1) THANK ~~BILL~~ OWENS + TAD MCVAY + E+Y
BILL HORTON

HEALTHSOUTH

WITH E+Y + FIN STAFF PRESENT TO ANSWER QUESTIONS

SUMMARY OF LAST YEAR'S AUDIT COM. ACTIVITY

4 OF 8 MEETINGS GIVEN MOSTLY TO EXAMINING "POST ENRON HOT BUTTONS" 15 ITEMS

BEGAN WHEN RMS ASKED FOR REVIEW OF OFF BAL SHEET ITEMS, IN 2002.

4 RESULT: RETURNED $200 M² IN SYNTHETIC LEASES TO B.S. 2ND QT '02

A.) OTHER OFF BALANCE SHEET ITEMS MALPRACTICE WORKERS COMP

✓ S.P.E. CONS. ONLY - 1) CAPTIVE INS. CO. $106 M² CASH $22 M²

2) REITS 70 PROPERTIES OUT OF 1600
$57 MILLION ON BOOKS

B) PENSION LIABILITY - NO DEFINED BENEFIT PLAN

~~[illegible]~~ 1) ~~401 K~~ - TOTAL ASSETS $300 M2
INITIATED 1/1/90 12,500 PARTIC.
NO HRC STOCK
10 T. ROWE PRICE FDS

2) ESOP NON CONTRIBUTORY 28,300 PART.
2,800,640 SHS ALLOCATED

3) STOCK PURCHASE PLAN 6,425 PART.
2,850,000 SHS IN A/C'S
PAYROLL DEDUCTION
CO MATCH 20% OF 1ST $200

4) EXECUTIVE RETIREMENT - OWENS
FOWNERS PLAN

CONFIDENTIAL
TREATMENT REQUESTED

GS 0001623

(2)

(4)

HEALTHSOUTH

C) FIN 44 — JIM LAMPHRON EXPLAIN

D) STOCK REPURCHASE

9/30/98 AUTH 1.6 M SHS

BOT 1.5 M SHS @ $12.04 = $18.5 M

2/8/99 AUTH $1B OVER 36 MOS.

'99 BOT 43 M SHS @ $6.82 = $295 M

'2000 BOT 400K SHS @ $5 = $2 M

2002 BOT 3.9 M SHS @ $8.43 = $33.3 M

TOT. 47.4 M @ $6.93 $330.7 M

$700 M OF AUTH REMAIN

BANK COV. LIMIT TO $19 M

NO CURRENT ACTIVITY

E) DEBT REPURCHASE

AS OF 12/5/02 $444.6 M @ $93.3 =

F) OFFICER LOANS

26 LOANS = $7 M LOAN PLAN DISCONTINUED

G) D & O COVERAGE

$100 M PREMIUM $1 M

FORMER 200 M " 5 M

H) EMPLOYEE COMPLAINT TO AUDIT COM.

EMPLOYEES HAVE CALL CARD / BRAD FIELDS CALLS - REFERS TO AUDIT COM.

(3)

HEALTHSOUTH

I) TRANSMITTAL 1753
$175M² IS A MOVING #
VARIES WITH VOLUME + MIX

J) RELATED PARTY TRANSACTIONS

1) RESOLVING CONFLICTS
a) SHS SOLD MCD SHS TO HRC FOR $1
GHS TOLL AGREEMENT - DROP FROM SEC INSD
b) SAGE - HICKS EXPLORING SALE
OF $203M² INTEREST IN L.P.
c) NEWHALL - MCD WRITTEN TO 0 ON
BOTH BOOKS
WORKING ON NEWHALL-MONTAGUE $972K
d) RMS + W.O. HAVE DONATED SOURCE
SHS TO CHARITY + SOLD MCD TO HRC
e) L. STRIPLIN - GLASS CONTRACT -
COMPETITIVE BID WITH GEN. CONT.
f) J. GORDON - CONSULTING AGREEMENT
RENEWAL OF CONTRACT FOR SALE OF
SURE. CO. TO HRC

K.) INVESTMENT PORTFOLIO
17 INVESTMENTS VALUE CA $42M²
PAST 3 YRS $35M² LIQUIDATIONS - $11M² NEW INVESTMENTS
BOOK VALUE = $11M² - MKT = $42M² EXCL. MCD + SOURCE

4

HEALTHSOUTH®

L) SOURCE + MCD

IN BUSINESS 2 YRS

1) SOURCE MEDICAL - AUTOMATION OF OUT PATIENT ~~SERVICES~~ INFORMATION SYSTEMS - REHAB + SURG. DIAG.
400 EMPLOYEES
3500 INSTALLATIONS + 9 CUSTOMERS 35% HRC + HCA, TENET, SELECT
OFFICES + SURG. HOSPITALS

50,000 PATIENTS/DAY
30% OWNED BY HRC
✓ SALES? 24% HRC MGMT
15% SOURCE MGMT
BAL 47 INDIVIDUALS FROM 3 ACQUISITIONS

REV RUN RATE $40m²
EBITDA ($13m²) POSSIBLE BREAK EVEN '03
HRC INVESTMENT $97m²

BILL OWENS HAS DEVELOPED CONTINGENCY + MONITORING PLAN

2) MED CTR DIRECT - AUTOMATED GROUP PURCHASING
100% OWNED BY HRC
0 COST BASIS
$30 m² LOAN GTY
COULD SELL BY JUNE

CONFIDENTIAL TREATMENT REQUESTED

GS 0001626

K) EXPENSE STOCK OPTIONS - STOCK [illegible]