BOD 8/8/02

HHEC 388-0441
Confidential Treatment
Requested by HealthSouth Corp.

BOD

8/8/02

RMS JSC CSG JCG CWN

LDS WTO GHS PCW Telephone

Grants Hale, Smith, McVay

Audit Report

Greg Smith

Audits

Type Audits

Asst E+Y

Billing Review for CIA

Error rate ↓ 2%

HCAR

Questions

Compliance Report

Joel Grade – Cost

BOH – Review

Treasury Review

Todd McVay

– Comments on Conference Call – All positive

– with earnings release

HHEC 388-0442
Confidential Treatment
Requested by HealthSouth Corp.

Recent Events
- $1B 10 year Sr. Notes
- New $1-25 B Bank Facility
- Refinanced $207 mm in Synthetic Leases

Strong Liquidity Position
- 1-2 B available under new bank facility
- New facility provides ample available to take out last remaining 2003 Maturity
- Reactivated Stock repurchase program
- No off balance sheet financing issues
- No significant maturities until 2007

Liquidity Summary

→ Refinance Plan Goals met

- Completed Transactions
- Review of financial ratios

Investor Relations issues
- HRC trades at discount to peers
- Top 10 Holders of HRC
- Current analyst coverage
- Target list for new coverage

Treasury Summary

HHEC 388-0443
Confidential Treatment
Requested by HealthSouth Corp.

Financial Review — Weston Smith

Income Statement Highlights
- Revenues
- EBITDA
- Net Income
- Earnings per share 28¢
- Divisional Net Revenue
- Outpatient Visits
- OP Revenue
- Surgery Cases
- Surgery Revenues
- Diagnostic Scans
- I.P. Discharges up 5% over prior year
- I.P. Revenue
- Medical Center Days
- Medical Center Revenues

RMS

Overview of history of HealthSouth + competitors
- Evaluation of surgery business + strategy for spinning out surgery division +
- ~~Dis~~

- Discussion of CMS transmittal changing regulation of Group Therapy / Concurrent Therapist in Outpatient Medicare reimbursement

HHEC 388-0444
Confidential Treatment
Requested by HealthSouth Corp.

☆ We need to get the impact on revenue + announce it to the street.

→ RMS asked Bill McGahan to join us to present plan / 3 others / 1 Rod O'Neil
1 Via telephone Hugh O'Hare

Project Crimson — Break for lunch — Discussion continued during lunch

↳ Continued discussion after lunch on Project Crimson

* Discussion of Mgt Structure.

Project Crimson ☒ Motion Strip
2nd Chamberlin

approved

☆ Add Discussion by RMS + WTO of CMS Transmittal letter + what is meant — Board concurred that mgt should meet with CMS to clarify letter and assess impact on HRC

Taylor COO
Weston CFO
R. Davis Treasury
Mark Controller

Approved Promotions

WTO — CEO
Todd — CFO

Move Stupl
2nd Watkins

HHEC 388-0445
Confidential Treatment
Requested by HealthSouth Corp.

RMS

Discussion of Executive Loan repayments

RMS reported with exchange of stock

Adjourn 2:55 PM

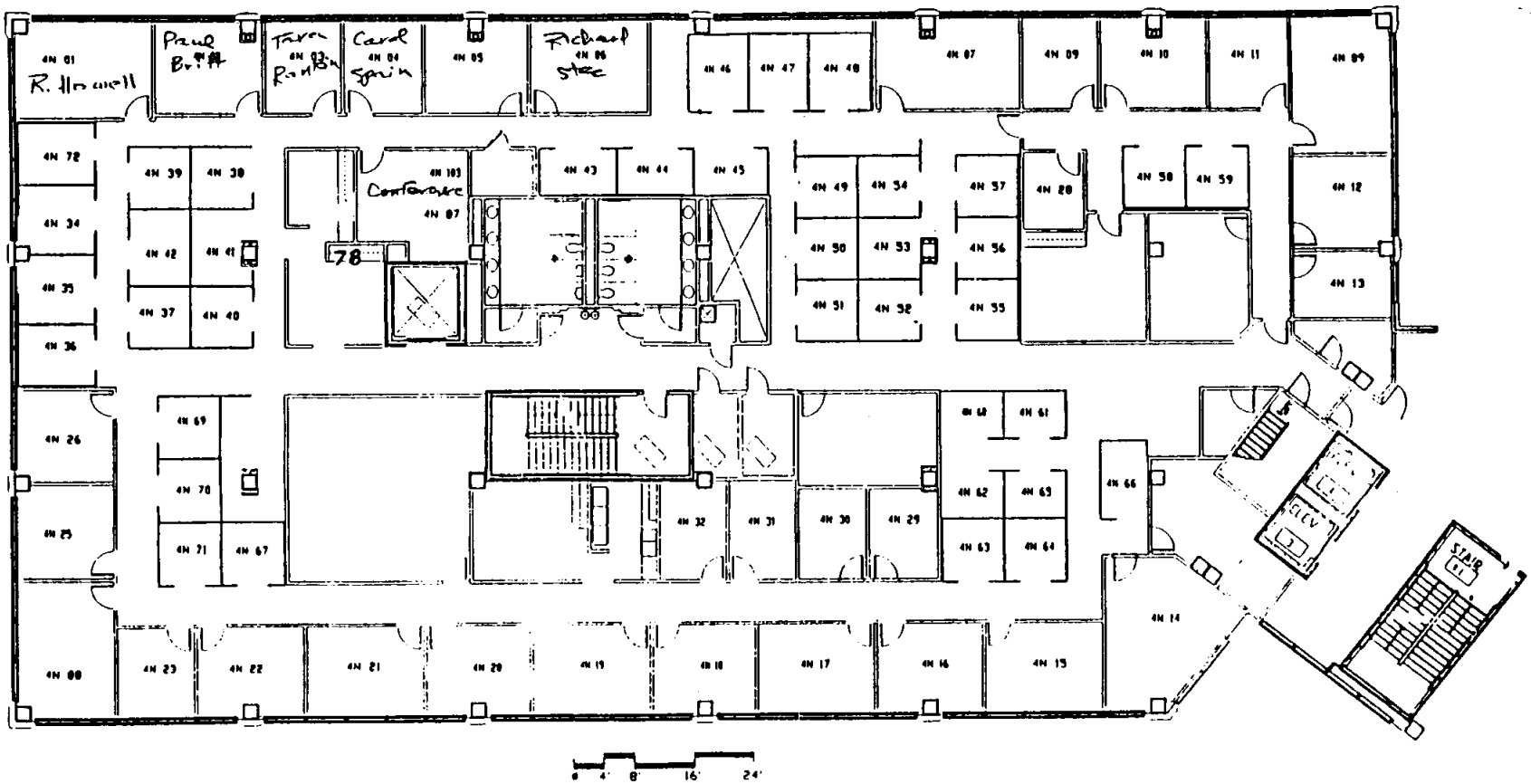
HHEC 388-0446
Confidential Treatment
Requested by HealthSouth Corp.

Brad,

1) Floor plan 4 North
2) PAF for Paul

HHEC 388-0447
Confidential Treatment
Requested by HealthSouth Corp.

Four North



FOURTH FLOOR PLAN NORTH – CORPORATE OFFICES

HHEC 388-0448
Confidential Treatment
Requested by HealthSouth Corp.