolidated
Revenues	\$ —	\$ —	\$ 7,129	\$ 5,473	\$ —	\$ 12,602
Salaries and benefits	—	—	3,199	2,638	—	5,837
Supplies	—	—	1,189	929	—	2,118
Other operating expenses	1	—	1,157	1,204	—	2,362
Equity in earnings of affiliates	(822)	—	(1)	(7)	822	(8)
Depreciation and amortization	—	—	354	282	—	636
Interest expense (income)	16	1,010	(511)	(38)	—	477
Gains on sales of facilities	—	—	(8)	(10)	—	(18)
Management fees	—	—	(205)	205	—	—
	(805)	1,010	5,174	5,203	822	11,404
Income (loss) before income taxes	805	(1,010)	1,955	270	(822)	1,198
Provision (benefit) for income taxes	22	(235)	450	34	—	271
Net income (loss)	783	(775)	1,505	236	(822)	927
Net income attributable to noncontrolling interests	—	—	21	123	—	144
Net income (loss) attributable to HCA Healthcare, Inc.	\$ 783	\$ (775)	\$ 1,484	\$ 113	\$ (822)	\$ 783
Comprehensive income (loss) attributable to HCA Healthcare, Inc.	\$ 726	\$ (806)	\$ 1,487	\$ 84	\$ (765)	\$ 726

HCA HEALTHCARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 13 — SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (continued)

**HCA HEALTHCARE, INC.
CONDENSED CONSOLIDATING COMPREHENSIVE INCOME STATEMENT
FOR THE QUARTER ENDED JUNE 30, 2018
(Dollars in millions)**

	HCA Healthcare, Inc. Issuer	HCA Inc. Issuer	Subsidiary Guarantors	Subsidiary Non- Guarantors	Eliminations	Condensed Consolidated
Revenues	\$ —	\$ —	\$ 6,774	\$ 4,755	\$ —	\$ 11,529
Salaries and benefits	—	—	3,025	2,249	—	5,274
Supplies	—	—	1,127	790	—	1,917
Other operating expenses	4	—	1,122	992	—	2,118
Equity in earnings of affiliates	(852)	—	(1)	(6)	852	(7)
Depreciation and amortization	—	—	329	233	—	562
Interest expense (income)	16	867	(389)	(58)	—	436
Losses (gains) on sales of facilities	—	—	23	(32)	—	(9)
Management fees	—	—	(157)	157	—	—
	<u>(832)</u>	<u>867</u>	<u>5,079</u>	<u>4,325</u>	<u>852</u>	<u>10,291</u>
Income (loss) before income taxes	832	(867)	1,695	430	(852)	1,238
Provision (benefit) for income taxes	12	(201)	389	72	—	272
Net income (loss)	<u>820</u>	<u>(666)</u>	<u>1,306</u>	<u>358</u>	<u>(852)</u>	<u>966</u>
Net income attributable to noncontrolling interests	—	—	22	124	—	146
Net income (loss) attributable to HCA Healthcare, Inc.	<u>\$ 820</u>	<u>\$ (666)</u>	<u>\$ 1,284</u>	<u>\$ 234</u>	<u>\$ (852)</u>	<u>\$ 820</u>
Comprehensive income (loss) attributable to HCA Healthcare, Inc.	<u>\$ 756</u>	<u>\$ (656)</u>	<u>\$ 1,287</u>	<u>\$ 157</u>	<u>\$ (788)</u>	<u>\$ 756</u>

HCA HEALTHCARE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
NOTE 13 — SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (continued)
HCA HEALTHCARE, INC.
**CONDENSED CONSOLIDATING COMPREHENSIVE INCOME STATEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2019**
(Dollars in millions)

	HCA Healthcare, Inc. Issuer	HCA Inc. Issuer	Subsidiary Guarantors	Subsidiary Non- Guarantors	Eliminations	Condensed Consolidated
Revenues	\$ —	\$ —	\$ 14,353	\$ 10,766	\$ —	\$ 25,119
Salaries and benefits	—	—	6,336	5,148	—	11,484
Supplies	—	—	2,366	1,793	—	4,159
Other operating expenses	3	—	2,303	2,355	—	4,661
Equity in earnings of affiliates	(1,848)	—	(3)	(16)	1,848	(19)
Depreciation and amortization	—	—	709	546	—	1,255
Interest expense (income)	32	2,005	(984)	(115)	—	938
Gains on sales of facilities	—	—	(7)	(10)	—	(17)
Management fees	—	—	(376)	376	—	—
	<u>(1,813)</u>	<u>2,005</u>	<u>10,344</u>	<u>10,077</u>	<u>1,848</u>	<u>22,461</u>
Income (loss) before income taxes	1,813	(2,005)	4,009	689	(1,848)	2,658
Provision (benefit) for income taxes	(9)	(466)	922	103	—	550
Net income (loss)	1,822	(1,539)	3,087	586	(1,848)	2,108
Net income attributable to noncontrolling interests	—	—	41	245	—	286
Net income (loss) attributable to HCA Healthcare, Inc.	<u>\$ 1,822</u>	<u>\$ (1,539)</u>	<u>\$ 3,046</u>	<u>\$ 341</u>	<u>\$ (1,848)</u>	<u>\$ 1,822</u>
Comprehensive income (loss) attributable to HCA Healthcare, Inc.	<u>\$ 1,772</u>	<u>\$ (1,588)</u>	<u>\$ 3,051</u>	<u>\$ 335</u>	<u>\$ (1,798)</u>	<u>\$ 1,772</u>

HCA HEALTHCARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 13 — SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (continued)

HCA HEALTHCARE, INC.

**CONDENSED CONSOLIDATING COMPREHENSIVE INCOME STATEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2018**

(Dollars in millions)

	HCA Healthcare, Inc. Issuer	HCA Inc. Issuer	Subsidiary Guarantors	Subsidiary Non- Guarantors	Eliminations	Condensed Consolidated
Revenues	\$ —	\$ —	\$ 13,550	\$ 9,402	\$ —	\$ 22,952
Salaries and benefits	—	—	6,094	4,469	—	10,563
Supplies	—	—	2,268	1,564	—	3,832
Other operating expenses	5	—	2,250	1,973	—	4,228
Equity in earnings of affiliates	(1,942)	—	(3)	(13)	1,942	(16)
Depreciation and amortization	—	—	652	463	—	1,115
Interest expense (income)	32	1,704	(756)	(113)	—	867
Gains on sales of facilities	—	—	(372)	(42)	—	(414)
Management fees	—	—	(315)	315	—	—
	<u>(1,905)</u>	<u>1,704</u>	<u>9,818</u>	<u>8,616</u>	<u>1,942</u>	<u>20,175</u>
Income (loss) before income taxes	1,905	(1,704)	3,732	786	(1,942)	2,777
Provision (benefit) for income taxes	(59)	(396)	856	128	—	529
Net income (loss)	<u>1,964</u>	<u>(1,308)</u>	<u>2,876</u>	<u>658</u>	<u>(1,942)</u>	<u>2,248</u>
Net income attributable to noncontrolling interests	—	—	50	234	—	284
Net income (loss) attributable to HCA Healthcare, Inc.	<u>\$ 1,964</u>	<u>\$ (1,308)</u>	<u>\$ 2,826</u>	<u>\$ 424</u>	<u>\$ (1,942)</u>	<u>\$ 1,964</u>
Comprehensive income (loss) attributable to HCA Healthcare, Inc.	<u>\$ 1,981</u>	<u>\$ (1,271)</u>	<u>\$ 2,833</u>	<u>\$ 397</u>	<u>\$ (1,959)</u>	<u>\$ 1,981</u>

HCA HEALTHCARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 13 — SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (continued)

HCA HEALTHCARE, INC. CONDENSED CONSOLIDATING BALANCE SHEET JUNE 30, 2019 (Dollars in millions)

	HCA Healthcare, Inc. Issuer	HCA Inc. Issuer	Subsidiary Guarantors	Subsidiary Non- Guarantors	Eliminations	Condensed Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 300	\$ —	\$ 1,700	\$ 430	\$ —	\$ 2,430
Accounts receivable	—	—	4,004	3,215	—	7,219
Inventories	—	—	1,194	632	—	1,826
Other	—	—	756	638	—	1,394
	<u>300</u>	<u>—</u>	<u>7,654</u>	<u>4,915</u>	<u>—</u>	<u>12,869</u>
Property and equipment, net	—	—	12,749	8,718	—	21,467
Investments of insurance subsidiaries	—	—	—	342	—	342
Investments in and advances to affiliates	34,964	—	29	218	(34,964)	247
Goodwill and other intangible assets	—	—	5,725	2,415	—	8,140
Right-of-use operating lease assets	—	—	436	1,351	—	1,787
Other	462	—	21	114	—	597
	<u>\$ 35,726</u>	<u>\$ —</u>	<u>\$ 26,614</u>	<u>\$ 18,073</u>	<u>\$ (34,964)</u>	<u>\$ 45,449</u>
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY						
Current liabilities:						
Accounts payable	\$ —	\$ —	\$ 1,754	\$ 855	\$ —	\$ 2,609
Accrued salaries	—	—	908	589	—	1,497
Other accrued expenses	67	441	896	1,378	—	2,782
Long-term debt due within one year	—	1,976	53	44	—	2,073
	<u>67</u>	<u>2,417</u>	<u>3,611</u>	<u>2,866</u>	<u>—</u>	<u>8,961</u>
Long-term debt, net	997	32,579	224	320	—	34,120
Intercompany balances	37,985	(8,618)	(29,356)	(11)	—	—
Professional liability risks	—	—	—	1,354	—	1,354
Right-of-use operating lease obligations	—	—	331	1,129	—	1,460
Income taxes and other liabilities	579	—	232	513	—	1,324
	<u>39,628</u>	<u>26,378</u>	<u>(24,958)</u>	<u>6,171</u>	<u>—</u>	<u>47,219</u>
Stockholders' (deficit) equity attributable to HCA Healthcare, Inc.	(3,902)	(26,378)	51,488	9,854	(34,964)	(3,902)
Noncontrolling interests	—	—	84	2,048	—	2,132
	<u>(3,902)</u>	<u>(26,378)</u>	<u>51,572</u>	<u>11,902</u>	<u>(34,964)</u>	<u>(1,770)</u>
	<u>\$ 35,726</u>	<u>\$ —</u>	<u>\$ 26,614</u>	<u>\$ 18,073</u>	<u>\$ (34,964)</u>	<u>\$ 45,449</u>

HCA HEALTHCARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 13 — SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (continued)

HCA HEALTHCARE, INC. CONDENSED CONSOLIDATING BALANCE SHEET DECEMBER 31, 2018 (Dollars in millions)

	HCA Healthcare, Inc. Issuer	HCA Inc. Issuer	Subsidiary Guarantors	Subsidiary Non- Guarantors	Eliminations	Condensed Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	\$ —	\$ —	\$ 174	\$ 328	\$ —	\$ 502
Accounts receivable	—	—	3,964	2,825	—	6,789
Inventories	—	—	1,178	554	—	1,732
Other	—	—	669	521	—	1,190
	—	—	5,985	4,228	—	10,213
Property and equipment, net	—	—	12,450	7,307	—	19,757
Investments of insurance subsidiaries	—	—	—	362	—	362
Investments in and advances to affiliates	33,166	—	29	203	(33,166)	232
Goodwill and other intangible assets	—	—	5,724	2,229	—	7,953
Other	478	64	35	113	—	690
	<u>\$ 33,644</u>	<u>\$ 64</u>	<u>\$ 24,223</u>	<u>\$ 14,442</u>	<u>\$ (33,166)</u>	<u>\$ 39,207</u>
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY						
Current liabilities:						
Accounts payable	\$ —	\$ —	\$ 1,721	\$ 856	\$ —	\$ 2,577
Accrued salaries	—	—	998	582	—	1,580
Other accrued expenses	142	403	905	1,174	—	2,624
Long-term debt due within one year	—	696	55	37	—	788
	142	1,099	3,679	2,649	—	7,569
Long-term debt, net	996	30,544	212	281	—	32,033
Intercompany balances	36,951	(6,789)	(28,415)	(1,747)	—	—
Professional liability risks	—	—	—	1,275	—	1,275
Income taxes and other liabilities	505	—	223	520	—	1,248
	<u>38,594</u>	<u>24,854</u>	<u>(24,301)</u>	<u>2,978</u>	<u>—</u>	<u>42,125</u>
Stockholders' (deficit) equity attributable to HCA Healthcare, Inc.	(4,950)	(24,790)	48,437	9,519	(33,166)	(4,950)
Noncontrolling interests	—	—	87	1,945	—	2,032
	<u>(4,950)</u>	<u>(24,790)</u>	<u>48,524</u>	<u>11,464</u>	<u>(33,166)</u>	<u>(2,918)</u>
	<u>\$ 33,644</u>	<u>\$ 64</u>	<u>\$ 24,223</u>	<u>\$ 14,442</u>	<u>\$ (33,166)</u>	<u>\$ 39,207</u>

HCA HEALTHCARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 13 — SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (continued)

HCA HEALTHCARE, INC. CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2019 (Dollars in millions)

	HCA Healthcare, Inc. Issuer	HCA Inc. Issuer	Subsidiary Guarantors	Subsidiary Non- Guarantors	Eliminations	Condensed Consolidated
Cash flows from operating activities:						
Net income (loss)	\$ 1,822	\$ (1,539)	\$ 3,087	\$ 586	\$ (1,848)	\$ 2,108
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:						
Changes in operating assets and liabilities	—	40	(305)	(378)	—	(643)
Depreciation and amortization	—	—	709	546	—	1,255
Income taxes	27	—	—	—	—	27
Gains on sales of facilities	—	—	(7)	(10)	—	(17)
Amortization of debt issuance costs and discounts	—	16	—	—	—	16
Share-based compensation	—	—	158	—	—	158
Equity in earnings of affiliates	(1,848)	—	—	—	1,848	—
Other	54	—	14	(1)	—	67
Net cash provided by (used in) operating activities	55	(1,483)	3,656	743	—	2,971
Cash flows from investing activities:						
Purchase of property and equipment	—	—	(953)	(792)	—	(1,745)
Acquisition of hospitals and health care entities	—	—	(35)	(1,469)	—	(1,504)
Disposition of hospitals and health care entities	—	—	30	11	—	41
Change in investments	—	—	14	45	—	59
Other	—	—	(9)	45	—	36
Net cash used in investing activities	—	—	(953)	(2,160)	—	(3,113)
Cash flows from financing activities:						
Issuance of long-term debt	—	6,451	—	—	—	6,451
Net change in revolving credit facilities	—	(3,040)	—	—	—	(3,040)
Repayment of long-term debt	—	(47)	(31)	(20)	—	(98)
Distributions to noncontrolling interests	—	—	(44)	(203)	—	(247)
Payment of debt issuance costs	—	(63)	—	—	—	(63)
Payment of cash dividends	(278)	—	—	—	—	(278)
Repurchases of common stock	(520)	—	—	—	—	(520)
Changes in intercompany balances with affiliates, net	1,165	(1,818)	(1,102)	1,755	—	—
Other	(122)	—	—	(13)	—	(135)
Net cash provided by (used in) financing activities	245	1,483	(1,177)	1,519	—	2,070
Change in cash and cash equivalents	300	—	1,526	102	—	1,928
Cash and cash equivalents at beginning of period	—	—	174	328	—	502
Cash and cash equivalents at end of period	\$ 300	\$ —	\$ 1,700	\$ 430	\$ —	\$ 2,430

HCA HEALTHCARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 13 — SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (continued)

HCA HEALTHCARE, INC.

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2018

(Dollars in millions)

	HCA Healthcare, Inc. Issuer	HCA Inc. Issuer	Subsidiary Guarantors	Subsidiary Non- Guarantors	Eliminations	Condensed Consolidated
Cash flows from operating activities:						
Net income (loss)	\$ 1,964	\$ (1,308)	\$ 2,876	\$ 658	\$ (1,942)	\$ 2,248
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:						
Changes in operating assets and liabilities	—	2	(352)	(52)	—	(402)
Depreciation and amortization	—	—	652	463	—	1,115
Income taxes	118	—	—	—	—	118
Gains on sales of facilities	—	—	(372)	(42)	—	(414)
Amortization of debt issuance costs and discounts	—	15	—	—	—	15
Share-based compensation	—	—	134	—	—	134
Equity in earnings of affiliates	(1,942)	—	—	—	1,942	—
Other	43	—	—	8	—	51
Net cash provided by (used in) operating activities	183	(1,291)	2,938	1,035	—	2,865
Cash flows from investing activities:						
Purchase of property and equipment	—	—	(900)	(674)	—	(1,574)
Acquisition of hospitals and health care entities	—	—	(438)	(100)	—	(538)
Disposition of hospitals and health care entities	—	—	767	32	—	799
Change in investments	—	—	17	6	—	23
Other	—	—	(30)	5	—	(25)
Net cash used in investing activities	—	—	(584)	(731)	—	(1,315)
Cash flows from financing activities:						
Net change in revolving credit facilities	—	210	—	—	—	210
Repayment of long-term debt	—	(41)	(38)	(22)	—	(101)
Distributions to noncontrolling interests	—	—	(43)	(142)	—	(185)
Payment of debt issuance costs	—	(2)	—	—	—	(2)
Payment of cash dividends	(245)	—	—	—	—	(245)
Repurchases of common stock	(893)	—	—	—	—	(893)
Changes in intercompany balances with affiliates, net	1,150	1,124	(2,188)	(86)	—	—
Other	(196)	—	—	4	—	(192)
Net cash (used in) provided by financing activities	(184)	1,291	(2,269)	(246)	—	(1,408)
Effect on exchange rate changes on cash and cash equivalents	—	—	—	(6)	—	(6)
Change in cash and cash equivalents	(1)	—	85	52	—	136
Cash and cash equivalents at beginning of period	1	—	112	619	—	732
Cash and cash equivalents at end of period	\$ —	\$ —	\$ 197	\$ 671	\$ —	\$ 868

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

Forward-Looking Statements

This quarterly report on Form 10-Q includes certain disclosures which contain “forward-looking statements.” Forward-looking statements include statements regarding expected share-based compensation expense, expected capital expenditures and expected net claim payments and all other statements that do not relate solely to historical or current facts, and can be identified by the use of words like “may,” “believe,” “will,” “expect,” “project,” “estimate,” “anticipate,” “plan,” “initiative” or “continue.” These forward-looking statements are based on our current plans and expectations and are subject to a number of known and unknown uncertainties and risks, many of which are beyond our control, which could significantly affect current plans and expectations and our future financial position and results of operations. These factors include, but are not limited to, (1) the impact of our substantial indebtedness and the ability to refinance such indebtedness on acceptable terms, (2) the impact of the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (collectively, the “Health Reform Law”), including the effects of court challenges to, any repeal of, or changes to, the Health Reform Law or additional changes to its implementation, the possible enactment of additional federal or state health care reforms and possible changes to other federal, state or local laws or regulations affecting the health care industry, (3) the effects related to the continued implementation of the sequestration spending reductions required under the Budget Control Act of 2011, and related legislation extending these reductions, and the potential for future deficit reduction legislation that may alter these spending reductions, which include cuts to Medicare payments, or create additional spending reductions, (4) increases in the amount and risk of collectability of uninsured accounts and deductibles and copayment amounts for insured accounts, (5) the ability to achieve operating and financial targets, and attain expected levels of patient volumes and control the costs of providing services, (6) possible changes in Medicare, Medicaid and other state programs, including Medicaid supplemental payment programs or Medicaid waiver programs, that may impact reimbursements to health care providers and insurers and the size of the uninsured or underinsured population, (7) the highly competitive nature of the health care business, (8) changes in service mix, revenue mix and surgical volumes, including potential declines in the population covered under third-party payer agreements, the ability to enter into and renew third-party payer provider agreements on acceptable terms and the impact of consumer-driven health plans and physician utilization trends and practices, (9) the efforts of health insurers, health care providers, large employer groups and others to contain health care costs, (10) the outcome of our continuing efforts to monitor, maintain and comply with appropriate laws, regulations, policies and procedures, (11) increases in wages and the ability to attract and retain qualified management and personnel, including affiliated physicians, nurses and medical and technical support personnel, (12) the availability and terms of capital to fund the expansion of our business and improvements to our existing facilities, (13) changes in accounting practices, (14) changes in general economic conditions nationally and regionally in our markets, (15) the emergence of and effects related to infectious diseases, (16) future divestitures which may result in charges and possible impairments of long-lived assets, (17) changes in business strategy or development plans, (18) delays in receiving payments for services provided, (19) the outcome of pending and any future tax audits, disputes and litigation associated with our tax positions, (20) potential adverse impact of known and unknown government investigations, litigation and other claims that may be made against us, (21) the impact of potential cybersecurity incidents or security breaches, (22) our ongoing ability to demonstrate meaningful use of certified electronic health record (“EHR”) technology, (23) the impact of natural disasters, such as hurricanes and floods, or similar events beyond our control, (24) the effects of the 2017 Tax Cuts and Jobs Act (the “Tax Act”), including potential legislation or interpretive guidance that may be issued by federal and state taxing authorities or other standard-setting bodies, and (25) other risk factors described in our annual report on Form 10-K for the year ended December 31, 2018 and our other filings with the Securities and Exchange Commission. As a consequence, current plans, anticipated actions and future financial position and results of operations may differ from those expressed in any forward-looking statements made by or on behalf of HCA. You are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in this report, which forward-looking statements reflect management's views only as of the date of this report. We undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.

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

Second Quarter 2019 Operations Summary

Revenues increased to \$12.602 billion in the second quarter of 2019 from \$11.529 billion in the second quarter of 2018. Net income attributable to HCA Healthcare, Inc. totaled \$783 million, or \$2.25 per diluted share, for the quarter ended June 30, 2019, compared to \$820 million, or \$2.31 per diluted share, for the quarter ended June 30, 2018. Second quarter results for 2019 and 2018 include net gains on sales of facilities of \$18 million, or \$0.04 per diluted share, and \$9 million, or \$0.02 per diluted share, respectively. All "per diluted share" disclosures are based upon amounts net of the applicable income taxes. Shares used for diluted earnings per share were 348.373 million shares for the quarter ended June 30, 2019 and 355.039 million shares for the quarter ended June 30, 2018. During 2018 and the first six months of 2019, we repurchased 14.070 million shares and 4.034 million shares of our common stock, respectively.

Revenues increased 9.3% on a consolidated basis and increased 4.3% on a same facility basis for the quarter ended June 30, 2019, compared to the quarter ended June 30, 2018. The increase in consolidated revenues can be attributed to the combined impact of a 3.0% increase in revenue per equivalent admission and a 6.2% increase in equivalent admissions. The same facility revenues increase resulted from the combined impact of a 1.7% increase in same facility revenue per equivalent admission and a 2.6% increase in same facility equivalent admissions.

During the quarter ended June 30, 2019, consolidated admissions and same facility admissions increased 4.8% and 2.1%, respectively, compared to the quarter ended June 30, 2018. Surgeries increased 2.7% on a consolidated basis and 0.3% on a same facility basis during the quarter ended June 30, 2019, compared to the quarter ended June 30, 2018. Emergency department visits increased 4.9% on a consolidated basis and 3.0% on a same facility basis during the quarter ended June 30, 2019, compared to the quarter ended June 30, 2018. Same facility uninsured admissions increased 5.1% for the quarter ended June 30, 2019, compared to the quarter ended June 30, 2018.

Cash flows from operating activities increased \$415 million from \$1.582 billion for the second quarter of 2018 to \$1.997 billion for the second quarter of 2019. The increase in cash provided by operating activities was primarily related to positive changes of \$468 million related to working capital items.

Results of Operations

Revenue/Volume Trends

Our revenues generally relate to contracts with patients in which our performance obligations are to provide health care services to the patients. Revenues are recorded during the period our obligations to provide health care services are satisfied. Our performance obligations for inpatient services are generally satisfied over periods that average approximately five days, and revenues are recognized based on charges incurred in relation to total expected charges. Our performance obligations for outpatient services are generally satisfied over a period of less than one day. The contractual relationships with patients, in most cases, also involve a third-party payer (Medicare, Medicaid, managed care health plans and commercial insurance companies, including plans offered through the health insurance exchanges) and the transaction prices for the services provided are dependent upon the terms provided by (Medicare and Medicaid) or negotiated with (managed care health plans and commercial insurance companies) the third-party payers. The payment arrangements with third-party payers for the services we provide to the related patients typically specify payments at amounts less than our standard charges. Medicare generally pays for inpatient and outpatient services at prospectively determined rates based on clinical, diagnostic and other factors. Services provided to patients having Medicaid coverage are generally paid at prospectively

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

Results of Operations (continued)

Revenue/Volume Trends (continued)

determined rates per discharge, per identified service or per covered member. Agreements with commercial insurance carriers, managed care and preferred provider organizations generally provide for payments based upon predetermined rates per diagnosis, per diem rates or discounted fee-for-service rates. Management continually reviews the contractual estimation process to consider and incorporate updates to laws and regulations and the frequent changes in managed care contractual terms resulting from contract renegotiations and renewals.

Revenues increased 9.3% from \$11.529 billion in the second quarter of 2018 to \$12.602 billion in the second quarter of 2019. Our revenues are based upon the estimated amounts we expect to be entitled to receive from patients and third-party payers. Estimates of contractual allowances under managed care and commercial insurance plans are based upon the payment terms specified in the related contractual agreements. Revenues related to uninsured patients and uninsured copayment and deductible amounts for patients who have health care coverage may have discounts applied (uninsured discounts and contractual discounts). We also record estimated implicit price concessions (based primarily on historical collection experience) related to uninsured accounts to record self-pay revenues at the estimated amounts we expect to collect. Our revenues from third-party payers and others (including uninsured patients) for the quarters and six months ended June 30, 2019 and 2018 are summarized in the following table (dollars in millions):

	Quarter			
	2019	Ratio	2018	Ratio
Medicare	\$ 2,635	20.9%	\$ 2,425	21.0%
Managed Medicare	1,595	12.7	1,345	11.7
Medicaid	416	3.3	357	3.1
Managed Medicaid	554	4.4	586	5.1
Managed care and insurers	6,425	50.9	5,993	51.9
International (managed care and insurers)	284	2.3	295	2.6
Other	693	5.5	528	4.6
Revenues	<u>\$12,602</u>	<u>100.0%</u>	<u>\$11,529</u>	<u>100.0%</u>

	Six Months			
	2019	Ratio	2018	Ratio
Medicare	\$ 5,405	21.5%	\$ 4,949	21.6%
Managed Medicare	3,184	12.7	2,744	12.0
Medicaid	763	3.0	638	2.8
Managed Medicaid	1,167	4.6	1,147	5.0
Managed care and insurers	12,851	51.1	12,055	52.5
International (managed care and insurers)	581	2.3	600	2.6
Other	1,168	4.8	819	3.5
Revenues	<u>\$25,119</u>	<u>100.0%</u>	<u>\$22,952</u>	<u>100.0%</u>

Consolidated and same facility revenue per equivalent admission increased 3.0% and 1.7%, respectively, in the second quarter of 2019, compared to the second quarter of 2018. Consolidated and same facility equivalent admissions increased 6.2% and 2.6%, respectively, in the second quarter of 2019, compared to the second quarter of 2018. Consolidated and same facility outpatient surgeries increased 3.0% and 0.6%, respectively, in the

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

Results of Operations (continued)

Revenue/Volume Trends (continued)

second quarter of 2019, compared to the second quarter of 2018. Consolidated and same facility inpatient surgeries increased 2.2% and declined 0.1%, respectively, in the second quarter of 2019, compared to the second quarter of 2018. Consolidated and same facility emergency department visits increased 4.9% and 3.0%, respectively, in the second quarter of 2019, compared to the second quarter of 2018.

To quantify the total impact of the trends related to uninsured accounts, we believe it is beneficial to view total uncompensated care, which is comprised of charity care, uninsured discounts and implicit price concessions. A summary of the estimated cost of total uncompensated care for the quarters and six months ended June 30, 2019 and 2018 follows (dollars in millions):

	Quarter		Six Months	
	2019	2018	2019	2018
Patient care costs (salaries and benefits, supplies, other operating expenses and depreciation and amortization)	\$10,953	\$9,871	\$21,559	\$19,738
Cost-to-charges ratio (patient care costs as percentage of gross patient charges)	12.2%	12.6%	12.0%	12.5%
Total uncompensated care	\$ 7,695	\$6,486	\$14,780	\$12,738
Multiply by the cost-to-charges ratio	12.2%	12.6%	12.0%	12.5%
Estimated cost of total uncompensated care	\$ 938	\$ 817	\$ 1,774	\$ 1,592

Total uncompensated care as a percentage of the sum of revenues and total uncompensated care was 37.9% and 36.0% for the quarters ended June 30, 2019 and 2018, respectively, and 37.0% and 35.7% for the six months ended June 30, 2019 and 2018, respectively.

Same facility uninsured admissions increased by 2,017 admissions, or 5.1%, in the second quarter of 2019 compared to the second quarter of 2018. Same facility uninsured admissions were flat in the first quarter of 2019 compared to the first quarter of 2018. Same facility uninsured admissions in 2018, compared to 2017, increased 7.4% in the fourth quarter of 2018, increased 8.8% in the third quarter of 2018, increased 7.8% in the second quarter of 2018, and increased 10.1% in the first quarter of 2018.

The approximate percentages of our admissions related to Medicare, managed Medicare, Medicaid, managed Medicaid, managed care and insurers and the uninsured for the quarters and six months ended June 30, 2019 and 2018 are set forth in the following table.

	Quarter		Six Months	
	2019	2018	2019	2018
Medicare	29%	29%	29%	30%
Managed Medicare	18	18	19	18
Medicaid	5	5	5	5
Managed Medicaid	12	12	12	12
Managed care and insurers	27	28	27	27
Uninsured	9	8	8	8
	100%	100%	100%	100%

The approximate percentages of our inpatient revenues related to Medicare, managed Medicare, Medicaid, managed Medicaid, managed care and insurers for the quarters and six months ended June 30, 2019 and 2018 are set forth in the following table.

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

Results of Operations (continued)

Revenue/Volume Trends (continued)

	<u>Quarter</u>		<u>Six Months</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Medicare	28%	28%	29%	29%
Managed Medicare	15	13	14	14
Medicaid	5	5	4	4
Managed Medicaid	5	5	5	5
Managed care and insurers	47	49	48	48
	100%	100%	100%	100%

At June 30, 2019, we had 91 hospitals in the states of Texas and Florida. During the second quarter of 2019, 56% of our admissions and 48% of our revenues were generated by these hospitals. Uninsured admissions in Texas and Florida represented 72% of our uninsured admissions during the second quarter of 2019.

We receive a significant portion of our revenues from government health programs, principally Medicare and Medicaid, which are highly regulated and subject to frequent and substantial changes. In December 2017, the Centers for Medicare & Medicaid Services (“CMS”) announced that it will phase out federal matching funds for Designated State Health Programs under waivers granted under Section 1115 of the Social Security Act. Texas currently operates its Healthcare Transformation and Quality Improvement Program pursuant to a Medicaid waiver. In December 2017, CMS approved an extension of this waiver through September 30, 2022, but indicated that it will phase out some of the federal funding. Our Texas Medicaid revenues included Medicaid supplemental payments of \$106 million and \$97 million during the second quarters of 2019 and 2018, respectively, and \$214 million and \$195 million during the first six months of 2019 and 2018, respectively.

In addition, we receive supplemental payments in several other states. We are aware these supplemental payment programs are currently being reviewed by certain state agencies and some states have made requests to CMS to replace their existing supplemental payment programs. It is possible these reviews and requests will result in the restructuring of such supplemental payment programs and could result in the payment programs being reduced or eliminated. Because deliberations about these programs are ongoing, we are unable to estimate the financial impact the program structure modifications, if any, may have on our results of operations.

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

Results of Operations (continued)

Operating Results Summary

The following is a comparative summary of results of operations for the quarters and six months ended June 30, 2019 and 2018 (dollars in millions):

	Quarter			
	2019		2018	
	Amount	Ratio	Amount	Ratio
Revenues	\$12,602	100.0	\$11,529	100.0
Salaries and benefits	5,837	46.3	5,274	45.8
Supplies	2,118	16.8	1,917	16.6
Other operating expenses	2,362	18.8	2,118	18.4
Equity in earnings of affiliates	(8)	(0.1)	(7)	(0.1)
Depreciation and amortization	636	5.0	562	4.9
Interest expense	477	3.8	436	3.8
Gains on sales of facilities	(18)	(0.1)	(9)	(0.1)
	11,404	90.5	10,291	89.3
Income before income taxes	1,198	9.5	1,238	10.7
Provision for income taxes	271	2.1	272	2.3
Net income	927	7.4	966	8.4
Net income attributable to noncontrolling interests	144	1.2	146	1.3
Net income attributable to HCA Healthcare, Inc.	\$ 783	6.2	\$ 820	7.1
% changes from prior year:				
Revenues	9.3%		7.4%	
Income before income taxes	(3.2)		6.6	
Net income attributable to HCA Healthcare, Inc.	(4.5)		24.9	
Admissions(a)	4.8		4.5	
Equivalent admissions(b)	6.2		5.1	
Revenue per equivalent admission	3.0		2.1	
Same facility % changes from prior year(c):				
Revenues	4.3		6.5	
Admissions(a)	2.1		2.7	
Equivalent admissions(b)	2.6		2.8	
Revenue per equivalent admission	1.7		3.6	

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

Results of Operations (continued)

Operating Results Summary (continued)

	Six Months			
	2019		2018	
	Amount	Ratio	Amount	Ratio
Revenues	\$25,119	100.0	\$22,952	100.0
Salaries and benefits	11,484	45.7	10,563	46.0
Supplies	4,159	16.6	3,832	16.7
Other operating expenses	4,661	18.6	4,228	18.5
Equity in earnings of affiliates	(19)	(0.1)	(16)	(0.1)
Depreciation and amortization	1,255	5.0	1,115	4.8
Interest expense	938	3.7	867	3.8
Gains on sales of facilities	(17)	(0.1)	(414)	(1.8)
	<u>22,461</u>	<u>89.4</u>	<u>20,175</u>	<u>87.9</u>
Income before income taxes	2,658	10.6	2,777	12.1
Provision for income taxes	550	2.2	529	2.3
Net income	2,108	8.4	2,248	9.8
Net income attributable to noncontrolling interests	286	1.1	284	1.2
Net income attributable to HCA Healthcare, Inc.	<u>\$ 1,822</u>	<u>7.3</u>	<u>\$ 1,964</u>	<u>8.6</u>
% changes from prior year:				
Revenues	9.4%		7.5%	
Income before income taxes	(4.3)		24.7	
Net income attributable to HCA Healthcare, Inc.	(7.2)		49.3	
Admissions(a)	3.9		4.5	
Equivalent admissions(b)	5.5		4.9	
Revenue per equivalent admission	3.8		2.5	
Same facility % changes from prior year(c):				
Revenues	5.4		6.2	
Admissions(a)	1.6		2.5	
Equivalent admissions(b)	2.3		2.3	
Revenue per equivalent admission	3.0		3.8	

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

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

Results of Operations (continued)

Quarters Ended June 30, 2019 and 2018

Revenues increased to \$12.602 billion in the second quarter of 2019 from \$11.529 billion in the second quarter of 2018. Net income attributable to HCA Healthcare, Inc. totaled \$783 million, or \$2.25 per diluted share, for the quarter ended June 30, 2019, compared to \$820 million, or \$2.31 per diluted share, for the quarter ended June 30, 2018. Second quarter results for 2019 and 2018 include net gains on sales of facilities of \$18 million, or \$0.04 per diluted share, and \$9 million, or \$0.02 per diluted share, respectively. All "per diluted share" disclosures are based upon amounts net of the applicable income taxes. Shares used for diluted earnings per share were 348.373 million shares for the quarter ended June 30, 2019 and 355.039 million shares for the quarter ended June 30, 2018. During 2018 and the first six months of 2019, we repurchased 14.070 million shares and 4.034 million shares of our common stock, respectively.

Revenues increased 9.3% due to the combined impact of revenue per equivalent admission growth of 3.0% and a 6.2% increase in equivalent admissions for the second quarter of 2019 compared to the second quarter of 2018. Same facility revenues increased 4.3% due to the combined impact of a 1.7% increase in same facility revenue per equivalent admission and a 2.6% increase in same facility equivalent admissions for the second quarter of 2019 compared to the second quarter of 2018.

Salaries and benefits, as a percentage of revenues, were 46.3% in the second quarter of 2019 and 45.8% in the second quarter of 2018. Salaries and benefits per equivalent admission increased 4.3% in the second quarter of 2019 compared to the second quarter of 2018. Same facility labor rate increases averaged 2.6% for the second quarter of 2019 compared to the second quarter of 2018.

Supplies, as a percentage of revenues, were 16.8% in the second quarter of 2019 and 16.6% in the second quarter of 2018. Supply costs per equivalent admission increased 4.1% in the second quarter of 2019 compared to the second quarter of 2018. Supply costs per equivalent admission increased 3.9% for medical devices, 10.5% for pharmacy supplies and 1.6% for general medical and surgical items in the second quarter of 2019 compared to the second quarter of 2018.

Other operating expenses, as a percentage of revenues, were 18.8% in the second quarter of 2019 and 18.4% in the second quarter of 2018. Other operating expenses is primarily comprised of contract services, professional fees, repairs and maintenance, rents and leases, utilities, insurance (including professional liability insurance) and nonincome taxes. Provisions for losses related to professional liability risks were \$133 million and \$132 million for the second quarters of 2019 and 2018, respectively.

Equity in earnings of affiliates was \$8 million and \$7 million in the second quarters of 2019 and 2018, respectively.

Depreciation and amortization increased \$74 million, from \$562 million in the second quarter of 2018 to \$636 million in the second quarter of 2019. The increase in depreciation relates to both acquired facilities and increased capital expenditures at our existing facilities.

Interest expense was \$477 million in the second quarter of 2019 and \$436 million in the second quarter of 2018. Our average debt balance was \$35.079 billion for the second quarter of 2019 compared to \$33.214 billion for the second quarter of 2018. The average effective interest rate for our long-term debt increased to 5.5% from 5.3% for the quarters ended June 30, 2019 and 2018, respectively.

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

Results of Operations (continued)

Quarters Ended June 30, 2019 and 2018 (continued)

During the second quarters of 2019 and 2018, we recorded net gains on sales of facilities of \$18 million and \$9 million, respectively.

The effective tax rates were 25.7% and 24.9% for the second quarters of 2019 and 2018, respectively. The effective tax rate computations exclude net income attributable to noncontrolling interests as it relates to consolidated partnerships.

Net income attributable to noncontrolling interests declined from \$146 million for the second quarter of 2018 to \$144 million for the second quarter of 2019.

Six Months Ended June 30, 2019 and 2018

Revenues increased to \$25.119 billion in the first six months of 2019 from \$22.952 billion in the first six months of 2018. Net income attributable to HCA Healthcare, Inc. totaled \$1.822 billion, or \$5.22 per diluted share, for the first six months ended June 30, 2019, compared to \$1.964 billion, or \$5.50 per diluted share, for the first six months ended June 30, 2018. Results for the first six months of 2019 and 2018 included net gains on sales of facilities of \$17 million, or \$0.04 per diluted share, and \$414 million, or \$0.88 per diluted share, respectively. Revenues for the first six months of 2019 include \$86 million, or \$0.19 per diluted share, related to the resolution of transaction price differences regarding certain out-of-network services performed in prior periods. Our provision for income taxes for the first six months of 2019 and 2018 included tax benefits of \$53 million, or \$0.15 per diluted share, and \$96 million, or \$0.27 per diluted share, respectively, related to employee equity award settlements. All "per diluted share" disclosures are based upon amounts net of the applicable income taxes. Shares used for diluted earnings per share were 349.334 million shares for the six months ended June 30, 2019 and 357.388 million shares for the six months ended June 30, 2018. During 2018 and the first six months of 2019, we repurchased 14.070 million shares and 4.034 million shares of our common stock, respectively.

Revenues increased 9.4% due to the combined impact of revenue per equivalent admission growth of 3.8% and a 5.5% increase in equivalent admissions for the first six months of 2019 compared to the first six months of 2018. Same facility revenues increased 5.4% due to the combined impact of a 3.0% increase in same facility revenue per equivalent admission and a 2.3% increase in same facility equivalent admissions for the first six months of 2019 compared to the first six months of 2018.

Salaries and benefits, as a percentage of revenues, were 45.7% in the first six months of 2019 and 46.0% in the first six months of 2018. Salaries and benefits per equivalent admission increased 3.1% in the first six months of 2019 compared to the first six months of 2018. Same facility labor rate increases averaged 2.7% for the first six months of 2019 compared to the first six months of 2018.

Supplies, as a percentage of revenues, were 16.6% in the first six months of 2019 and 16.7% in the first six months of 2018. Supply costs per equivalent admission increased 2.9% in the first six months of 2019 compared to the first six months of 2018. Supply costs per equivalent admission increased 2.9% for medical devices, 7.6% for pharmacy supplies and 0.9% for general medical and surgical items in the first six months of 2019 compared to the first six months of 2018.

Other operating expenses, as a percentage of revenues, were 18.6% in the first six months of 2019 and 18.5% in the first six months of 2018. Other operating expenses is primarily comprised of contract services,

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

Results of Operations (continued)

Six Months Ended June 30, 2019 and 2018 (continued)

professional fees, repairs and maintenance, rents and leases, utilities, insurance (including professional liability insurance) and nonincome taxes. Provisions for losses related to professional liability risks were \$269 million and \$252 million for the first six months of 2019 and 2018, respectively.

Equity in earnings of affiliates was \$19 million and \$16 million in the first six months of 2019 and 2018, respectively.

Depreciation and amortization increased \$140 million, from \$1.115 billion in the first six months of 2018 to \$1.255 billion in the first six months of 2019. The increase in depreciation relates to both acquired facilities and increased capital expenditures at our existing facilities.

Interest expense was \$938 million in the first six months of 2019 and \$867 million in the first six months of 2018. Our average debt balance was \$34.520 billion for the first six months of 2019 compared to \$33.160 billion for the first six months of 2018. The average effective interest rate for our long-term debt increased to 5.5% from 5.3% for the six months ended June 30, 2019 and 2018, respectively.

During the first six months of 2019 and 2018, we recorded net gains on sales of facilities of \$17 million and \$414 million, respectively. The net gains on sales of facilities for 2018 related primarily to the sale of the two hospital facilities in our Oklahoma market.

The effective tax rates were 23.2% and 21.2% for the first six months of 2019 and 2018, respectively. The effective tax rate computations exclude net income attributable to noncontrolling interests as it relates to consolidated partnerships. Our provisions for income taxes for the first six months of 2019 and 2018 included tax benefits of \$53 million and \$96 million, respectively, related to employee equity award settlements. Excluding the effect of these adjustments, the effective tax rate for the first six months of 2019 and 2018 would have been 25.4% and 25.1%, respectively.

Net income attributable to noncontrolling interests increased from \$284 million for the first six months of 2018 to \$286 million for the first six months of 2019.

Liquidity and Capital Resources

Cash provided by operating activities totaled \$2.971 billion in the first six months of 2019 compared to \$2.865 billion in the first six months of 2018. The \$106 million increase in cash provided by operating activities in the first six months of 2019 compared to the first six months of 2018 related primarily to the net impact of an increase in net income, excluding gains on sales of facilities, of \$257 million and an increase in depreciation expense of \$140 million, offset by negative changes of \$241 million related to working capital items. The combined interest payments and net tax payments in the first six months of 2019 and 2018 were \$1.433 billion and \$1.284 billion, respectively. Working capital totaled \$3.908 billion at June 30, 2019 and \$2.644 billion at December 31, 2018.

Cash used in investing activities was \$3.113 billion in the first six months of 2019 compared to \$1.315 billion in the first six months of 2018. Acquisitions of hospitals and health care entities increased from \$538 million in the first six months of 2018 to \$1.504 billion in the first six months of 2019, primarily related to an acquisition of a seven-hospital health system in North Carolina. Excluding acquisitions, capital expenditures were \$1.745 billion in the first six months of 2019 and \$1.574 billion in the first six months of 2018. Capital

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

Liquidity and Capital Resources (continued)

expenditures, excluding acquisitions, are expected to approximate \$3.7 billion in 2019. At June 30, 2019, there were projects under construction which had estimated additional costs to complete and equip over the next five years of approximately \$3.4 billion. We expect to finance capital expenditures with internally generated and borrowed funds. Cash received from disposals of hospitals and health care entities declined \$758 million for the first six months of 2019 compared to the first six months of 2018 primarily related to the receipt of \$758 million in 2018 from the sale of the two hospital facilities in our Oklahoma market.

Cash provided by financing activities totaled \$2.070 billion in the first six months of 2019 compared to cash used in financing activities of \$1.408 billion in the first six months of 2018. During the first six months of 2019, net cash flows provided by financing activities included a net increase of \$3.313 billion in our indebtedness, payments of cash dividends of \$278 million, repurchases of common stock of \$520 million, distributions to noncontrolling interests of \$247 million and payments of debt issuance costs of \$63 million. During the first six months of 2018, net cash flows used in financing activities included a net increase of \$109 million in our indebtedness, payment of cash dividends of \$245 million, repurchases of common stock of \$893 million and distributions to noncontrolling interests of \$185 million.

We are a highly leveraged company with significant debt service requirements. Our debt totaled \$36.193 billion at June 30, 2019. Our interest expense was \$938 million for the first six months of 2019 and \$867 million for the first six months of 2018.

In addition to cash flows from operations, available sources of capital include amounts available under our senior secured credit facilities (\$5.732 billion and \$2.712 billion available as of June 30, 2019 and July 31, 2019, respectively) and anticipated access to public and private debt markets.

During January 2019, we issued \$1.500 billion aggregate principal amount of senior unsecured notes comprised of \$1.000 billion aggregate principal amount of 5.875% notes due 2029 and \$500 million aggregate principal amount of 5.625% notes due 2028. We used the net proceeds to fund the purchase of a seven-hospital health system located in western North Carolina.

During June 2019, we issued \$5.000 billion aggregate principal amount of senior secured notes comprised of \$2.000 billion aggregate principal amount of 4 1/8% notes due 2029, \$1.000 billion aggregate principal amount of 5 1/8% notes due 2039 and \$2.000 billion aggregate principal amount of 5 1/4% notes due 2049. During June 2019, we used the proceeds to temporarily reduce the balance under the asset-based revolving credit facility. During July 2019, we redeemed all \$600 million outstanding aggregate principal amount of 4.25% senior secured notes due 2019, all \$3.000 billion outstanding aggregate principal amount of 6.50% senior secured notes due 2020 and all \$1.350 billion outstanding aggregate principal amount of 5.875% senior secured notes due 2022. Pretax losses on retirement of debt totaling \$211 million for these redemptions will be recognized during the quarter ending September 30, 2019.

Investments of our professional liability insurance subsidiaries, to maintain statutory equity and pay claims, totaled \$455 million and \$409 million at June 30, 2019 and December 31, 2018, respectively. An insurance subsidiary maintained net reserves for professional liability risks of \$176 million and \$183 million at June 30, 2019 and December 31, 2018, respectively. Our facilities are insured by a 100% owned insurance subsidiary for losses up to \$50 million per occurrence; however, this coverage is generally subject, in most cases, to a \$15 million per occurrence self-insured retention. Net reserves for the self-insured professional liability risks retained were \$1.597 billion and \$1.509 billion at June 30, 2019 and December 31, 2018, respectively. Claims payments, net of reinsurance recoveries, during the next 12 months are expected to approximate \$454 million. We estimate that approximately \$412 million of the expected net claim payments during the next 12 months will relate to claims subject to the self-insured retention.

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

Liquidity and Capital Resources (continued)

Management believes that cash flows from operations, amounts available under our senior secured credit facilities and our anticipated access to public and private debt markets will be sufficient to meet expected liquidity needs during the next 12 months.

Market Risk

We are exposed to market risk related to changes in market values of securities. The investments in our 100% owned insurance subsidiaries were \$455 million at June 30, 2019. These investments are carried at fair value, with changes in unrealized gains and losses being recorded as adjustments to other comprehensive income. At June 30, 2019, we had a net unrealized gain of \$17 million on the insurance subsidiaries' investments.

We are exposed to market risk related to market illiquidity. Investments in debt and equity securities of our 100% owned insurance subsidiaries could be impaired by the inability to access the capital markets. Should the 100% owned insurance subsidiaries require significant amounts of cash in excess of normal cash requirements to pay claims and other expenses on short notice, we may have difficulty selling these investments in a timely manner or be forced to sell them at a price less than what we might otherwise have been able to in a normal market environment. We may be required to recognize other-than-temporary impairments on our investment securities in future periods should issuers default on interest payments or should the fair market valuations of the securities deteriorate due to ratings downgrades or other issue-specific factors.

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

Both the general level of interest rates and, for the senior secured credit facilities, our leverage affect our variable interest rates. Our variable debt is comprised primarily of amounts outstanding under the senior secured credit facilities. Borrowings under the senior secured credit facilities bear interest at a rate equal to an applicable margin plus, at our option, either (a) a base rate determined by reference to the higher of (1) the federal funds rate plus 0.50% or (2) the prime rate of Bank of America or (b) a LIBOR rate for the currency of such borrowing for the relevant interest period. The applicable margin for borrowings under the senior secured credit facilities may fluctuate according to a leverage ratio. The average effective interest rate for our long-term debt was 5.5% and 5.3% for the six months ended June 30, 2019 and 2018, respectively.

The estimated fair value of our total long-term debt was \$38.773 billion at June 30, 2019. The estimates of fair value are based upon the quoted market prices for the same or similar issues of long-term debt with the same maturities. Based on a hypothetical 1% increase in interest rates, the potential annualized reduction to future pretax earnings would be approximately \$45 million. To mitigate the impact of fluctuations in interest rates, we generally target a portion of our debt portfolio to be maintained at fixed rates.

We are exposed to currency translation risk related to our foreign operations. We currently do not consider the market risk related to foreign currency translation to be material to our consolidated financial statements or our liquidity.

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

Tax Examinations

The Internal Revenue Service began an examination of the Company’s 2016 and 2017 federal income tax returns during 2019. We are also subject to examination by state and foreign taxing authorities. Management believes HCA Healthcare, Inc. and its predecessors, subsidiaries and affiliates properly reported taxable income and paid taxes in accordance with applicable laws and agreements established with IRS, state and foreign taxing authorities and final resolution of any disputes will not have a material, adverse effect on our results of operations or financial position. However, if payments due upon final resolution of any issues exceed our recorded estimates, such resolutions could have a material, adverse effect on our results of operations or financial position.

Operating Data

	2019	2018
Number of hospitals in operation at:		
March 31	185	178
June 30	184	178
September 30		179
December 31		179
Number of freestanding outpatient surgical centers in operation at:		
March 31	124	120
June 30	125	122
September 30		122
December 31		123
Licensed hospital beds at(a):		
March 31	48,455	46,745
June 30	48,483	46,723
September 30		47,060
December 31		47,199
Weighted average licensed beds(b):		
Quarter:		
First	48,036	46,686
Second	48,429	46,667
Third		46,909
Fourth		47,159
Year		46,857
Average daily census(c):		
Quarter:		
First	28,966	28,130
Second	27,808	26,047
Third		25,991
Fourth		26,510
Year		26,663
Admissions(d):		
Quarter:		
First	523,196	507,873
Second	518,253	494,610
Third		497,899
Fourth		503,371
Year		2,003,753

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

Operating Data (continued)

	2019	2018
Equivalent admissions(e):		
Quarter:		
First	889,956	849,164
Second	903,419	851,047
Third		854,940
Fourth		865,255
Year		3,420,406
Average length of stay (days)(f):		
Quarter:		
First	5.0	5.0
Second	4.9	4.8
Third		4.8
Fourth		4.8
Emergency room visits(g):		
Quarter:		
First	2,287,440	2,302,112
Second	2,253,337	2,148,338
Third		2,139,375
Fourth		2,174,606
Year		8,764,431
Outpatient surgeries(h)*:		
Quarter:		
First	240,846	232,483
Second	253,441	246,013
Third		236,801
Fourth		256,240
Year		971,537
Inpatient surgeries(i)*:		
Quarter:		
First	137,363	135,036
Second	140,473	137,403
Third		137,156
Fourth		138,625
Year		548,220
Days revenues in accounts receivable(j):		
Quarter:		
First	53	50
Second	52	52
Third		52
Fourth		51

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

Operating Data (continued)

	<u>2019</u>	<u>2018</u>
Outpatient revenues as a % of patient revenues(k):		
Quarter:		
First	38%	37%
Second	39%	39%
Third		39%
Fourth		38%
Year		38%

- (a) Licensed beds are those beds for which a facility has been granted approval to operate from the applicable state licensing agency.
- (b) Represents the average number of licensed beds, weighted based on periods owned.
- (c) Represents the average number of patients in our hospital beds each day.
- (d) Represents the total number of patients admitted to our hospitals and is used by management and certain investors as a general measure of inpatient volume.
- (e) Equivalent admissions are used by management and certain investors as a general measure of combined inpatient and outpatient volume. Equivalent admissions are computed by multiplying admissions (inpatient volume) by the sum of gross inpatient revenues and gross outpatient revenues and then dividing the resulting amount by gross inpatient revenues. The equivalent admissions computation “equates” outpatient revenues to the volume measure (admissions) used to measure inpatient volume resulting in a general measure of combined inpatient and outpatient volume.
- (f) Represents the average number of days admitted patients stay in our hospitals.
- (g) Represents the number of patients treated in our emergency rooms.
- (h) Represents the number of surgeries performed on patients who were not admitted to our hospitals. Pain management and endoscopy procedures are not included in outpatient surgeries. Reclassifications between inpatient surgery cases and outpatient surgery cases for 2018 have been made to conform to the 2019 presentation.
- (i) Represents the number of surgeries performed on patients who have been admitted to our hospitals. Pain management and endoscopy procedures are not included in inpatient surgeries. Reclassifications between inpatient surgery cases and outpatient surgery cases for 2018 have been made to conform to the 2019 presentation.
- (j) Revenues per day is calculated by dividing revenues for the quarter by the days in the quarter. Days revenues in accounts receivable is then calculated as accounts receivable at the end of the quarter divided by revenues per day.
- (k) Represents the percentage of patient revenues related to patients who are not admitted to our hospitals.
- * Reclassifications between inpatient surgery cases and outpatient surgery cases for the first, second and third quarters of 2018 have been made to conform to the 2019 presentation.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

HCA’s management, with participation of HCA’s chief executive officer and chief financial officer, has evaluated the effectiveness of HCA’s disclosure controls and procedures as of June 30, 2019. Based on that evaluation, HCA’s chief executive officer and chief financial officer concluded that HCA’s disclosure controls and procedures were effective as of June 30, 2019. There were no material changes in HCA’s internal control over financial reporting during the second quarter of 2019.

Changes in Internal Control Over Financial Reporting

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We operate in a highly regulated and litigious industry. As a result, various lawsuits, claims and legal and regulatory proceedings have been and can be expected to be instituted or asserted against us. We are also subject to claims and suits arising in the ordinary course of business, including claims for personal injuries or wrongful restriction of, or interference with, physicians’ staff privileges. In certain of these actions the claimants may seek punitive damages against us which may not be covered by insurance. We are also subject to claims by various taxing authorities for additional taxes and related interest and penalties. The resolution of any such lawsuits, claims or legal and regulatory proceedings could have a material, adverse effect on our results of operations, financial position or liquidity.

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

Texas operates a state Medicaid program pursuant to a waiver from CMS under Section 1115 of the Social Security Act (“Program”). The Program includes uncompensated-care pools; payments from these pools are intended to defray the uncompensated costs of services provided by our and other hospitals to Medicaid eligible or uninsured individuals. Separately, we and other hospitals provide charity care services in several communities in the state. We believe that our participation is and has been consistent with the requirements of the Program. In 2018, the Civil Division of the U.S. Department of Justice and the U.S. Attorney’s Office for the Southern District of Texas requested information about whether the Program, as operated in Harris County, complied with the laws and regulations applicable to provider related donations, and the Company cooperated with that request. On May 21, 2019, a *qui tam* lawsuit asserting violations of the FCA and the Texas Medicaid Fraud Prevention Act related to the Program, as operated in Harris County, was unsealed by the U.S. District Court for the Southern District of Texas. Both the federal and state governments declined to intervene in the *qui tam* lawsuit, and the Company has not yet been served with the complaint. We cannot predict what effect, if any, the *qui tam* lawsuit could have on the Company.

ITEM 1A. RISK FACTORS

Reference is made to the factors set forth under the caption “Forward-Looking Statements” in Part I, Item 2 of this quarterly report on Form 10-Q and other risk factors described in our annual report on Form 10-K for the year ended December 31, 2018, which are incorporated herein by reference. There have not been any material changes to the risk factors previously disclosed in our annual report on Form 10-K for the year ended December 31, 2018.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During January 2019, our Board of Directors authorized a share repurchase program for up to \$2 billion of our outstanding common stock. During the quarter ended June 30, 2019, we repurchased 1,928,157 shares of our common stock at an average price of \$125.56 per share through market purchases pursuant to the \$2 billion share repurchase program authorized during January 2019. At June 30, 2019, we had \$1.753 billion of repurchase authorization available under the January 2019 authorization.

The following table provides certain information with respect to our repurchases of common stock from April 1, 2019 through June 30, 2019 (dollars in millions, except per share amounts).

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Approximate Dollar Value of Shares That May Yet Be Purchased Under Publicly Announced Plans or Programs</u>
April 1, 2019 through April 30, 2019	745,636	\$ 124.81	745,636	\$ 1,902
May 1, 2019 through May 31, 2019	555,252	\$ 124.33	555,252	\$ 1,833
June 1, 2019 through June 30, 2019	627,269	\$ 127.54	627,269	\$ 1,753
Total for second quarter 2019	<u>1,928,157</u>	<u>\$ 125.56</u>	<u>1,928,157</u>	<u>\$ 1,753</u>

On July 30, 2019, our Board of Directors declared a quarterly dividend of \$0.40 per share on our common stock payable on September 30, 2019 to stockholders of record on September 3, 2019. Future declarations of quarterly dividends and the establishment of future record and payment dates are subject to the final determination of our Board of Directors. Our ability to declare future dividends may also from time to time be limited by the terms of our debt agreements.

ITEM 6. EXHIBITS

(a) List of Exhibits:

- 3.1 — [Amended and Restated Certificate of Incorporation of the Company \(restated for SEC filing purposes only\).](#)
- 3.2 — [Amended and Restated Bylaws of the Company \(restated for SEC filing purposes only\).](#)
- 4.1 — [Supplemental Indenture No. 23, dated as of June 12, 2019, among HCA Inc., HCA Healthcare, Inc., the subsidiary guarantors named therein, Delaware Trust Company, as trustee, and Deutsche Bank Trust Company Americas, as paying agent, registrar and transfer agent \(filed as Exhibit 4.2 to the Company's Current Report on Form 8-K filed June 12, 2019 \(File No. 001-11239\), and incorporated herein by reference\).](#)
- 4.2 — [Supplemental Indenture No. 24, dated as of June 12, 2019, among HCA Inc., HCA Healthcare, Inc., the subsidiary guarantors named therein, Delaware Trust Company, as trustee, and Deutsche Bank Trust Company Americas, as paying agent, registrar and transfer agent \(filed as Exhibit 4.3 to the Company's Current Report on Form 8-K filed June 12, 2019 \(File No. 001-11239\), and incorporated herein by reference\).](#)
- 4.3 — [Supplemental Indenture No. 25, dated as of June 12, 2019, among HCA Inc., HCA Healthcare, Inc., the subsidiary guarantors named therein, Delaware Trust Company, as trustee, and Deutsche Bank Trust Company Americas, as paying agent, registrar and transfer agent \(filed as Exhibit 4.4 to the Company's Current Report on Form 8-K filed June 12, 2019 \(File No. 001-11239\), and incorporated herein by reference\).](#)
- 4.4 — [Form of 4 1/8% Senior Secured Notes due 2029 \(included in Exhibit 4.1\).](#)
- 4.5 — [Form of 5 1/8% Senior Secured Notes due 2039 \(included in Exhibit 4.2\).](#)
- 4.6 — [Form of 5 1/4% Senior Secured Notes due 2049 \(included in Exhibit 4.3\).](#)
- 4.7 — [Additional Receivables Intercreditor Agreement, dated as of June 12, 2019, by and between Bank of America, N.A., as ABL Collateral Agent, and Bank of America, N.A., as First Lien Collateral Agent \(filed as Exhibit 4.11 to the Company's Current Report on Form 8-K filed June 12, 2019 \(File No. 001-11239\), and incorporated herein by reference\).](#)
- 10.1 — [HCA Healthcare, Inc. 2019 Senior Officer Performance Excellence Program \(filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed April 2, 2019 \(File No. 001-11239\), and incorporated herein by reference\).*](#)
- 31.1 — [Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2 — [Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32 — [Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101 — The following financial information from our quarterly report on Form 10-Q for the quarters and six months ended June 30, 2019 and 2018, filed with the SEC on August 2, 2019, formatted in Extensible Business Reporting Language: (i) the condensed consolidated balance sheets at June 30, 2019 and December 31, 2018, (ii) the condensed consolidated income statements for the quarters and six months ended June 30, 2019 and 2018, (iii) the condensed consolidated comprehensive income statements for the quarters and six months ended June 30, 2019 and 2018, (iv) the condensed consolidated statements of stockholders' deficit for the quarters and six months ended June 30, 2019 and 2018, (v) the condensed consolidated statements of cash flows for the six months ended June 30, 2019 and 2018 and (vi) the notes to condensed consolidated financial statements. The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- 104 — The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, formatted in Inline XBRL (included in Exhibit 101).

* Management compensatory plan or arrangement

SIGNATURES

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

HCA Healthcare, Inc.

By: /s/ WILLIAM B. RUTHERFORD
 William B. Rutherford
 Executive Vice President and Chief Financial Officer

Date: August 2, 2019

**AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
HCA HEALTHCARE, INC.**

**ARTICLE I
NAME**

The name of the Corporation is HCA Healthcare, Inc. (hereinafter, the “Corporation”).

**ARTICLE II
REGISTERED OFFICE AND AGENT**

The address of the Corporation’s registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801. The name of its registered agent at such address is The Corporation Trust Company.

**ARTICLE III
PURPOSE**

The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the “DGCL”).

**ARTICLE IV
CAPITAL STOCK**

The total number of shares of all classes of capital stock which the Corporation shall have authority to issue is Two Billion (2,000,000,000), of which:

- (i) One Billion Eight Hundred Million (1,800,000,000) shares shall be shares of common stock, par value \$.01 per share (the “Common Stock”); and
- (ii) Two Hundred Million (200,000,000) shares shall be shares of preferred stock, par value \$.01 per share (the “Preferred Stock”).

Such stock may be issued from time to time by the Corporation for such consideration as may be fixed by the Board of Directors of the Corporation.

SECTION 1. Stock Split. Upon the filing and effectiveness of this Amended and Restated Certificate of Incorporation with the Secretary of State of the State of Delaware (the “Effective Time”) each outstanding share (including shares held in treasury) of Common Stock of the Corporation (the “Old Common Stock”) shall be automatically split up, reclassified and converted into 4.505 shares of Common Stock (the “New Common Stock”). This stock split of the outstanding shares of Common Stock shall not affect the total number of shares of Common Stock that the Corporation is authorized to issue, which shall remain as set forth in the first sentence of this Article IV.

The forward split of the Old Common Stock effected by the foregoing paragraph shall be referred to herein as the “Forward Split.” The Forward Split shall occur without any further action on the part of the Corporation or the holders of shares of Old Common Stock or New Common Stock and whether or not certificates representing such holders’ shares prior to the Forward Split are surrendered for cancellation. No fractional interest in a share of New Common Stock shall be deliverable upon the Forward Split. Stockholders who otherwise would have been entitled to receive any fractional interests in the New Common Stock, in lieu of receipt of such fractional interest, shall be entitled to receive from the Corporation an amount in cash equal to the fair value of such fractional interest as of the Effective Time. Except where the context otherwise requires, all references to “Common Stock” in this Certificate of Incorporation shall be to the New Common Stock.

The Forward Split will be effected on a stockholder-by-stockholder (as opposed to certificate-by-certificate) basis. Certificates or book-entries dated as of a date prior to the Effective Time representing outstanding shares of Old Common Stock shall, immediately after the Effective Time, represent a number of shares equal to the same number of shares of New Common Stock as is reflected on the face of such certificates or book entries, multiplied by 4.505 and rounded down to the nearest whole number. The Corporation may, but shall not be obliged to, issue new certificates evidencing the shares of New Common Stock outstanding as a result of the Forward Split unless and until the certificates evidencing the shares held by a holder prior to the Forward Split are either delivered to the Corporation or its transfer agent, or the holder notifies the Corporation or its transfer agent that such certificates have been lost, stolen or destroyed and executes an agreement satisfactory to the Corporation to indemnify the Corporation from any loss incurred by it in connection with such certificates. Every share number, dollar amount and other provision contained in this Amended and Restated Certificate of Incorporation have been adjusted for the Forward Split, and there shall be no further adjustments made to such share numbers, dollar amounts or other provisions, except in the case of any stock splits, stock dividends, reclassifications and the like occurring after the Effective Time.

SECTION 2. Common Stock. Except as (i) otherwise required by law or (ii) expressly provided in this Amended and Restated Certificate of Incorporation (as may be amended from time to time), each share of Common Stock shall have the same powers, rights, and privileges and shall rank equally, share ratably, and be identical in all respects as to all matters.

(A) Dividends. Subject to applicable law and the rights of the holders of any class or series of Preferred Stock, and to the other provisions of this Amended and Restated Certificate of Incorporation (as may be amended from time to time), holders of Common Stock shall be entitled to receive equally, on a per share basis, such dividends and other distributions in cash, securities, or other property of the Corporation as may be declared thereon by the Board of Directors from time to time out of assets or funds of the Corporation legally available therefor.

(B) Voting Rights. At every annual or special meeting of stockholders of the Corporation, each holder of Common Stock shall be entitled to cast one vote for each share of Common Stock standing in such holder’s name on the stock transfer records of the Corporation.

(C) Liquidation Rights. In the event of any liquidation, dissolution, or winding up of the affairs of the Corporation, whether voluntary or involuntary, after payment or provision for payment of the Corporation's debts and amounts payable upon shares of any class or series of Preferred Stock entitled to a preference, if any, over holders of Common Stock upon such dissolution, liquidation, or winding up, the remaining net assets of the Corporation shall be distributed among holders of shares of Common Stock equally on a per share basis. A merger or consolidation of the Corporation with or into any other corporation or other entity, or a sale or conveyance of all or any part of the assets of the Corporation (which shall not in fact result in the liquidation of the Corporation and the distribution of assets to its stockholders) shall not be deemed to be a voluntary or involuntary liquidation or dissolution or winding up of the Corporation within the meaning of this Paragraph (C).

(D) Conversion Rights. The Common Stock shall not be convertible into, or exchangeable for, shares of any other class or classes or of any other series of the same class of the Corporation's capital stock.

(E) Preemptive Rights. No holder of Common Stock shall have any preemptive rights hereunder with respect to the Common Stock or any other securities of the Corporation, or to any obligations convertible (directly or indirectly) into securities of the Corporation whether now or hereafter authorized.

SECTION 3. Preferred Stock. The Board of Directors is authorized, subject to limitations prescribed by law, to provide by resolution or resolutions for the issuance of all or any of the shares of Preferred Stock in one or more class or series, to establish the number of shares to be included in each such class or series, and to fix the voting powers, designations, powers, preferences, and relative, participating, optional, or other rights, if any, of the shares of each such class or series, and any qualifications, limitations, or restrictions thereof including, without limitation, the authority to provide that any such class or series may be (i) subject to redemption at such time or times and at such price or prices; (ii) entitled to receive dividends (which may be cumulative or non-cumulative) at such rates, on such conditions, and at such times, and payable in preference to, or in such relation to, the dividends payable on any other class or classes or any other series; (iii) entitled to such rights upon the dissolution of, or upon any distribution of the assets of, the Corporation; or (iv) convertible into, or exchangeable for, shares of any other class or classes of stock, or of any other series of the same or any other class or classes of stock, of the Corporation at such price or prices or at such rates of exchange and with such adjustments; all as may be stated in such resolution or resolutions. Irrespective of the provisions of Section 242(b)(2) of the DGCL, the number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority in voting power of the stock of the Corporation entitled to vote, without the separate vote of the holders of the Preferred Stock as a class.

ARTICLE V DURATION

The Corporation is to have perpetual existence.

ARTICLE VI
BOARD OF DIRECTORS

SECTION 1. Number Of Directors. Subject to any rights of the holders of any class or series of Preferred Stock to elect additional directors under specified circumstances as set forth in a certificate of designation relating to any such class or series of Preferred Stock, the number of directors which shall constitute the Board of Directors shall be not less than three, the exact number of which shall be fixed from time to time by resolution adopted by the affirmative vote of a majority of the total number of directors then in office.

SECTION 2. Term of Office. Each director shall hold office for a term expiring at the next annual meeting of stockholders of the Corporation and until a successor is duly elected and qualified or until his or her earlier death, resignation, disqualification, or removal. Elections of directors need not be by written ballot unless the Bylaws of the Corporation shall so provide.

SECTION 3. Newly-Created Directorships and Vacancies. Subject to the rights of the holders of any series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office, or any other cause may be filled, so long as there is at least one remaining director, only by the Board of Directors, provided that a quorum is then in office and present, or by a majority of the directors then in office, if less than a quorum is then in office, or by the sole remaining director. Directors elected to fill a newly created directorship or other vacancies shall hold office until such director's successor has been duly elected and qualified or until his or her earlier death, resignation, disqualification or removal as hereinafter provided.

SECTION 4. Removal of Directors. Subject to the rights of the holders of any series of Preferred Stock then outstanding, and subject to the provisions of any applicable stockholders agreement with the Corporation, any director may be removed from office at any time, either with or without cause, at a meeting of the stockholders called for that purpose.

SECTION 5. Rights of Holders of Preferred Stock. Notwithstanding the provisions of this Article VI, whenever the holders of one or more series of Preferred Stock issued by the Corporation shall have the right, voting separately or together by series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies, and other features of such directorship shall be governed by the rights of such Preferred Stock as set forth in the certificate of designations governing such series.

SECTION 6. Bylaws. The Board of Directors is expressly authorized to make, alter, amend, change, add to or repeal the Bylaws of the Corporation by the affirmative vote of a majority of the total number of directors then in office. Any amendment, alteration, change, addition or repeal of the Bylaws of the Corporation by the stockholders of the Corporation shall require the affirmative vote of the holders of a majority of the outstanding shares of the Corporation, voting together as a class, entitled to vote on such amendment, alteration, change, addition or repeal.

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

ARTICLE VII LIMITATION OF LIABILITY

To the fullest extent permitted by the DGCL as it now exists or may hereafter be amended, no director of the Corporation shall be liable to the Corporation or its stockholders for monetary damages arising from a breach of fiduciary duty owed to the Corporation or its stockholders. Any repeal or modification of this Article VII shall not adversely affect any right or protection of a current or former director of the Corporation existing at the time of such repeal or modification.

ARTICLE VIII INDEMNIFICATION; ADVANCEMENT OF EXPENSES

SECTION 1. Right To Indemnification. Each person who was or is made a party or is threatened to be made a party to or is involved (including, without limitation, as a witness) in any actual or threatened action, suit, or proceeding, whether civil, criminal, administrative, or investigative, including any appeal therefrom (hereinafter a “proceeding”), by reason of the fact that he or she is or was, or has agreed to become, a director or officer of the Corporation or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee, or agent of another corporation or of a partnership, limited liability company, joint venture, trust, or other enterprise, including service with respect to an employee benefit plan (hereinafter an “Indemnatee”), shall be indemnified and held harmless by the Corporation to the full extent authorized by the DGCL, as the same exists or may hereafter be amended, or by other applicable law as then in effect, against all expense, liability, and loss (including attorneys’ fees and related disbursements, judgments, fines, excise taxes and penalties under the Employee Retirement Income Security Act of 1974, as amended from time to time (“ERISA”), other penalties, and amounts paid or to be paid in settlement) actually and reasonably incurred or suffered by such Indemnatee in connection therewith, and such indemnification rights shall continue as to a person who has ceased to be a director or officer of the Corporation or serving as a director, officer, employee or agent of another corporation, partnership, limited liability company, joint venture, trust or other enterprise at the request of the

Corporation. Service by a director or officer of the Corporation shall be deemed to be at the request of the Corporation if he or she is or was serving as a director, officer, employee, or agent of a subsidiary of the Corporation or an employee benefit plan of the Corporation or subsidiary of the Corporation. Notwithstanding the first sentence of this Section 1, except as otherwise provided in Section 3 of this Article VIII, the Corporation shall be required to indemnify an Indemnitee in connection with a proceeding (or part thereof) commenced by such Indemnitee only if the commencement of such proceeding (or part thereof) by the Indemnitee was authorized in advance by the Corporation's Board of Directors.

SECTION 2. Advancement Of Expenses. Expenses (including attorneys' fees, costs, and charges) incurred by an Indemnitee in defending a proceeding or, pursuing a claim described in Section 3 of this Article VIII or the last sentence of Section 1 of this Article VIII shall be paid by the Corporation in advance of the final disposition of such proceeding, within twenty (20) days of the Corporation's receipt of a request therefor and an undertaking by or on behalf of the Indemnitee to repay all amounts so advanced in the event that it shall ultimately be determined that such Indemnitee is not entitled to be indemnified by the Corporation.

SECTION 3. Procedure For Indemnification. If a determination is required by the DGCL, any indemnification (but not advancement of expenses) under this Article VIII (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the Indemnitee is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the DGCL, as the same exists or hereafter may be amended. Such determination shall be made with respect to a person who is a director or officer of the Corporation at the time of such determination (a) by a majority vote of the directors who are not parties to such proceeding (the "Disinterested Directors"), even though less than a quorum, (b) by a committee of Disinterested Directors designated by a majority vote of Disinterested Directors, even though less than a quorum, (c) if there are no such Disinterested Directors, or if such Disinterested Directors so direct, by independent legal counsel in a written opinion, or (d) by the stockholders. Any indemnification under this Article VIII shall be made promptly, and in any event within sixty (60) days after the Corporation's receipt of a written request therefor, provided that the Corporation shall not be required to pay a claim for indemnification prior to the final disposition of the proceeding from which the claim arose. The right to indemnification or advancement of expenses as granted by this Article VIII shall be enforceable by the Indemnitee in any court of competent jurisdiction, if the Corporation denies such request, in whole or in part, or if a claim for indemnification or advancement of expenses is not timely paid in full. Such person's reasonable costs and expenses incurred in connection with successfully establishing his or her right to indemnification or advancement of expenses, in whole or in part, in any such action shall also be indemnified by the Corporation. In any such action the Corporation shall have the burden of proving that the claimant is not entitled to the requested indemnification or advancement of expenses under applicable law. Neither the failure of the Corporation (including its Board of Directors, its independent legal counsel, and its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the DGCL, as the same exists or hereafter may be amended, nor the fact that there has been an actual determination by the Corporation (including

its Board of Directors, its independent legal counsel, and its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct. The termination of any proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that the Indemnitee did not act in good faith and in a manner that he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal proceeding, had reasonable cause to believe that his or her conduct was unlawful.

SECTION 4. Other Rights; Continuation of Right to Indemnification and Advancement. The rights to indemnification and advancement of expenses provided by this Article VIII shall not be deemed exclusive of, and shall be in addition to, any other rights to which a person seeking indemnification or advancement of expenses may be entitled under any law (common or statutory), provision of this Amended and Restated Certificate of Incorporation, bylaw, agreement, vote of stockholders or Disinterested Directors, or otherwise, and shall inure to the benefit of the estate, heirs, executors, and administrators of such person. All rights to indemnification and advancement of expenses conferred on any person under this Article VIII shall be deemed to be contract rights and be retroactive and available with respect to events occurring prior to the adoption of this Amended and Restated Certificate of Incorporation. Any repeal or modification of this Article VIII or, to the fullest extent permitted by applicable law, any repeal or modification of relevant provisions of the DGCL or any other applicable laws shall not in any way diminish any rights to indemnification or advancement of expenses of such person or the obligations of the Corporation arising hereunder with respect to any proceeding arising out of, or relating to, any actions, omissions, transactions, or facts occurring prior to the final adoption of such modification or repeal. For the purposes of this Article VIII, references to the “Corporation” include all constituent corporations (including any constituent of a constituent) absorbed in a consolidation or merger as well as the resulting or surviving corporation, so that any person who is or was a director or officer of such a constituent corporation or, while a director or officer of such constituent corporation, is or was serving at the request of such constituent corporation as a director, officer, employee, or agent of another corporation, partnership, limited liability company, joint venture, trust, or other enterprise, shall stand in the same position under the provisions of this Article VIII, with respect to the resulting or surviving corporation, as he or she would if he or she had served the resulting or surviving corporation in the same capacity.

SECTION 5. Insurance. The Corporation may purchase and maintain insurance on its own behalf and on behalf of any person who is or was a director, officer, employee, or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee, or agent of another corporation, partnership, limited liability company, joint venture, trust, or other enterprise against any expense, liability, or loss asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify such person against such expense, liability, or loss under the DGCL.

SECTION 6. Reliance. Persons who after the date of the adoption of this Amended and Restated Certificate of Incorporation become or remain directors or officers of the Corporation or who, while a director or officer of the Corporation, become or remain a director, officer, employee, or agent of a subsidiary, shall be conclusively presumed to have relied on the rights to indemnity, advancement of expenses, and other rights contained in this Article VIII in entering into or continuing such service. The rights to indemnification and to the advancement of expenses conferred in this Article VIII shall apply to claims made against an Indemnitee arising out of acts or omissions that occurred or occur both prior and subsequent to the adoption hereof.

SECTION 7. Savings Clause. If this Article VIII or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless (i) indemnify each person entitled to indemnification under the first paragraph of this Article VIII as to all expense, liability, and loss (including attorneys' fees and related disbursements, judgments, fines, ERISA excise taxes and penalties, other penalties, and amounts paid or to be paid in settlement) actually and reasonably incurred or suffered by such person and for which indemnification is available to such person pursuant to this Article VIII and (ii) advance expenses to each Indemnitee entitled to advancement of expenses under Section 2 of this Article VIII in accordance therewith, in each case to the full extent permitted by any applicable portion of this Article VIII that shall not have been invalidated and to the full extent permitted by applicable law.

SECTION 8. Other Sources of Payment. Except as may be otherwise agreed to by the Corporation and the Indemnitee (or any entity which has designated the nomination or appointment of such Indemnitee), in the event of any payment under this Article VIII, the Corporation shall be subrogated to the extent of such payment to all of the rights of recovery of such Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Corporation to bring suit to enforce such rights. Except as may be otherwise agreed to by the Corporation and the Indemnitee (or any entity which has designated the nomination or appointment of such Indemnitee), the Corporation shall not be obligated to an Indemnitee under this Article VIII to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that such Indemnitee has otherwise actually received such payment under any insurance policy maintained by the Corporation, contract, agreement or otherwise, and in the event that the Corporation makes any payment to an Indemnitee under this Article VIII and such Indemnitee subsequently otherwise receives such payment under any insurance policy maintained by the Corporation, contract, agreement or otherwise, such Indemnitee shall promptly refund such amounts to the Corporation. Except as may be otherwise agreed to by the Corporation and the Indemnitee (or any entity which has designated the nomination or appointment of such Indemnitee), the Corporation's obligations under this Article VIII to an Indemnitee who while a director or officer of the Corporation is or was serving at the request of the Corporation as a director, officer, employee or agent of any other corporation, limited liability company, partnership, joint venture, trust or other enterprise shall be reduced by any amount such Indemnitee has actually received as indemnification or advancement of expenses from such other corporation, limited liability company, partnership, joint venture, trust or other enterprise.

SECTION 9. Partial Indemnification. If an Indemnatee is entitled under any provision of this Article VIII to indemnification by the Corporation for some or a portion of the expenses (including attorneys' fees), judgments, fines or amounts paid in settlement actually and reasonably incurred by him or her or on his or her behalf in connection with any proceeding, but not, however, for the total amount thereof, the Corporation shall nevertheless indemnify the Indemnatee for the portion of such expenses (including attorneys' fees), judgments, fines or amounts paid in settlement to which the Indemnatee is entitled.

SECTION 10. Successful Defense. In the event that any proceeding to which an Indemnatee is a party is resolved in any manner other than by adverse judgment against the Indemnatee (including, without limitation, settlement of such proceeding with or without payment of money or other consideration) it shall be presumed that the Indemnatee has been successful on the merits or otherwise in such proceeding pursuant to Section 145(c) of the DGCL. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence.

ARTICLE IX

SPECIAL MEETINGS OF STOCKHOLDERS; ADVANCE NOTICE; ACTION BY WRITTEN CONSENT

Special meetings of stockholders of the Corporation may be called only by either the Board of Directors pursuant to a resolution adopted by the affirmative vote of the majority of the total number of directors then in office or by the Chairman of the Board or the Chief Executive Officer of the Corporation; provided that, prior to the Trigger Date, special meetings of stockholders of the Corporation may also be called by the Secretary of the Corporation at the request of the holders of a majority of the outstanding shares of Common Stock. Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the Bylaws of the Corporation. Prior to the Trigger Date, any action required or permitted to be taken at any annual or special meeting of stockholders of the Corporation may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the books in which proceedings of meetings of the stockholders are recorded. On or following the Trigger Date, any action required or permitted to be taken at any annual or special meeting of the stockholders of the Corporation may be taken only upon the vote of the stockholders at an annual or special meeting duly called and may not be taken by written consent of the stockholders.

ARTICLE X
CORPORATE OPPORTUNITIES

To the fullest extent permitted by applicable law, the Corporation, on behalf of itself and its subsidiaries, renounces any interest or expectancy of the Corporation and its subsidiaries in, or in being offered an opportunity to participate in, business opportunities that are from time to time presented to any of the Equity Sponsors or any of their respective officers, directors, agents, shareholders, members, partners, affiliates and subsidiaries (other than the Corporation and its subsidiaries) (each, a “Specified Party”), even if the opportunity is one that the Corporation or its subsidiaries might reasonably be deemed to have pursued or had the ability or desire to pursue if granted the opportunity to do so and each such Specified Party shall have no duty to communicate or offer such business opportunity to the Corporation and, to the fullest extent permitted by applicable law, shall not be liable to the Corporation or any of its subsidiaries for breach of any fiduciary or other duty, as a director or officer or otherwise, by reason of the fact that such Specified Party pursues or acquires such business opportunity, directs such business opportunity to another person or fails to present such business opportunity, or information regarding such business opportunity, to the Corporation or its subsidiaries. Notwithstanding the foregoing, a Specified Party who is a director or officer of the Corporation and who is offered a business opportunity expressly in his or her capacity as a director or officer of the Corporation (a “Directed Opportunity”) shall be obligated to communicate such Directed Opportunity to the Corporation; provided, however, that all of the protections of this Article X shall otherwise apply to the Specified Parties with respect to such Directed Opportunity, including, without limitation, the ability of the Specified Parties to pursue or acquire such Directed Opportunity or to direct such Directed Opportunity to another person.

Neither the amendment nor repeal of this Article X, nor the adoption of any provision of this Amended and Restated Certificate of Incorporation or the Bylaws of the Corporation, nor, to the fullest extent permitted by Delaware law, any modification of law, shall adversely affect any right or protection of any person granted pursuant hereto existing at, or arising out of or related to any event, act or omission that occurred prior to, the time of such amendment, repeal, adoption or modification (regardless of when any proceeding (or part thereof) relating to such event, act or omission arises or is first threatened, commenced or completed).

If any provision or provisions of this Article X shall be held to be invalid, illegal or unenforceable as applied to any circumstance for any reason whatsoever: (a) the validity, legality and enforceability of such provisions in any other circumstance and of the remaining provisions of this Article X (including, without limitation, each portion of any paragraph of this Article X containing any such provision held to be invalid, illegal or unenforceable that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and (b) to the fullest extent possible, the provisions of this Article X (including, without limitation, each such portion of any paragraph of this Article X containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to permit the Corporation to protect its directors, officers, employees and agents from personal liability in respect of their good faith service to or for the benefit of the Corporation to the fullest extent permitted by law.

This Article X shall not limit any protections or defenses available to, or indemnification or advancement rights of, any director or officer of the Corporation under this Amended and Restated Certificate of Incorporation or applicable law.

Any person or entity purchasing or otherwise acquiring any interest in any securities of the Corporation shall be deemed to have notice of and to have consented to the provisions of this Article X.

ARTICLE XI AMENDMENT

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Amended and Restated Certificate of Incorporation, in the manner now or hereafter prescribed by the DGCL, and all rights conferred upon stockholders herein are granted subject to this reservation. Notwithstanding any other provision of this Amended and Restated Certificate of Incorporation or the Bylaws of the Corporation, and notwithstanding the fact that a lesser percentage or separate class vote may be specified by law, this Amended and Restated Certificate of Incorporation, the Bylaws of the Corporation, or otherwise, but in addition to any affirmative vote of the holders of any particular class or series of the capital stock required by law, this Amended and Restated Certificate of Incorporation, the Bylaws of the Corporation, or otherwise, the affirmative vote of the holders of at least a majority of the voting power of all outstanding shares of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to adopt any provision inconsistent with, or to amend or repeal any provision of this Amended and Restated Certificate of Incorporation.

**SECOND
AMENDED AND RESTATED BYLAWS
OF
HCA HEALTHCARE, INC.
A Delaware Corporation**

**ARTICLE I
OFFICES**

SECTION 1. REGISTERED OFFICE. The registered office of HCA Healthcare, Inc. (the “Corporation”) in the State of Delaware shall be located at Corporation Trust Center, 1209 Orange Street, in the city of Wilmington, County of New Castle, 19801. The name of the Corporation’s registered agent at such address shall be The Corporation Trust Company. The registered office and/or registered agent of the Corporation may be changed from time to time by action of the Board of Directors of the Corporation (the “Board of Directors”).

SECTION 2. OTHER OFFICES. The Corporation may also have offices at such other places, both within and without the State of Delaware, as the Board of Directors may from time to time determine or the business of the Corporation may require.

**ARTICLE II
MEETINGS OF STOCKHOLDERS**

SECTION 1. PLACE OF MEETINGS. The Board of Directors may designate any place, either within or without the State of Delaware, as the place of meeting for any annual meeting or for any special meeting.

SECTION 2. ANNUAL MEETING; ELECTION OF DIRECTORS. The annual meeting of stockholders shall be held at such date, time and place, if any, as shall be designated by the Board of Directors and stated in a notice of meeting or in a duly executed waiver thereof. At such annual meeting, the stockholders shall elect the Board of Directors and transact such other business as may properly be brought before the meeting. In uncontested director elections each director is elected by the vote of the majority of the votes cast; provided, however, that if the number of nominees proposed to be elected at that annual meeting of stockholders exceeds the number of directors proposed to be elected at that annual meeting of stockholders, then the persons receiving the greatest number of votes, up to the number of directors proposed to be elected at that annual meeting of stockholders, shall be elected. An uncontested director election means an election in which the number of nominees proposed to be elected at that annual meeting of stockholders is equal to the number of directors proposed to be elected at that annual meeting of stockholders. A majority of the votes cast means that the number of shares voted “for” a director’s election exceeds the number of shares voted “against” that director. Shares voted shall not include a share otherwise present at the meeting but which abstains from voting on a director, or gives no authority or direction. An incumbent nominee not receiving a majority of the votes cast shall tender his or her resignation to the secretary of the Corporation 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 of the Board of Directors shall recommend to the Board of Directors the action to be taken with respect to the resignation. The Board of Directors will publicly disclose its decision with respect to the resignation and the rationale behind its decision within ninety (90) days of the certification of the election results. The Nominating and Corporate Governance Committee in making its recommendation to the Board of Directors and the Board of Directors in making its decision with respect to the resignation may each consider any factors or other information that they consider appropriate and relevant. The director who tenders his or her resignation will not participate in the

recommendation of the Nominating and Corporate Governance Committee of the Board of Directors or the decision of the Board of Directors with respect to his or her resignation. An incumbent nominee not receiving a majority of the votes cast in an uncontested election shall continue to serve until (i) the director's successor is elected and qualifies or (ii) the Board of Directors accepts the director's resignation. If a director's resignation is accepted by the Board of Directors pursuant to this Section 2, or if a nominee for director is not elected and the nominee is not an incumbent director, then the Board of Directors may fill the resulting vacancy pursuant to the provisions of Section 11 of Article III of these Bylaws or may decrease the size of the Board of Directors pursuant to the Corporation's certificate of incorporation as then in effect (the "Certificate of Incorporation").

SECTION 3. SPECIAL MEETINGS. Special meetings of the stockholders may only be called in the manner provided in the Certificate of Incorporation.

SECTION 4. NOTICE OF MEETINGS. Whenever stockholders are required or permitted to take action at a meeting, notice of each annual and special meeting of stockholders stating the date, time and place, if any, of the meeting, the record date for determining the stockholders entitled to vote at the meeting (if such date is different from the record date for stockholders entitled to notice of the meeting), and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given to each stockholder of record entitled to vote at the meeting as of the record date for determining stockholders entitled to notice of the meeting not less than ten (10) nor more than sixty (60) days before the date of the meeting. Business transacted at any special meeting of stockholders shall be limited to the purpose or purposes stated in the notice. Subject to the requirements of applicable law, notice may be provided by mail, private carrier, facsimile transmission or other form of wire, wireless or other means of electronic transmission. Subject to the requirements of applicable law, notice provided to a stockholder's e-mail address as indicated on the records of the Corporation shall be deemed proper notice for any purpose set forth in these Bylaws. Notice by mail shall be deemed given at the time when the same shall be deposited in the United States mail, postage prepaid. Notice of any meeting shall not be required to be given to any person who attends such meeting, except when such person attends the meeting in person or by proxy for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened, or who, either before or after the meeting, shall submit a signed written waiver of notice, in person or by proxy. Neither the business to be transacted at, nor the purpose of, an annual or special meeting of stockholders need be specified in any waiver of notice.

SECTION 5. LIST OF STOCKHOLDERS. The officer having charge of the stock ledger of the Corporation shall prepare and make, at least ten (10) days before each meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting (provided, however, if the record date for determining the stockholders entitled to vote is less than ten (10) days before the date of the meeting, the list shall reflect the stockholders entitled to vote as of the tenth day before the meeting date), arranged in alphabetical order, showing the address of and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting for a period of at least ten (10) days prior to the meeting: (a) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (b) during ordinary business hours, at the principal place of business of the Corporation. If the meeting is to be held at a place, the list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

SECTION 6. QUORUM; ADJOURNMENTS. The holders of a majority of the voting power of the issued and outstanding stock of the Corporation entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum for the transaction of business at all meetings of stockholders, except as otherwise provided by statute or by the Certificate of Incorporation. If, however, such quorum shall not be present or represented by proxy at any meeting of stockholders, the chairman of the meeting or the stockholders entitled to vote thereon, present in person or represented by proxy, shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented by proxy. At such adjourned meeting at which a quorum shall be present or represented by proxy, any business may be transacted which might have been transacted at the meeting as originally called. If the adjournment is for more than thirty (30) days a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. If after adjournment a new record date for the determination of stockholders entitled to vote is set, the Board of Directors shall fix as the record date for determining stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote at the adjourned meeting, and shall give a notice of the adjourned meeting to each stockholder of record as of the record date fixed for notice of the adjourned meeting.

SECTION 7. ORGANIZATION; CONDUCT OF MEETING. At each meeting of stockholders, the chairman of the board, if one shall have been elected, or, in his absence or if one shall not have been elected, the chief executive officer shall act as chairman of the meeting. The secretary or, in his absence or inability to act, the person whom the chairman of the meeting shall appoint secretary of the meeting shall act as secretary of the meeting and keep the minutes thereof. The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at the meeting by the chairman of the meeting. The Board of Directors may adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the chairman of the meeting shall have the right and authority to convene and (for any or no reason) to recess and/or adjourn the meeting, to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chairman of the meeting, may include, without limitation, the following: (i) rules and procedures for maintaining order at the meeting and the safety of those present; (ii) limitations on attendance at or participation in the meeting to stockholders entitled to vote at the meeting, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine; (iii) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (iv) limitations on the time allotted to questions or comments by participants. The chairman of the meeting of stockholders, in addition to making any other determinations that may be appropriate to the conduct of the meeting, shall, if the facts warrant, determine and declare to the meeting that a nomination or matter or business was not properly brought before the meeting and if such chairman should determine, such chairman shall so declare to the meeting and any such nomination or matter or business not properly brought before the meeting shall not be transacted or considered. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

SECTION 8. ORDER OF BUSINESS. The order of business at all meetings of the stockholders shall be as determined by the chairman of the meeting.

SECTION 9. VOTING. Except as otherwise provided by the Certificate of Incorporation, the General Corporation Law of the State of Delaware or the certificate of designation relating to any outstanding class or series of preferred stock, each stockholder of the Corporation shall be entitled at each meeting of stockholders to one vote for each share of capital stock of the Corporation standing in his name on the record of stockholders of the Corporation:

A. on the date fixed pursuant to the provisions of Section 13 of this Article II as the record date for the determination of the stockholders who shall be entitled to vote at such meeting; or

B. if no such record date shall have been so fixed, the record date for determining stockholders entitled to notice of and to vote at a meeting of stockholders shall be the close of business on the day next preceding the day on which notice thereof shall be given, or, if notice is waived, at the close of business on the date next preceding the day on which the meeting is held.

Each stockholder entitled to vote at any meeting of stockholders may authorize another person or persons to act for him by a proxy which is in writing or transmitted as permitted by law, including, without limitation, electronically, via telegram, internet, interactive voice response system, or other means of electronic transmission executed or authorized by such stockholder or his attorney-in-fact, but no proxy shall be voted after three (3) years from its date, unless the proxy provides for a longer period. Any such proxy shall be delivered to the secretary of the meeting at or prior to the time designated in the order of business for so delivering such proxies. Any proxy transmitted electronically shall set forth information from which it can be determined by the secretary of the meeting that such electronic transmission was authorized by the stockholder. When a quorum is present at any meeting, the vote of the holders of a majority of the voting power of the issued and outstanding stock of the Corporation entitled to vote thereon, present in person or represented by proxy, shall decide any question brought before such meeting, unless the question is one upon which by express provision of the General Corporation Law of the State of Delaware, the rules or regulations of any stock exchange applicable to the Corporation or pursuant to any law or regulation applicable to the Corporation or its securities or of the Certificate of Incorporation or of these Bylaws, a different vote is required, in which case such express provision shall govern and control the decision of such question. Unless required by statute, or determined by the chairman of the meeting to be advisable, the vote on any question need not be by ballot. On a vote by ballot, each ballot shall be signed by the stockholder voting, or by his proxy, if there be such proxy.

SECTION 10. INSPECTORS. The Board of Directors may, and shall if required by law, in advance of any meeting of stockholders, appoint one or more inspectors to act at such meeting or any adjournment thereof. If any of the inspectors so appointed shall fail to appear or act, the chairman of the meeting shall, or if inspectors shall not have been appointed, the chairman of the meeting may, appoint one or more inspectors. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath to faithfully execute the duties of inspector at such meeting with strict impartiality and according to the best of his ability. The inspectors shall determine the number of shares of capital stock of the Corporation outstanding and the voting power of each, the number of shares represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the results, and do such acts as are proper to conduct the election or vote with fairness to all stockholders. On request of the chairman of the meeting, the inspectors shall make a report in writing of any challenge, request or matter determined by them and shall execute a certificate of any fact found by them. In determining the validity and counting of proxies and ballots cast at any meeting of stockholders of the Corporation, the inspectors may consider such information as is permitted by applicable law. No director or candidate for the office of director shall act as an inspector of an election of directors. Inspectors need not be stockholders.

SECTION 11. PROPOSALS AND NOMINATIONS FOR MEETINGS OF STOCKHOLDERS.

A. At an annual meeting of stockholders, only such nominations of persons for election to the Board of Directors and other business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, nominations and other business must be:

- i. brought before the meeting by the Corporation and specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors or an authorized committee thereof,

- ii. brought before the meeting by or at the direction of the Board of Directors or an authorized committee thereof, or
- iii. otherwise properly brought before the meeting by a stockholder who:
 - (a) was a stockholder of record (and, with respect to any beneficial owner, if different, on whose behalf such nominations of persons for election to the Board of Directors or other business is proposed, only if such beneficial owner was the beneficial owner of shares of the Corporation) both at the time of giving the notice provided for in this Section 11 and at the time of the meeting,
 - (b) is entitled to vote at the meeting, and
 - (c) has complied with this Section 11 and, if applicable, Section 14 of this Article II as to such business.

Except for proposals properly made in accordance with Rule 14a-8 under the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (as so amended and inclusive of such rules and regulations, the “Exchange Act”), or pursuant to Section 14 of this Article II, the foregoing clause (iii) shall be the exclusive means for a stockholder to propose business to be brought before an annual meeting of stockholders or to make any nomination of a person or persons for election to the Board of Directors at an annual meeting of stockholders. The only matters that may be brought before a special meeting of stockholders are the matters specified in the notice of meeting given by or at the direction of the person calling the meeting pursuant to Section 4 of this Article II.

B. For business to be properly brought before an annual meeting by a stockholder, or for a stockholder to make any nomination of a person or persons for election to the Board of Directors at an annual meeting or a special meeting of stockholders properly called for the election of directors pursuant to Section 3 of this Article II, the stockholder must provide timely written notice in proper form to the Corporation (the “Stockholder Notice”) and provide any updates or supplements to such Stockholder Notice at the times and in the forms required by this Section 11 (or, as applicable, Section 14 of this Article II). This Section 11 shall constitute an “advance notice provision” for purposes of Rule 14a-4(c)(1) under the Exchange Act.

C. To be timely, the Stockholder Notice must be delivered to, or mailed and received at, the principal executive offices of the Corporation, addressed to the secretary of the Corporation:

- i. in the case of an annual meeting, no earlier than one hundred twenty (120) days and no later than ninety (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 thirty (30) days, or delayed by more than sixty (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 one hundred twenty (120) days before such annual meeting and no later than the later of ninety (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

- ii. in the case of a nomination of a person or persons for election to the Board of Directors at a special meeting of stockholders called for the purpose of electing directors, no earlier than one hundred twenty (120) days before such special meeting and no later than the later of ninety (90) days before such 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 stockholders commence a new time period (or extend any time period) for the giving of the Stockholder Notice.

D. To be in proper form, the Stockholder Notice must:

- i. set forth the name and address of the stockholder giving the Stockholder Notice (and any beneficial owner, if different, on whose behalf such Stockholder Notice is submitted) (the stockholder giving the Stockholder Notice, or, if the Stockholder Notice is submitted on behalf of a beneficial owner, such beneficial owner, is referred to herein as the “Proponent”) as they appear on the Corporation’s books and the name and address of any Stockholder Associated Person(s) for which disclosure is required by clause (ii) below,
- ii. set forth the following information:
 - (a) the class and number of shares of capital stock of the Corporation that are owned beneficially (within the meaning of Rule 13d-3 under the Exchange Act) and of record by the Proponent and any Stockholder Associated Person,
 - (b) the date such shares were acquired,
 - (c) a description in reasonable detail of any option, warrant, convertible security, stock appreciation right or similar right directly or indirectly owned by the Proponent or any Stockholder Associated Person with an exercise or conversion privilege or a settlement payment or mechanism at a price related to shares of any class or series of stock of the Corporation, or with a value derived in whole or in part from the price, value or volatility of shares of any class or series of stock of the Corporation, whether or not such instrument or right shall convey any voting rights in such shares, be subject to settlement in the underlying class or series of stock of the Corporation or be subject to other transactions that hedge or mitigate the economic effect of such transactions, or any other direct or indirect opportunity to profit from any increase or decrease in the value of shares of any class or series of stock of the Corporation (“Derivative Interests”),

- (d) a description in reasonable detail of any proxy, contract, arrangement, understanding or other relationship pursuant to which the Proponent or any Stockholder Associated Person has a right to vote any shares of any class or series of stock of the Corporation (other than a revocable proxy or consent given in response to a solicitation made pursuant to, and in accordance with, Section 14(a) of the Exchange Act by way of a solicitation statement filed on Schedule 14A),
- (e) any agreement, arrangement, understanding or relationship, including any repurchase or so-called “stock borrowing” agreement or arrangement, engaged in directly or indirectly by the Proponent or any Stockholder Associated Person, the purpose or effect of which is to mitigate loss to, reduce the economic risk (of ownership or otherwise) of shares of any class or series of the Corporation by, manage the risk of share price changes for, or increase or decrease the voting power of, such Proponent or Stockholder Associated Person with respect to the shares of any class or series of stock of the Corporation, or which provides, directly or indirectly, the opportunity to profit from any decrease in the price or value of the shares of any class or series of stock of the Corporation (“Short Interests”),
- (f) any rights to dividends on the shares of any class or series of stock of the Corporation owned beneficially by the Proponent or any Stockholder Associated Person that are separated or separable from the underlying shares of stock of the Corporation,
- (g) any performance-related fees (other than an asset-based fee) that the Proponent or any Stockholder Associated Person is entitled to based on any increase or decrease in the value of shares of any class or series of the stock of the Corporation or any Derivative Interest or Short Interest,
- (h) any arrangements, rights or other interests described in Section 11(D)(ii)(c)-(g) above held by members of the Proponent’s or any Stockholder Associated Person’s immediate family sharing the same household,
- (i) a representation that the Proponent intends to appear in person or by proxy at the meeting to nominate the person(s) named or propose the business specified in the Stockholder Notice and whether or not the Proponent intends to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation’s outstanding shares of capital stock required to approve the nomination(s) or the business proposed and/or otherwise to solicit proxies or votes from stockholders in support of the nomination(s) or other business proposed,
- (j) a certification regarding whether or not the Proponent and Stockholder Associated Person(s) have complied with all applicable federal, state and other legal requirements in connection with the Proponent’s and/or Stockholder Associated Persons’ acquisition of shares of capital stock or other securities of the Corporation and/or the Proponent’s and/or Stockholder Associated Persons’ acts or omissions as a stockholder of the Corporation,

- (k) any other information relating to the Proponent that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations thereunder, and
- (l) any other information as reasonably requested by the Corporation (the disclosures to be made pursuant to the foregoing causes (a) through (k) are referred to as “Disclosable Interests”; provided, however, that Disclosable Interests shall not include any such disclosures with respect to the ordinary course business activities of any broker, dealer, commercial bank, trust company or other nominee who is a Proponent solely as a result of being the stockholder directed to prepare and submit the Stockholder Notice on behalf of a beneficial owner).

Such information shall be provided as of the date of the Stockholder Notice and shall be supplemented by the Proponent not later than ten (10) days after the record date for the determination of stockholders entitled to notice of the meeting to disclose information as of the record date.

- iii. if the Stockholder Notice relates to any business that the Proponent proposes to bring before the meeting other than a nomination of a person or persons for election to the Board of Directors, it must set forth:
 - (a) a brief description of the business that the Proponent proposes to bring before the meeting, the text of the proposal (including the text of any resolutions proposed for consideration and, if such business includes a proposal to amend the Certificate of Incorporation or Bylaws, the language of the proposed amendment) and the reasons for conducting such business at the meeting,
 - (b) any material interest in such business of the Proponent or any Stockholder Associated Person, and
 - (c) a reasonably detailed description of all agreements, arrangements and understandings between the Proponent or any Stockholder Associated Person and any other person (including their names) in connection with the proposed business.
- iv. set forth, as to each person, if any, whom the Proponent proposes to nominate for election or reelection to the Board of Directors:
 - (a) all information relating to the nominee (including, without limitation, the nominee’s name, age, business and residence address and principal occupation or employment and the class or series and number of shares of capital stock of the Corporation that are owned beneficially or of record by the nominee) that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for an election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations thereunder (including such person’s written consent to being named in the proxy statement as a nominee and to serving as a director if elected),

- (b) a description of any agreements, arrangements and understandings between or among the Proponent or any Stockholder Associated Person, on the one hand, and any other persons (including any Stockholder Associated Person), on the other hand, in connection with the nomination of such person for election as a director, and
 - (c) a description of all direct and indirect compensation and other material monetary agreements, arrangements, and understandings during the past three years, and any other material relationships, between or among the Proponent or any Stockholder Associated Person, on the one hand, and each proposed nominee, and his or her respective affiliates and associates, on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Item 404 of Regulation S-K if the Proponent making the nomination or on whose behalf the nomination is made, if any, or any Stockholder Associated Person, were the “registrant” for purposes of Item 404 and the nominee were a director or executive officer of such registrant.
- v. include a completed and signed questionnaire with respect to each nominee for election or reelection to the Board of Directors, in the form to be provided by the secretary of the Corporation upon request, setting forth the information described in clause (E) below. The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of the proposed nominee to serve as an independent director of the Corporation or that could be material to a reasonable stockholder’s understanding of the independence, or lack thereof, of the nominee.

E. For a nominee of a stockholder to be eligible to be a nominee for election or reelection as a director of the Corporation, a person must complete and deliver (in accordance with the time periods prescribed for delivery of a Stockholder Notice under this Section 11 or, in the case of a Stockholder Nominee (as defined below), the time periods prescribed for delivery of a Proxy Access Notice under Section 14 of this Article II) to the secretary at the principal executive offices of the Corporation a written questionnaire providing the information requested about the background and qualifications of such person and the background of any other person or entity on whose behalf the nomination is being made and a written representation and agreement (the questionnaire, representation, and agreement to be in the form provided by the secretary upon written request) that such person:

- i. is not and will not become a party to:
 - (a) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how the person, if elected as a director of the Corporation, will act or vote on any issue or question (a “Voting Commitment”) that has not been disclosed to the Corporation, or
 - (b) any Voting Commitment that could limit or interfere with the person’s ability to comply, if elected as a director of the Corporation, with the person’s fiduciary duties under applicable law,

- ii. is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation, reimbursement, or indemnification in connection with service or action as a director that has not been disclosed therein, and
- iii. in the person's individual capacity and on behalf of any person or entity on whose behalf the nomination is being made, would be in compliance, if elected as a director of the Corporation, and will comply with all applicable publicly disclosed corporate governance, conflict of interest, confidentiality, and stock ownership and trading policies and guidelines of the Corporation.

F. Only such persons who are nominated in accordance with the procedures set forth in this Section 11 and, if applicable, Section 14 of this Article II shall be eligible to serve as directors. Only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 11. The chairman of the meeting shall determine whether any nominee or business proposed to be transacted by the stockholders has been properly brought before the meeting and, if any nominee or proposed business has not been properly brought before the meeting, the chairman shall declare that such nominee shall not be considered for election or such proposed business shall not be presented for stockholder action at the meeting. Notwithstanding the foregoing provisions of this Section 11, unless otherwise required by law, if the stockholder does not provide the supplemental information required regarding both the stockholder and any Stockholder Associated Persons under Section 11(D)(ii) or if the stockholder (or a qualified representative of the stockholder) does not appear at the annual meeting to present the nominee or proper business described in the Stockholder Notice, such nominee shall not be presented for election or such business shall not be transacted, notwithstanding that proxies in respect of such election or such business may have been received by the Corporation. For purposes of this Section 11, to be considered a "qualified representative" of the stockholder, a person must be a duly authorized officer, manager or partner of such stockholder or must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as a proxy at the meeting and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting.

G. As referred to herein, "Public Disclosure" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service or the filing of information with the Securities and Exchange Commission via the EDGAR filing system.

H. As referred to herein, "Stockholder Associated Person" of any stockholder means (i) any person controlling, directly or indirectly, or acting in concert with, such stockholder, (ii) any beneficial owner of shares of any class or series of stock of the Corporation owned of record or beneficially by such stockholder and (iii) any person controlling, controlled by or under common control with such Stockholder Associated Person.

I. The foregoing notice requirements of this Section 11 shall be deemed satisfied by a stockholder with respect to business other than a nomination if the stockholder has notified the Corporation of his, her or its intention to present a proposal at an annual meeting in compliance with applicable rules and regulations promulgated under the Exchange Act and such stockholder's proposal has been included in a proxy statement that has been prepared by the Corporation to solicit proxies for such annual meeting.

J. Notwithstanding anything to the contrary contained in this Section 11, for as long as the Stockholders' Agreement dated as of March 9, 2011 among the Corporation, Hercules Holding II and affiliates of various equity sponsors (as may be amended, supplemented or modified from time to time, the "Stockholders' Agreement") remains in effect, no Investor Group (as defined in the Stockholders' Agreement) that has the right to nominate a person to be elected to the Board of Directors pursuant to the Stockholders' Agreement shall be subject to the procedures of this Section 11 or Section 14 of this Article II to nominate any such person to be elected to the Board of Directors.

SECTION 12. ACTION BY WRITTEN CONSENT. Any action required or permitted to be taken at any annual or special meeting of stockholders of the Corporation may be taken only upon the vote of the stockholders at an annual or special meeting duly called and may not be taken by written consent of the stockholders.

SECTION 13. FIXING A RECORD DATE. In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall, unless otherwise required by law, not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If the Board of Directors so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board of Directors determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for determination of stockholders entitled to vote at the adjourned meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance herewith at the adjourned meeting.

In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which shall not be more than sixty (60) days prior to such other action. If no such record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

SECTION 14. PROXY ACCESS FOR DIRECTOR NOMINATIONS.

A. With respect to the election of directors at an annual meeting of stockholders, subject to the provisions of this Section 14 and Section 11 of this Article II (as applicable), the Corporation shall include in its proxy statement (including its form of proxy) for such annual meeting, in addition to any persons nominated for election by the Board of Directors, the name, together with the "Proxy Access Required Information," of any person or persons, as applicable, nominated for election to the Board of Directors (the "Stockholder Nominee(s)"), each of whom satisfies the requirements of this Section 14 and Section 11 of this Article II (as applicable) and the director qualification requirements set forth in the Corporation's Corporate Governance Guidelines and any other document(s) setting forth qualifications for directors, by an individual eligible stockholder or group of up to twenty (20) eligible stockholders (such eligible stockholder or eligible members of a group, the "Proxy Access Eligible Stockholder") who expressly elects in writing at the time of providing the notice required by this Section 14 (the "Proxy

Access Notice”) to have its nominee or nominees, as applicable, included in the Corporation’s proxy materials pursuant to this Section 14; provided, however, that a stockholder that has a contractual right to designate one or more nominees for director shall not be, and any of such stockholder’s respective affiliates or associates and/or any others acting in concert with any of the foregoing shall not be, a Proxy Access Eligible Stockholder and shall not be eligible to participate in a group of stockholders constituting a Proxy Access Eligible Stockholder.

B. To be timely for purposes of this Section 14, the Proxy Access Notice must be made by notice in writing delivered to, or mailed and received by, the secretary of the Corporation at the principal executive offices of the Corporation no earlier than one hundred fifty (150) days and no later than one hundred twenty (120) days prior to the first anniversary of the date that the Corporation mailed its proxy statement for the preceding year’s annual meeting of stockholders; provided, however, that in the event that no annual meeting of stockholders was held in the previous year or the annual meeting of stockholders is called for a date that is not within thirty (30) days before or after such anniversary date, such Proxy Access Notice shall be made by notice in writing delivered to, or mailed and received by, the secretary of the Corporation no later than ninety (90) days prior to such annual meeting of stockholders or, if later, ten (10) days following the day on which notice of the date of the meeting was mailed or Public Disclosure of the date of such annual meeting of stockholders was first made, whichever occurs first. In no event will an adjournment or postponement of an annual meeting of stockholders or the announcement thereof commence a new time period for the giving of a Proxy Access Notice as provided above.

C. The maximum number of Stockholder Nominees nominated by all Proxy Access Eligible Stockholders that will be required to be included in the Corporation’s proxy materials with respect to an annual meeting of stockholders shall not exceed the greater of (i) two (2) or (ii) the Specified Percentage of the number of directors in office as of the last day on which a Proxy Access Notice may be timely delivered pursuant to and in accordance with this Section 14 (the “Final Proxy Access Nomination Date”), rounded down to the closest whole number below the Specified Percentage if such amount is not a whole number; provided, however, that the maximum number of Stockholder Nominees shall be reduced by (1) the number of director candidates for which the Corporation shall have received one or more valid Stockholder Notices pursuant to Section 11 of this Article II, (2) the number of director candidates that the Board of Directors nominates pursuant to an agreement, arrangement or other understanding with one or more stockholders in lieu of such director candidates being formally nominated pursuant to this Section 14, (3) the number of directors in office that will be included in the Corporation’s proxy materials with respect to such annual meeting of stockholders for whom access to the Corporation’s proxy materials was previously provided pursuant to this Section 14, other than any such director referred to in clause (2) or this clause (3) who, at the time of such annual meeting of stockholders, will have served as a director continuously as a nominee of the Board of Directors for at least three annual terms and (4) the number of Stockholder Nominees whose names were submitted for inclusion in the Corporation’s proxy materials pursuant to this Section 14 but who were subsequently withdrawn or who the Board of Directors decides to nominate as Board of Director nominees. In the event that one or more vacancies for any reason occurs on the Board of Directors after the Final Proxy Access Nomination Date but before the date of the annual meeting of stockholders and the Board of Directors resolves to reduce the size of the Board of Directors in connection therewith, the maximum number of Stockholder Nominees included in the Corporation’s proxy materials shall be calculated based on the number of directors in office as so reduced. Any Proxy Access Eligible Stockholder submitting more than one Stockholder Nominee for inclusion in the Corporation’s proxy materials pursuant to this Section 14 shall rank such Stockholder Nominees based on the order that the Proxy Access Eligible Stockholder desires such Stockholder Nominees to be selected for inclusion in the Corporation’s proxy statement in the event that the total number of Stockholder Nominees submitted by Proxy Access Eligible Stockholders pursuant to this Section 14 exceeds the maximum number of

nominees provided for in this Section 14. In the event that the number of Stockholder Nominees submitted by Proxy Access Eligible Stockholders pursuant to this Section 14 exceeds the maximum number of nominees provided for in this Section 14, the highest ranking Stockholder Nominee who meets the requirements of this Section 14 from each Proxy Access Eligible Stockholder will be selected for inclusion in the Corporation's proxy materials until the maximum number is reached, going in order of the amount (largest to smallest) of shares of capital stock of the Corporation each Proxy Access Eligible Stockholder disclosed as owned in its respective Proxy Access Notice submitted to the Corporation. If the maximum number is not reached after the highest ranking Stockholder Nominee who meets the requirements of this Section 14 from each Proxy Access Eligible Stockholder has been selected, this process will continue as many times as necessary, following the same order each time, until the maximum number is reached. Notwithstanding anything to the contrary contained in this Section 14, if the Corporation receives notice pursuant to Section 11 of this Article II that a stockholder intends to nominate for election at such meeting a number of nominees greater than or equal to a majority of the total number of directors to be elected at such meeting, no Stockholder Nominees will be included in the Corporation's proxy materials with respect to such meeting pursuant to this Section 14.

D. For purposes of this Section 14:

- i. the term "Affiliates" shall have the meaning ascribed to it in Rule 12b-2 under the Exchange Act,
- ii. the "Minimum Holding Period" is three (3) years,
- iii. the "Proxy Access Required Information" that the Corporation will include in its proxy statement is the information provided to the secretary of the Corporation concerning the Stockholder Nominee(s) and the Proxy Access Eligible Stockholder that is required to be disclosed in the Corporation's proxy statement by Section 14 of the Exchange Act, and the rules and regulations promulgated thereunder, and, if the Proxy Access Eligible Stockholder so elects, a written statement, not to exceed 500 words, in support of the Stockholder Nominee(s)' candidacy (the "Statement"). Notwithstanding anything to the contrary contained in this Section 14, the Corporation may omit from its proxy materials any information or Statement (or portion thereof) that it, in good faith, believes would violate any applicable law, rule, regulation or listing standard,
- iv. the "Required Ownership Percentage" is 3% or more,
- v. the "Specified Percentage" is 20%, and
- vi. a Proxy Access Eligible Stockholder shall be deemed to "own" only those outstanding shares of capital stock of the Corporation as to which the stockholder possesses both (a) the full voting and investment rights pertaining to the shares and (b) the full economic interest in (including the opportunity for profit from and risk of loss on) such shares; provided, that the number of shares calculated in accordance with clauses (a) and (b) shall not include any shares (1) sold by such stockholder or any of its Affiliates in any transaction that has not been settled or closed, (2) borrowed by such stockholder or any of its Affiliates for any purposes or purchased by such stockholder or any of its Affiliates pursuant to an agreement to resell or (3) subject to any option, warrant, forward contract, swap, contract of sale, other derivative or similar agreement entered into by such stockholder or any of its Affiliates, whether any such instrument or agreement is

to be settled with shares of capital stock of the Corporation or with cash based on the notional amount or value of shares of outstanding capital stock of the Corporation subject thereto, in any such case which instrument or agreement has, or is intended to have, the purpose or effect of (A) reducing in any manner, to any extent or at any time in the future, such stockholder's or its Affiliates' full right to vote or direct the voting of any such shares, and/or (B) hedging, offsetting or altering to any degree any gain or loss realized or realizable arising from maintaining the full economic ownership of such shares by such stockholder or Affiliate. For purposes of this Section 14, a stockholder shall "own" shares held in the name of its bank, broker or other nominee or intermediary so long as the stockholder retains the right to instruct how the shares are voted with respect to the election of directors and possesses the full economic interest in the shares through the annual meeting date. A stockholder's ownership of shares shall be deemed to continue during any period in which the stockholder has delegated any voting power by means of a proxy, power of attorney or other instrument or arrangement which is revocable at any time by the stockholder. A stockholder's ownership of shares shall be deemed to continue during any period in which the stockholder has loaned such shares, provided that the person has the power to recall such loaned shares on no more than five (5) business days' notice and (x) will promptly recall such loaned shares upon being notified that any of its Stockholder Nominees will be included in the Corporation's proxy materials and (y) will continue to hold such recalled shares through the annual meeting date. The terms "owned," "owning" and other variations of the word "own" shall have correlative meanings. Whether outstanding shares of capital stock of the Corporation are "owned" for these purposes shall be determined by the Board of Directors or any committee thereof, which determination shall be conclusive and binding on the Corporation and its stockholders.

E. In order to make a nomination pursuant to this Section 14, a Proxy Access Eligible Stockholder must have owned the Required Ownership Percentage of the outstanding shares of capital stock of the Corporation entitled to vote in the election of directors (the "Required Shares") continuously for the Minimum Holding Period as of both (1) the date the Proxy Access Notice is delivered to or mailed to and received by the secretary of the Corporation in accordance with this Section 14 and (2) the record date for determining the stockholders entitled to vote at the annual meeting of stockholders, and must continue to own the Required Shares through such annual meeting date. A Proxy Access Eligible Stockholder shall certify in its Proxy Access Notice the number of eligible shares of outstanding capital stock of the Corporation it asserts it is deemed to own for the purposes of this Section 14. The aggregate number of stockholders whose collective stock ownership may be counted for the purpose of satisfying the Required Ownership Percentage shall not exceed twenty (20), and no stockholder may be a member of more than one group under this Section 14. Two or more funds that are part of the same family of funds under common management and investment control (a "Qualifying Fund Family") shall be treated as one stockholder for the purpose of determining the aggregate number of stockholders under this Section 14. No later than the end of the time period specified in this Section 14 for delivering the Proxy Access Notice, a Qualifying Fund Family whose stock ownership is counted for purposes of qualifying as a Proxy Access Eligible Stockholder must provide to the secretary of the Corporation documentation reasonably satisfactory to the Board of Directors, or any committee thereof, that demonstrates that the funds comprising the Qualifying Fund Family satisfy the definition thereof. Within the time period specified in this Section 14 for delivering the Proxy Access Notice, a Proxy Access Eligible Stockholder (including each stockholder, whether individually or as a member of an eligible group, and each fund comprising a Qualifying Fund Family) must provide the following information in writing to the secretary

of the Corporation: (i) one or more written statements from the record holder of the shares (and from each intermediary through which the shares are or have been held during the Minimum Holding Period) verifying that, as of a date within seven (7) calendar days prior to the date the Proxy Access Notice is delivered to or mailed to and received by the secretary of the Corporation, the Proxy Access Eligible Stockholder owns, and has owned continuously for the Minimum Holding Period, the Required Shares, and the Proxy Access Eligible Stockholder's agreement to provide, within five (5) business days after the record date for the annual meeting of stockholders, written statements from the record holder and intermediaries verifying the Proxy Access Eligible Stockholder's continuous ownership of the Required Shares through the record date; (ii) a copy of the Schedule 14N that has been filed with the Securities and Exchange Commission as required by Rule 14a-18 under the Exchange Act; (iii) the information and representations that are the same as those that would be required to be set forth in a Stockholder Notice of nomination pursuant to Section 11 of this Article II; (iv) the consent of each Stockholder Nominee to being named in the Corporation's proxy statement as a nominee and to serving as a director if elected; (v) a representation that the Proxy Access Eligible Stockholder (a) acquired the Required Shares in the ordinary course of business and not with the intent to change or influence control at the Corporation, and does not have any such intent, (b) will maintain qualifying ownership of the Required Shares through the date of the annual meeting of stockholders, (c) has not engaged and will not engage in, and has not and will not be a "participant" in another person's, "solicitation" within the meaning of Rule 14a-1(l) under the Exchange Act in support of the election of any individual as a director at the annual meeting of stockholders other than its Stockholder Nominee(s) or a nominee of the Board of Directors, (d) will not distribute to any stockholder any form of proxy for the meeting other than the form distributed by the Corporation, (e) has not nominated and will not nominate for election any individual as a director at the annual meeting of stockholders other than its Stockholder Nominee(s), (f) agrees to comply with all applicable laws, rules and regulations with respect to any solicitation in connection with the meeting and will file with the Securities and Exchange Commission any solicitation or other communication with the Corporation's stockholders relating to the meeting at which the Stockholder Nominee will be nominated, regardless of whether any such filing is required under Regulation 14A of the Exchange Act or an exemption from filing is available thereunder, and (g) will provide facts, statements and other information in all communications with the Corporation and its stockholders that are or will be true and correct in all material respects and do not and will not omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; (vi) an undertaking that the Proxy Access Eligible Stockholder agrees to (a) assume all liability stemming from any legal or regulatory violation arising out of the Proxy Access Eligible Stockholder's communications with the stockholders of the Corporation or out of the information that the Proxy Access Eligible Stockholder provided to the Corporation and (b) indemnify and hold harmless the Corporation and each of its directors, officers and employees individually against any liability, loss or damages in connection with any threatened or pending action, suit or proceeding, whether legal, administrative or investigative, against the Corporation or any of its directors, officers or employees arising out of any nomination submitted and/or efforts to have its Stockholder Nominee(s) elected by the Proxy Access Eligible Stockholder pursuant to this Section 14; and (vii) in the case of a nomination under this Section 14 by a group of stockholders, the designation by all group members of one group member that is authorized to act on behalf of all members of the nominating stockholder group with respect to the nomination and matters related thereto, including withdrawal of the nomination. For the avoidance of doubt, in the event that the Proxy Access Eligible Stockholder consists of a group of stockholders, the requirements and obligations applicable to an individual Proxy Access Eligible Stockholder that are set forth in these Bylaws, including the Minimum Holding Period, shall apply to each member of such group individually; provided, however, that the Required Ownership Percentage shall apply to the continuous ownership of the eligible group in the aggregate.

F. In the event that any information or communications provided by the Proxy Access Eligible Stockholder or any Stockholder Nominee(s) to the Corporation or its stockholders ceases to be true and correct in all material respects or omits a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading, each Proxy Access Eligible Stockholder or Stockholder Nominee, as the case may be, shall promptly notify the secretary of the Corporation of any defect in such previously provided information and of the information that is required to correct any such defect; it being understood that providing any such notification shall not be deemed to cure any such defect or limit the remedies (including without limitation under these Bylaws) available to the Corporation relating to any such defect.

G. The Corporation shall not be required to include, pursuant to this Section 14, a Stockholder Nominee in its proxy materials for any meeting of stockholders (i) whose election as a member of the Board of Directors would cause the Corporation to be in violation of these Bylaws, the Certificate of Incorporation, the rules and listing standards of the principal U.S. exchanges upon which the shares of capital stock of the Corporation are traded, or any applicable state or federal law, rule or regulation, or any of the Corporation's publicly disclosed standards or qualifications applicable to its directors; (ii) for which the secretary of the Corporation receives a notice that a stockholder has nominated such Stockholder Nominee for election to the Board of Directors pursuant to the advance notice requirements for stockholder nominees for director set forth in Section 11 of this Article II; (iii) who is not independent as determined by the Board of Directors under (a) the listing standards of each principal U.S. exchange upon which the shares of capital stock of the Corporation are listed, (b) any applicable rules of the Securities and Exchange Commission and (c) any publicly disclosed standards used by the Board of Directors in determining independence of the Corporation's directors; (iv) if the Proxy Access Eligible Stockholder that has nominated such Stockholder Nominee or any such Stockholder Nominee has engaged in or is currently engaged in, or has been or is a "participant" in another person's, "solicitation" within the meaning of Rule 14a-1(l) under the Exchange Act in support of the election of any individual as a director at the annual meeting of stockholders other than the Proxy Access Eligible Stockholder's Stockholder Nominee(s) or a nominee of the Board of Directors; (v) if the Stockholder Nominee is or becomes a party to any compensatory, payment, reimbursement, indemnification or other financial agreement, arrangement or understanding with any person or entity other than the Corporation, or is receiving or will receive any such compensation, payment, reimbursement or indemnification from any person or entity other than the Corporation, in each case, in connection with service as a director of the Corporation; (vi) if the Stockholder Nominee is or becomes a party to any Voting Commitment; (vii) who is or has been, within the past three years, an officer or director of a competitor, as defined in Section 8 of the Clayton Antitrust Act of 1914; (viii) who is a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses) or has been convicted in such a criminal proceeding within the past ten (10) years; (ix) who is subject to any order of the type specified in Rule 506(d) of Regulation D promulgated under the Securities Act of 1933, as amended; (x) if such Stockholder Nominee or the applicable Proxy Access Eligible Stockholder shall have provided information to the Corporation in respect to such nomination that was untrue in any material respect or omitted to state a material fact necessary in order to make the statement(s) made, in light of the circumstances under which they were made, not misleading, as determined by the Board of Directors or any committee thereof; (xi) whose then-current or prior business or personal interests place such Stockholder Nominee in a conflict of interest with the Corporation or any of its subsidiaries that would cause such Stockholder Nominee to violate any fiduciary duties of directors established pursuant to applicable law; or (xii) the Proxy Access Eligible Stockholder or applicable Stockholder Nominee fails to comply with its obligations, agreements, representations and/or undertakings pursuant to these Bylaws, including this Section 14.

H. Any Stockholder Nominee who is included in the Corporation's proxy materials for a particular annual meeting of stockholders but either (i) does not receive at least 25% of the votes cast in favor of such Stockholder Nominee's election or (ii) becomes ineligible or unavailable for or withdraws from election at the annual meeting of stockholders, will be ineligible to be a Stockholder Nominee

pursuant to this Section 14 for the next two annual meetings of stockholders. Any Proxy Access Eligible Stockholder (including each stockholder or fund comprising a Qualifying Fund Family whose stock ownership is counted for the purposes of qualifying as a Proxy Access Eligible Stockholder) whose Stockholder Nominee is elected as a director at an annual meeting of stockholders will not be eligible to nominate or participate in the nomination of a Stockholder Nominee for the following two annual meetings of stockholders other than the nomination of such previously elected Stockholder Nominee in accordance with this Section 14. Notwithstanding anything to the contrary set forth herein, the Board of Directors or the presiding officer of the annual meeting of stockholders shall declare a nomination by a Proxy Access Eligible Stockholder to be invalid, and such nomination shall be disregarded notwithstanding that proxies in respect of such vote may have been received by the Corporation, if (i) the Stockholder Nominee(s) and/or the applicable Proxy Access Eligible Stockholder shall have breached its or their obligations under this Section 14, as determined by the Board of Directors or such presiding officer or (ii) the Proxy Access Eligible Stockholder (or a qualified representative thereof) does not appear at the meeting of stockholders to present any nomination pursuant to this Section 14.

I. This Section 14 shall be the exclusive method for stockholders to include nominees for director in the Corporation's proxy materials. This Section 14 shall not prevent a stockholder from nominating a person to the Board of Directors pursuant to and in accordance with Section 11 of this Article II instead of pursuant to and in accordance with this Section 14. For the avoidance of doubt, the Corporation may in its sole discretion solicit against, and include in the proxy statement its own statements or other information relating to, any Proxy Access Eligible Stockholder and/or stockholder director nominees (including any Stockholder Nominee) for director, including any information provided to the Corporation with respect to the foregoing.

ARTICLE III **DIRECTORS**

SECTION 1. GENERAL POWERS. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. The Board of Directors may exercise all such authority and powers of the Corporation and do all such lawful acts and things as are not by the General Corporation Law of the State of Delaware or the Certificate of Incorporation directed or required to be exercised or done by the stockholders.

SECTION 2. ANNUAL MEETINGS. Unless the Board of Directors shall otherwise provide, the annual meeting of the Board of Directors shall be held without other notice than this Bylaw immediately after, and at the same place, if any, as, the annual meeting of stockholders.

SECTION 3. REGULAR MEETINGS AND SPECIAL MEETINGS. Regular meetings of the Board of Directors, other than the annual meeting, may be held without notice at such time and at such place, if any, as shall from time to time be determined by the Board of Directors. Special meetings of the Board of Directors may be called by the chairman of the board, the chief executive officer (if the chief executive officer is a director) or upon the written request of at least a majority of the directors then in office.

SECTION 4. NOTICE OF MEETINGS. Notice of regular meetings of the Board of Directors need not be given except as otherwise required by law or these Bylaws. Notice of each special meeting of the Board of Directors, and of each regular and annual meeting of the Board of Directors for which notice shall be required, shall be given by the secretary as hereinafter provided in this Section 4, in which notice shall be stated the date, time and place, if any, of the meeting. Except as otherwise required by these Bylaws, such notice need not state the purposes of such meeting. Notice of any special meeting, and of any regular or annual meeting for which notice is required, shall be given to each director at least

(a) twenty-four (24) hours before the meeting if by telephone or by being personally delivered or sent by facsimile transmission, e-mail or other form of wire, wireless, or other means of electronic transmission or (b) five (5) days before the meeting if delivered by mail to the director's residence or usual place of business. Such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage prepaid, or when transmitted if sent by facsimile transmission, e-mail or other form of wire, wireless, or other means of electronic transmission. Neither the business to be transacted at, nor the purpose of, any special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

SECTION 5. WAIVER OF NOTICE AND PRESUMPTION OF ASSENT. Any director may waive notice of any meeting by a written waiver signed by the director entitled to the notice or a waiver by electronic transmission by the director entitled to the notice. Any member of the Board of Directors or any committee thereof who is present at a meeting shall be conclusively presumed to have waived notice of such meeting except when such member attends for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. Such member shall be conclusively presumed to have assented to any action taken unless his or her dissent shall be entered in the minutes of the meeting or unless his or her written dissent to such action shall be filed with the person acting as the secretary of the meeting before the adjournment thereof or shall be forwarded by registered mail to the secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to any member who voted in favor of such action.

SECTION 6. CHAIRMAN OF THE BOARD, QUORUM, REQUIRED VOTE AND ADJOURNMENT. The Board of Directors shall elect, by the affirmative vote of a majority of the total number of directors then in office, a chairman of the board, who shall preside at all meetings of the stockholders and Board of Directors at which he or she is present and shall have such powers and perform such duties as the Board of Directors may from time to time prescribe. If the chairman of the board is not present at a meeting of stockholders or the Board of Directors, the chief executive officer (if the chief executive officer is a director and is not also the chairman of the board) shall preside at such meeting, and, if the chief executive officer is not present at such meeting or is not a director, a majority of the directors present at such meeting shall elect one (1) of their members to so preside. A majority of the total number of directors then in office shall constitute a quorum for the transaction of business. Unless by express provision of an applicable law, the Certificate of Incorporation or these Bylaws a different vote is required, the vote of a majority of directors present at a meeting at which a quorum is present shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, a majority of the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

SECTION 7. COMMITTEES. The Board of Directors (i) may, by resolution passed by the Board of Directors, designate one or more committees, including an executive committee, consisting of one or more of the directors of the Corporation, and (ii) shall during such period of time as any securities of the Corporation are listed on a securities exchange, by resolution passed by the Board of Directors, designate all committees required by the rules and regulations of the principal U.S. exchange upon which the shares of capital stock of the Corporation are listed. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Except to the extent restricted by applicable law or the Certificate of Incorporation, each such committee, to the extent provided in the resolution creating it, shall have and may exercise all the powers and authority of the Board of Directors. Each such committee shall serve at the pleasure of the Board of Directors as may be determined from time to time by resolution adopted by the Board of Directors or as required by the rules and regulations of the principal U.S. exchange upon which the shares of capital stock of the Corporation are listed, if applicable. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors upon request.

SECTION 8. COMMITTEE RULES. Each committee of the Board of Directors may fix its own rules of procedure and shall hold its meetings as provided by such rules, except as may otherwise be provided by a resolution of the Board of Directors designating such committee. Unless otherwise provided in such a resolution, the presence of at least a majority of the members of the committee shall be necessary to constitute a quorum. Unless otherwise provided in such a resolution, in the event that a member and that member's alternate, if alternates are designated by the Board of Directors, of such committee is or are absent or disqualified, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member.

SECTION 9. COMMUNICATIONS EQUIPMENT. Members of the Board of Directors or any committee thereof may participate in and act at any meeting of such board or committee through the use of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear and speak with each other, and participation in the meeting pursuant to this Section 9 shall constitute presence in person at the meeting.

SECTION 10. ACTION BY WRITTEN CONSENT. Unless otherwise restricted by the Certificate of Incorporation, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all members of such board or committee, as the case may be, consent thereto in accordance with applicable law, and the writing or other evidence (including electronic transmission) of such consent is filed with the minutes of proceedings of the Board of Directors or committee, as applicable.

SECTION 11. RESIGNATIONS; NEWLY CREATED DIRECTORSHIPS; VACANCIES; AND REMOVALS. Any director of the Corporation may resign at any time by giving notice in writing or by electronic transmission of his resignation to the Corporation. Except as contemplated by Section 2 of Article II of these Bylaws, any such resignation shall take effect at the time specified therein or, if the time when it shall become effective shall not be specified therein, immediately upon its receipt. Unless otherwise specified therein or as contemplated by Section 2 of Article II of these Bylaws, the acceptance of such resignation shall not be necessary to make it effective. Newly created directorships resulting from any increase in the number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal or any other cause shall be filled as provided in the Certificate of Incorporation. Any director may be removed as provided in the Certificate of Incorporation.

SECTION 12. COMPENSATION. The Board of Directors shall have the authority to fix the compensation, including fees and reimbursement of expenses, of directors for services to the Corporation in any capacity.

SECTION 13. RELIANCE ON BOOKS AND RECORDS. A member of the Board of Directors, or a member of any committee designated by the Board of Directors shall, in the performance of such person's duties, be fully protected in relying in good faith upon records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of the Corporation's officers or employees, or committees of the Board of Directors, or by any other person as to matters the member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

ARTICLE IV
OFFICERS

SECTION 1. NUMBER. The officers of the Corporation shall be elected by the Board of Directors and may include the chairman of the board, the chief executive officer, the president, the chief financial officer, the chief operating officer, one or more group officers (including group presidents and group financial officers), one or more vice presidents (including senior vice presidents, executive vice presidents or other classifications of vice presidents), the secretary and treasurer, and such other officers and assistant officers as may be deemed necessary or desirable by the Board of Directors. Any number of offices may be held by the same person, except that neither the chief executive officer nor the president shall also hold the office of secretary.

SECTION 2. ELECTION AND TERM OF OFFICE. The officers of the Corporation shall be elected annually by the Board of Directors. Vacancies may be filled or new offices created and filled at any meeting of the Board of Directors. Each officer shall hold office until a successor is duly elected and qualified or until his or her earlier death, resignation or removal as hereinafter provided.

SECTION 3. RESIGNATIONS. Any officer of the Corporation may resign at any time by giving written notice of his or her resignation to the Corporation. Any such resignation shall take effect at the time specified therein or, if the time when it shall become effective shall not be specified therein, immediately upon receipt by the Corporation. Unless otherwise specified therein, the acceptance of any such resignation shall not be necessary to make it effective.

SECTION 4. REMOVAL. Any officer or agent elected by the Board of Directors may be removed by the Board of Directors at its discretion, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

SECTION 5. VACANCIES. Any vacancy occurring in any office because of death, resignation, removal, disqualification or otherwise may be filled by the Board of Directors. In its discretion, the Board of Directors may choose not to fill any office for any period as it may deem advisable, except that the offices of chief executive officer and secretary shall be filled as expeditiously as possible.

SECTION 6. COMPENSATION. Compensation of all executive officers shall be approved by the Board of Directors, and no officer shall be prevented from receiving such compensation by virtue of his or her also being a director of the Corporation; provided, however, that compensation of some or all executive officers may be determined by a committee established for that purpose if so authorized by the Board of Directors or as required by applicable law or regulation, including any exchange or market upon which the Corporation's securities are then listed for trading or quotation.

SECTION 7. CHIEF EXECUTIVE OFFICER. The chief executive officer, subject to the Board of Directors, shall have general executive charge, management, and control of the properties and operations of the Corporation in the ordinary course of its business, with all such powers with respect to such properties and operations as may be reasonably incident to such responsibilities. If the Board of Directors has not elected a chairman or in the absence or inability to act of the chairman of the board, the chief executive officer shall exercise all of the powers and discharge all of the duties of the chairman of the board, but only if the chief executive officer is a director of the Corporation.

SECTION 8. PRESIDENT. The president shall have the general powers and duties of supervision and management usually vested in the office of the president of a corporation and shall perform such other duties as the Board of Directors, the chairman of the board or the chief executive officer may, from time to time, prescribe. At the request of the chief executive officer or in his or her absence or in the event of his or her inability or refusal to act, the president shall perform the duties of the chief executive officer.

SECTION 9. CHIEF OPERATING OFFICER. The chief operating officer shall have the general powers and duties of supervision and management usually vested in the office of the chief operating officer of a corporation and shall perform such other duties as the Board of Directors, the chairman of the board or the chief executive officer may, from time to time, prescribe.

SECTION 10. GROUP OFFICERS. Each group officer shall perform all such duties as from time to time may be assigned to him or her by the Board of Directors, the chairman of the board, the chief executive officer or the president.

SECTION 11. VICE-PRESIDENTS. Each vice president shall perform all such duties as from time to time may be assigned to him or her by the Board of Directors, the chairman of the board, the chief executive officer or the president.

SECTION 12. SECRETARY AND ASSISTANT SECRETARIES. The secretary shall attend all meetings of the Board of Directors (other than executive sessions thereof) and all meetings of the stockholders and record all the proceedings of the meetings in a book or books to be kept for that purpose or shall ensure that his or her designee attends each such meeting to act in such capacity. Under the chairman of the board's supervision, the secretary shall give, or cause to be given, all notices required to be given by these Bylaws or by law; shall have such powers and perform such duties as the Board of Directors, the chairman of the board, the chief executive officer, the president or these Bylaws may, from time to time, prescribe; and shall have custody of the corporate seal of the Corporation. The secretary, or an assistant secretary, shall have authority to affix the corporate seal to any instrument requiring it and when so affixed, it may be attested by his or her signature or by the signature of such assistant secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his or her signature. The assistant secretary, or if there be more than one, any of the assistant secretaries, shall in the absence or disability of the secretary, perform the duties and exercise the powers of the secretary and shall perform such other duties and have such other powers as the Board of Directors, the chairman of the board, the chief executive officer, the president or secretary may, from time to time, prescribe.

SECTION 13. CHIEF FINANCIAL OFFICER. The chief financial officer shall have the custody of the corporate funds and securities; shall keep full and accurate all books and accounts of the Corporation as shall be necessary or desirable in accordance with applicable law or generally accepted accounting principles; shall deposit all monies and other valuable effects in the name and to the credit of the Corporation as may be ordered by the chairman of the board or the Board of Directors; shall cause the funds of the Corporation to be disbursed when such disbursements have been duly authorized, taking proper vouchers for such disbursements; and shall render to the Board of Directors, at its regular meeting or when the Board of Directors so requires, an account of the financial condition of the Corporation; shall have such powers and perform such duties incident to the position of chief financial officer as the Board of Directors, the chairman of the board, the chief executive officer, the president or these Bylaws may, from time to time, prescribe. The chief financial officer may also be the treasurer if so determined by the Board of Directors.

SECTION 14. OTHER OFFICERS, ASSISTANT OFFICERS AND AGENTS. Officers, assistant officers and agents, if any, other than those whose duties are provided for in these Bylaws, shall have such authority and perform such duties as may from time to time be assigned to him or her by the Board of Directors, the chairman of the board, the chief executive officer, the president or a vice president.

SECTION 15. OFFICERS' BONDS OR OTHER SECURITY. If required by the Board of Directors, any officer of the Corporation shall give a bond or other security for the faithful performance of his or her duties, in such amount and with such surety as the Board of Directors may require.

SECTION 16. ABSENCE OR DISABILITY OF OFFICERS. In the case of the absence or disability of any officer of the Corporation and of any person hereby authorized to act in such officer's place during such officer's absence or disability, the Board of Directors may by resolution delegate the powers and duties of such officer to any other officer or to any director, or to any other person selected by it.

ARTICLE V

CERTIFICATES OF STOCK

SECTION 1. SHARES WITH OR WITHOUT CERTIFICATES. The Board of Directors may authorize that some or all of the shares of any or all of the Corporation's classes or series of stock be evidenced by a certificate or certificates of stock. The Board of Directors may also authorize the issue of some or all of the shares of any or all of the Corporation's classes or series of stock without certificates. The rights and obligations of stockholders with the same class and/or series of stock shall be identical whether or not their shares are represented by certificates.

SECTION 2. SHARES WITH CERTIFICATES. If the Board of Directors chooses to issue shares of stock evidenced by a certificate or certificates, each individual certificate shall include the following on its face: (i) the Corporation's name, (ii) the fact that the Corporation is organized under the laws of the State of Delaware, (iii) the name of the person to whom the certificate is issued, (iv) the number of shares represented thereby, (v) the class of shares and the designation of the series, if any, which the certificate represents, and (vi) such other information as applicable law may require or as may be lawful.

If the Corporation is authorized to issue different classes of shares or different series within a class, the designations, relative rights, preferences and limitations determined for each series (and the authority of the Board of Directors to determine variations for future series) may be summarized on the front or back of each certificate. Alternatively, each certificate may state on its front or back that the Corporation will furnish the stockholder this information in writing, without charge, upon request.

Each certificate of stock issued by the Corporation shall be signed (either manually or in facsimile) by the chairperson or vice-chairperson of the Board of Directors, or the president or a vice-president, and by the treasurer or an assistant treasurer, or the secretary or an assistant secretary of the Corporation. If the person who signed a certificate no longer holds office when the certificate is issued, the certificate is nonetheless valid.

SECTION 3. SHARES WITHOUT CERTIFICATES. If the Board of Directors chooses to issue shares of stock without certificates, the Corporation, if required by the General Corporation Law of the State of Delaware, shall, within a reasonable time after the issue or transfer of shares without certificates, send the stockholder a written statement of the information required on certificates by Section 2 of Article V of these Bylaws and any other information required by the General Corporation Law of the State of Delaware. The Corporation may adopt a system of issuance, recordation and transfer of its shares of stock by electronic or other means not involving the issuance of certificates, provided the use of such system by the Corporation is permitted in accordance with applicable law.

SECTION 4. SUBSCRIPTIONS FOR SHARES. Subscriptions for shares of the Corporation shall be valid only if they are in writing. Unless the subscription agreement provides otherwise, subscriptions for shares, regardless of the time when they are made, shall be paid in full at such time, or in such installments and at such periods, as shall be determined by the Board of Directors. All calls for payment on subscriptions shall be uniform as to all shares of the same class or of the same series, unless the subscription agreement specifies otherwise.

SECTION 5. TRANSFERS. Transfers of shares of the capital stock of the Corporation shall be made only on the books of the Corporation by (i) the holder of record thereof, (ii) by his or her legal representative, who, upon request of the Corporation, shall furnish proper evidence of authority to transfer, or (iii) his or her attorney, authorized by a power of attorney duly executed and filed with the secretary of the Corporation or a duly appointed transfer agent. Such transfers shall be made only upon surrender, if applicable, of the certificate or certificates for such shares properly endorsed and with all taxes thereon paid. Shares of capital stock of the Corporation that are not represented by a certificate shall be transferred in accordance with applicable law.

SECTION 6. LOST, DESTROYED OR STOLEN CERTIFICATES. In case of loss, mutilation or destruction of a certificate of stock, a duplicate certificate may be issued upon the terms prescribed by the Board of Directors, including provision for indemnification of the Corporation secured by a bond or other security sufficient to protect the Corporation against any claim that may be made against it, including any expense or liability, on account of the alleged loss, theft or destruction of the certificate or the issuance of the replacement certificate.

ARTICLE VI

GENERAL PROVISIONS

SECTION 1. DIVIDENDS. Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, in accordance with applicable law. Dividends may be paid in cash, in property or in shares of the capital stock, subject to the provisions of applicable law and the Certificate of Incorporation. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or any other purpose and the directors may modify or abolish any such reserve in the manner in which it was created.

SECTION 2. CHECKS, NOTES, DRAFTS, ETC. All checks, notes, drafts or other orders for the payment of money of the Corporation shall be signed, endorsed or accepted in the name of the Corporation by such officer, officers, person or persons as from time to time may be designated by the Board of Directors or by an officer or officers authorized by the Board of Directors to make such designation.

SECTION 3. CONTRACTS. In addition to the powers otherwise granted to officers pursuant to Article IV hereof, the Board of Directors may authorize any officer or officers, or any agent or agents, of the Corporation to enter into any contract or to execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

SECTION 4. LOANS. Subject to compliance with applicable law (including the Sarbanes-Oxley Act of 2002, as amended), the Corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the Corporation or of its subsidiaries, including any officer or employee who is a director of the Corporation or its subsidiaries, whenever, in the judgment of

the directors, such loan, guaranty or assistance may reasonably be expected to benefit the Corporation. The loan, guaranty or other assistance may be with or without interest, and may be unsecured, or secured in such manner as the Board of Directors shall approve, including, without limitation, a pledge of shares of stock of the Corporation. Nothing in this Section 4 shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the Corporation at common law or under any statute.

SECTION 5. FISCAL YEAR. The fiscal year of the Corporation shall end on December 31 of each fiscal year and may hereafter be changed by resolution of the Board of Directors.

SECTION 6. CORPORATE SEAL. The seal of the Corporation shall be in such form as shall be approved by the Board of Directors. The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise. Notwithstanding the foregoing, no seal shall be required by virtue of this Section 6.

SECTION 7. VOTING SECURITIES OWNED BY CORPORATION. Voting securities in any other entity held by the Corporation shall be voted by the chief executive officer, the president or a vice-president, unless the Board of Directors specifically confers authority to vote with respect thereto, which authority may be general or confined to specific instances, upon some other person or officer. Any person authorized to vote securities shall have the power to appoint proxies, with general power of substitution.

SECTION 8. INSPECTION OF BOOKS AND RECORDS. The Board of Directors shall have power from time to time to determine to what extent and at what times and places and under what conditions and regulations the accounts and books of the Corporation, or any of them, shall be open to the inspection of the stockholders; and no stockholder shall have any right to inspect any account or book or document of the Corporation, except as conferred by the laws of the State of Delaware, unless and until authorized so to do by resolution of the Board of Directors or of the stockholders of the Corporation.

SECTION 9. SECTION HEADINGS. Section headings in these Bylaws are for convenience of reference only and shall not be given any substantive effect in limiting or otherwise construing any provision herein.

SECTION 10. INCONSISTENT PROVISIONS. In the event that any provision of these Bylaws is or becomes inconsistent with any provision of the Certificate of Incorporation, the General Corporation Law of the State of Delaware or any other applicable law, the provision of these Bylaws shall not be given any effect to the extent of such inconsistency but shall otherwise be given full force and effect.

ARTICLE VII

AMENDMENTS

In furtherance and not in limitation of the powers conferred by statute, the Board of Directors of the Corporation is expressly authorized to make, alter, amend, change, add to or repeal these Bylaws by the affirmative vote of a majority of the total number of directors then in office. Any amendment, alteration, change, addition or repeal of these Bylaws by the stockholders of the Corporation shall require the affirmative vote of the holders of at least a majority of the outstanding shares of the Corporation, voting together as a class, entitled to vote on such amendment, alteration, change, addition or repeal.

CERTIFICATION

I, Samuel N. Hazen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of HCA Healthcare, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /S/ SAMUEL N. HAZEN

Samuel N. Hazen

Chief Executive Officer

Date: August 2, 2019

CERTIFICATION

I, William B. Rutherford, certify that:

1. I have reviewed this quarterly report on Form 10-Q of HCA Healthcare, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ WILLIAM B. RUTHERFORD

William B. Rutherford

Executive Vice President and Chief Financial Officer

Date: August 2, 2019

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of HCA Healthcare, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /S/ SAMUEL N. HAZEN

Samuel N. Hazen

Chief Executive Officer

August 2, 2019

By: /S/ WILLIAM B. RUTHERFORD

William B. Rutherford

Executive Vice President and Chief Financial Officer

August 2, 2019