

Joel C. Gordon

redaction

November 1, 2002

Lanny J. Davis
Patton Boggs LLP
2550 M Street, N.W.
Washington, D.C. 20037-1350

Dear Mr. Davis:

I acknowledge receipt of your letter dated October 15. I have delayed responding until I could provide you and the Board as you requested with my proposals for corporate governance changes. I strongly urge careful consideration of these suggestions in order to reflect what I believe to be best boardroom practices.

I understand that my counsel, Harry Weiss at Wilmer, Cutler & Pickering, has discussed the special investigation and the SEC investigation with Hal Hirsch of Fulbright & Jaworski. In that discussion, Mr. Hirsch provided information that I was seeking in my letter to you and offered to provide additional information in the future. In that connection, I look forward to Mr. Weiss being provided access to the Fulbright report presented to the Board this week. As Director and Chair of the Compliance Committee, I believe that my being informed is critical. I regret that you feel that paying for counsel in that connection is an "unnecessary use of corporate resources" and urge that you and the Company reconsider that judgment since all actions were taken by me as a Director and Chair of the Compliance Committee and were done with the intent of acting in the best interests of the Company.

Your letter indicated that you had referred certain of my requests to Mr. Horton and to Mr. Hale. While I have not received any information from them to date, I assume I will do so in the near future and by copy of this letter to them am requesting again that they provide that information to me as soon as possible. The SEC notice of investigation which you indicated was enclosed with your letter was missing and I would appreciate your sending me that document as soon as possible.

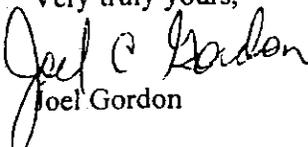
By letter dated October 28, 2002 to Richard Scrushy, your firm raised a question about my service on the Compliance Committee and its consistency with the Compliance Integrity Agreement. I was asked specifically by Mr. Scrushy to serve on and to Chair that Committee and have relied on the Company and its counsel to have been satisfied that there were no issues associated with that service. Needless to say, Mr. Scrushy and the Company's counsel were well aware of my consulting agreement with the Company. Had I known at any time that there was any question about my ability to serve in that role, I would have declined to serve.

HHEC 355-0100
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Notwithstanding the resolution of this issue, I am hereby tendering my resignation as Chairman and member of the Compliance Committee not only in light of the recent question your firm raised but also in light of the limitations imposed on the Compliance Committee with respect to its efforts to address the issues investigated by Fulbright. My concerns have been identified in earlier correspondence with Mr. Scrushy and I will not repeat them here.

I have followed closely your statements to the press about the Company, the investigation and who is or is not responsible for the issues that have faced the Company recently. To the extent that you feel the need to address any issues regarding my service as Chairman of the Compliance Committee, I would expect that the circumstance under which the Compliance Committee was not permitted to act would be accurately and fairly disclosed as well. If this issue is not handled properly, I will consider making my own disclosure.

Very truly yours,


Joel Gordon

cc: Richard Scrushy
Bob May
Bill Horton ✓
Brad Hale
Harry Weiss

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**HEALTHSOUTH CORPORATION
CORPORATE GOVERNANCE POLICIES**

1. Selection of Chairman

The role of the Chief Executive Officer and the Chairman of the Board should be separate and the Chairman should be selected from the non-employee directors. The Chairman shall approve, in consultation with senior management, the agenda for each meeting of the Board.

2. Board Committees

The Board has the following standing committees: Audit, Compensation, Nominating/Corporate Governance and Corporate Compliance. The Board shall adopt and review annually charters for each committee. The Board has the flexibility to form a new committee at any time depending upon the circumstances. All committees shall have the authority to engage, at the expense of the Company, such advisors as they deem necessary or appropriate.

3. Committee Members

The Nominating/Governance Committee, after consultation with the Chief Executive Officer and with consideration of the desires and experience of individual Board members, is responsible for the assignment of Board members to various committees. There is no formal rotation policy.

4. Frequency and Length of Board and Committee Meetings

The Board and its committees meet a number of times during a fiscal year in accordance with a pre-approved schedule of meeting dates. The Chairman of the Board and of each committee has the flexibility to call a special meeting in his or her discretion. The length of each meeting is dependent upon the agenda for the meeting but in general committee meetings are scheduled the afternoon before or the morning of a Board meeting, with the Board meeting considering as part of its agenda reports from each Board committee. Any Board member is free to suggest the inclusion of items on the agenda with appropriate advance notice to the Chairman of the Board and to raise at any Board meeting subjects that are not on the agenda for that meeting. One extended or additional Board meeting each year is to be devoted to reviewing long-term strategic plans and the principal issues facing the Company in the future.

5. Board Agenda and Materials Distributed in Advance

It is the policy of the Board that an agenda describing the nature of business to be conducted at a meeting and all information and data that is important to the Board's and its committees' understanding of the business to be conducted at a meeting be distributed to the Board at least two days before the Board or the committee meets.

6. Executive Session of Non-Employee Directors

It is the policy of the Board for its non-employee directors to meet in executive session as a normal part of the agenda of regular meetings and at such other times as may be determined by any non-employee director.

7. Performance Review of CEO

It is the policy of the Board that the non-employee directors undertake an evaluation of the CEO's performance annually and that it be communicated to the Chief Executive Officer by the Chairman of the Compensation Committee. The evaluation is generally based on objective and subjective criteria, including performance of the business, accomplishment of long term strategic objectives, the development of management and succession planning and other factors as may have been communicated to the Chief Executive Officer. The evaluation is used also by the Compensation Committee in the course of its deliberation when considering the compensation of the Chief Executive Officer.

8. Management Development and Succession Planning

It has been the policy of the Board to discuss succession planning and management development in executive session on a continuous basis. There is expected to be an annual report by the Chief Executive Officer to the Board on succession planning and on the Company's program for management development.

9. Board Access to Senior Management

It is the policy of the Board to have reasonable access to the Company's senior management. It is the policy of the Board to encourage the Chief Executive Officer to from time to time bring managers into Board meetings who can provide additional insight into items being discussed or into significant segments of the Company's business as well as those who represent managers with future potential that senior management believes should be given exposure to the Board. It is the policy of the Board that each member has a responsibility to be informed about all material aspects of the business of the Company, including the qualities of its senior management.

10. Related Party Transactions

All related party transactions between the Company or any of its affiliates and officers and directors or any of his or her affiliates shall be reviewed and approved in advance by the Audit Committee.

11. Composition of the Board

The majority of the Board shall be independent consistent with the requirements of the New York Stock Exchange. The Nominating/Governance Committee is responsible for reviewing and assessing the qualifications of candidates for the Board. This assessment should include issues of independence, diversity, experience and skills, including the

understanding of the various aspects of the Company's business -- all in the context of an assessment of the perceived needs of the Board at that point in time. The Nominating/Governance Committee is responsible for making recommendations in accordance with the bylaws of the Company for new director candidates and the invitation to join the Board should be extended by the Chairman of the Nominating Committee. A director of the Company may not serve on more than three other public company boards of directors.

12. Term and Age Limits

There are no current term age limits for directors. All directors are elected for one year terms and without staggered terms each year all directors must be renominated and elected to serve for another year. While term limits could help ensure that there are fresh ideas and viewpoints available to the Board, they hold a disadvantage of losing the contribution of directors who have been able to develop, over a period of time, insight into the Company and its operations and therefore provide an increasing contribution to the Board as a whole.

13. Board Performance Review

The Nominating/Governance Committee should report annually following the end of each fiscal year an evaluation of the Board's performance. This evaluation should be of the Board's contribution as a whole and specifically review areas in which the Board and/or senior management believes a better contribution could be made. Its purpose is to increase the effectiveness of the Board, not to target individual Board members.

14. Board Compensation Review

It is the policy of the Board that management report annually to the Compensation Committee on the comparability of the Board's compensation policies in relation to other comparable public companies. Changes in Board compensation, if any, should come at the suggestion of the Compensation Committee, but with full discussion and concurrence by the Board. Consideration should be given to including equity compensation as a portion of director compensation.

15. Code of Business Conduct and Ethics

The Corporate Compliance Committee shall review of least annually and approve a code of business conduct and ethics for directors, officers and employees, including policies relating to conflicts of interest, corporate opportunities, fair dealing, confidential "hot lines", and proper use of Company assets. No changes to, or waivers of, such a code may be made without the approval of the committee.

16. Corporate Governance Policies Review

The Nominating/Governance Committee shall review at least annually these policies and shall recommend to the Board any changes it may deem appropriate.