HEALTHSOUTH CORP
Form DEF 14A
April 02, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14A-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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

Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

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

HealthSouth Corporation

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

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

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

(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

Annual Meeting of Stockholders May 3, 2007

April 2, 2007

Dear Fellow Stockholder:

I am pleased to invite you to attend our 2007 annual meeting of stockholders of HealthSouth Corporation, to be held on Thursday, May 3, 2007, at 11:00 a.m., Central Time, at the Cahaba Grand Conference Center, located at our headquarters at One HealthSouth Parkway, Birmingham, Alabama.

This booklet includes the Notice of Annual Meeting of Stockholders and the Proxy Statement. The Proxy Statement describes the various matters to be acted upon during the meeting and provides other information concerning HealthSouth Corporation of which you should be aware when you vote your shares. In addition, at the annual meeting there will be a brief report on the state of HealthSouth s business and an opportunity for you to express your views on our operations.

The annual meeting of stockholders gives us an opportunity to review the actions we are taking to achieve our goals for HealthSouth. Whether or not you attend the annual meeting, it is important that your shares be represented and voted at the meeting. You may vote over the Internet, by telephone, by mailing your proxy card or in person at the annual meeting. We appreciate your ownership and continued interest in the affairs of HealthSouth, and I hope you will be able to join us on May 3 for our 2007 annual meeting of stockholders.

Sincerely,

/s/ Jon F. Hanson

Jon F. Hanson

Chairman of the Board of Directors

HEALTHSOUTH CORPORATION

ONE HEALTHSOUTH PARKWAY

BIRMINGHAM, ALABAMA 35243

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Our 2007 annual meeting of stockholders will be held at One HealthSouth Parkway, Birmingham, Alabama on May 3, 2007, beginning at 11:00 a.m., Central Time. The meeting is being held for the following purposes:

- To elect nine directors to serve until our 2008 annual meeting of stockholders;
- To ratify the appointment by the Audit Committee of PricewaterhouseCoopers LLP as the company s independent registered public accounting firm; and
- To act on any other matter that may properly come before the 2007 annual meeting of stockholders or any adjournment(s) or postponement(s) of the meeting.

All stockholders of record of HealthSouth at the close of business on March 23, 2007 are entitled to receive notice of and to vote at the annual meeting of stockholders or at any adjournment or postponement of the meeting. A complete list of stockholders entitled to vote at the meeting will be open for examination by our stockholders for any purpose germane to the meeting, during regular business hours, for a period of ten days prior to the meeting, at the meeting place.

YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU INTEND TO ATTEND THE ANNUAL MEETING, PLEASE COMPLETE, DATE, SIGN AND PROMPTLY RETURN THE ACCOMPANYING FORM OF PROXY, USING THE ENCLOSED PREPAID ENVELOPE OR VOTE ON THE INTERNET OR BY TELEPHONE IN ACCORDANCE WITH THE INSTRUCTIONS SET FORTH ON THE PROXY CARD. IF YOU VOTE BY INTERNET OR BY TELEPHONE, YOU DO NOT NEED TO RETURN YOUR PROXY CARD. IF YOU ATTEND THE ANNUAL MEETING IN PERSON, YOU MAY REVOKE YOUR PROXY AND VOTE IN PERSON. ATTENDANCE AT THE MEETING DOES NOT OF ITSELF REVOKE YOUR PROXY.

Attendance at the annual meeting of stockholders is limited to stockholders. Registration will begin at 10:00 a.m. and each stockholder will be asked to present a valid form of personal identification. Cameras, recording devices, and other electronic devices will not be permitted at the meeting. Additional rules of conduct regarding the meeting will be provided at the meeting.

IMPORTANT NOTICE REGARDING DELIVERY OF SECURITY HOLDER DOCUMENTS

In accordance with notices previously sent to stockholders, HealthSouth is delivering one annual report and proxy statement in one envelope addressed to all stockholders who share a single address unless they have notified us that they wish to opt out of the program known as householding. Householding is intended to reduce our printing and postage costs. **We will deliver a separate copy of the annual report or proxy statement promptly upon written or oral request**.

If you are a beneficial stockholder and you choose not to have the aforementioned disclosure documents sent to a single household address as described above, you must opt-out by writing to ADP Investor Communication Services, Householding Department, 51 Mercedes Way, Edgewood, New York 11717 or by calling 1-800-542-1061, and we will cease householding all such disclosure documents within 30 days. If we do not receive instructions to remove your account(s) from this service, your account(s) will continue to be householded until we notify you otherwise. If you own shares in nominee name (such as through a broker), information regarding householding of disclosure documents should have been forwarded to you by your broker.

By Order of the Board of Directors,

/s/ John P. Whittington
John P. Whittington
Corporate Secretary

Birmingham, Alabama

April 2, 2007

This proxy statement and the accompanying form of proxy are being sent to our stockholders in connection with our solicitation of proxies for use at the 2007 annual meeting of our stockholders or at any adjournment(s) or postponement(s) of the annual meeting.

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HEALTHSOUTH CORPORATION

PROXY STATEMENT

INTRODUCTION

The annual meeting of stockholders of HealthSouth Corporation, a Delaware corporation, will be held on May 3, 2007, beginning at 11:00 a.m., Central Time, at our principal executive offices located at One HealthSouth Parkway, Birmingham, Alabama 35243. We encourage all of our stockholders to vote at the annual meeting, and we hope that the information contained in this document will help you decide how you wish to vote at the annual meeting.

THE ANNUAL MEETING OF STOCKHOLDERS

Why did I receive these proxy materials?

We are furnishing this proxy statement in connection with the solicitation by HealthSouth s board of directors of proxies to be voted at our 2007 annual meeting and at any adjournment or postponement. At our annual meeting, stockholders will act upon the following proposals:

To elect nine directors to the board of directors to serve until our 2008 annual meeting of stockholders,

To ratify the appointment by the Audit Committee of PricewaterhouseCoopers LLP as the company s independent registered public accounting firm, and

To act on any other matter that may properly come before the 2007 annual meeting of stockholders.

In addition, our management will report on the actions we are taking to achieve our goals for HealthSouth and report on our financial performance. You will also have an opportunity to ask questions about our operations and financial condition.

These proxy solicitation materials are being sent to our stockholders on or about April 2, 2007.

What do I need to attend the meeting?

Attendance at the 2007 annual meeting of stockholders is limited to stockholders. Registration will begin at 10:00 a.m. and each stockholder will be asked to present a valid form of personal identification. Cameras, recording devices, and other electronic devices will not be permitted at the meeting. Additional rules of conduct regarding the meeting will be provided at the meeting.

Who is entitled to vote at the meeting?

The board of directors has determined that those stockholders who are recorded in our record books as owning shares of HealthSouth as of the close of business on March 23, 2007, are entitled to receive notice of and to vote at the annual meeting of stockholders. As of the record date, there were 78,735,788 shares of HealthSouth common stock issued and outstanding and 400,000 shares of 6.50% Series A Convertible Perpetual Preferred Stock issued and outstanding. Our 6.50% Series A Convertible Perpetual Preferred Stock is convertible at the option of the holder at any time into shares of common stock at an initial conversion rate of 32.7869 shares of common stock per share of 6.50% Series A Convertible Perpetual Preferred Stock, or an aggregate of 13,114,760 shares of common stock. Your shares may be (1) held directly in your name as the stockholder of record or (2) held for you as the beneficial owner through a stockbroker, bank or other nominee, or both. Our common stock and our 6.50% Series A Convertible Perpetual Preferred Stock are our only classes of outstanding voting securities. Each share of common stock is entitled to one vote on each matter properly brought before the annual meeting. Each share of 6.50% Series A Convertible Perpetual Preferred Stock is entitled to one vote on each matter properly brought before the annual meeting voting together with the common stock. There are no dissenters rights of appraisal in connection with any stockholder vote to be taken at the annual meeting.

What is the difference between holding shares as a stockholder of record and as a beneficial owner?

Most of our stockholders hold their shares through a stockbroker, bank, or other nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

Stockholder of Record

If your shares are registered directly in your name with our transfer agent, Mellon Investor Services, you are considered, with respect to those shares, the stockholder of record, and these proxy materials are being sent directly to you by us. As the stockholder of record, you have the right to grant your voting proxy directly to us or to vote in person at the meeting. We have enclosed or sent a proxy card for you to use.

Beneficial Owner

If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you by your broker, bank, or nominee which is considered, with respect to those shares, the stockholder of record. As the beneficial owner, you have the right to direct your broker on how to vote and are also invited to attend the meeting. However, because you are not the stockholder of record, you may not vote these shares in person at the meeting unless you obtain a signed proxy from the record holder giving you the right to vote the shares. Your broker, bank, or nominee has enclosed or provided a voting instruction card for you to use in directing the broker or nominee how to vote your shares. If you do not provide the stockholder of record with voting instructions, your shares may constitute broker non-votes. The effect of broker non-votes is more specifically described in What vote is required to approve each item? below.

How can I vote my shares in person at the meeting?

Shares held directly in your name as the stockholder of record may be voted in person at the annual meeting.

SHARES HELD BENEFICIALLY IN STREET NAME MAY BE VOTED IN PERSON BY YOU ONLY IF YOU OBTAIN A SIGNED PROXY FROM THE RECORD HOLDER GIVING YOU THE RIGHT TO VOTE THE SHARES.

EVEN IF YOU CURRENTLY PLAN TO ATTEND THE ANNUAL MEETING, WE RECOMMEND THAT YOU ALSO SUBMIT YOUR PROXY AS DESCRIBED BELOW SO THAT YOUR VOTE WILL BE COUNTED IF YOU LATER DECIDE NOT TO ATTEND THE MEETING.

How can I vote my shares without attending the meeting?

Whether you hold shares directly as the stockholder of record or beneficially in street name, you may direct your vote without attending the meeting. You may vote by granting a proxy or, for shares held in street name, by submitting voting instructions to your broker, bank, or nominee.

Please refer to the summary instructions below and those included on your proxy card or, for shares held in street name, the voting instruction card included by your broker, bank, or nominee. The Internet and telephone voting procedures established for HealthSouth stockholders of record are designed to authenticate your identity, to allow you to give your voting instructions, and to confirm that those instructions have been properly recorded. Internet and telephone voting for stockholders of record will be available 24 hours a day, and will close at 11:59 p.m. Eastern Time on May 2, 2007. The availability of Internet and telephone voting for beneficial owners will depend on the voting processes of your broker, bank or other holder of record. Therefore, we recommend that you follow the voting instructions you receive.

BY INTERNET If you have Internet access, you may submit your proxy from any location in the world by following the Internet instructions on the proxy card. Please have your proxy card in hand when accessing the web site.

BY TELEPHONE If you live in the United States, Puerto Rico, or Canada, you may submit your proxy by following the Telephone instructions on the proxy card. Please have your proxy card in hand when you call.

BY MAIL You may do this by marking, signing, and dating your proxy card or, for shares held in street name, the voting instruction card included by your broker, bank, or nominee and mailing it in the accompanying enclosed, pre-addressed envelope. If you provide specific voting instructions, your shares will be voted as you instruct. If the pre-addressed envelope is missing, please mail your completed proxy card to Mellon Investor Services, Proxy Processing, P.O. Box 1680, Manchester, CT 06045-9986.

If you cast your vote in any of the ways set forth above, your shares will be voted in accordance with your voting instructions, unless you validly revoke your proxy. We do not currently anticipate that any other matters will be presented for action at the annual meeting. If any other matters are properly presented for action, the persons named on your proxy will vote your shares on these other matters in their discretion, under the discretionary authority you have granted to them in your proxy.

Can I change my vote after I submit my proxy?

Yes. Even after you have submitted your proxy, you may change your vote at any time prior to the close of voting at the annual meeting by:

- filing with our Corporate Secretary at One HealthSouth Parkway, Birmingham, Alabama 35243 a signed, original written notice of revocation dated later than the proxy you submitted,
- submitting a duly executed proxy bearing a later date,

voting by telephone or Internet on a later date, or attending the annual meeting and voting in person.

In order to revoke your proxy, we must receive an original notice of revocation of your proxy at the address above sent by U.S. mail or overnight courier. You may not revoke your proxy by any other means. If you grant a proxy, you are not prevented from attending the annual meeting and voting in person. However, your attendance at the annual meeting will not by itself revoke a proxy that you have previously granted; you must vote in person at the annual meeting to revoke your proxy.

If your shares are held in a stock brokerage account or by a bank or other nominee, you may revoke your proxy by following the instructions provided by your broker, bank, or nominee.

All shares that have been properly voted and not revoked will be voted at the annual meeting.

What is householding and how does it affect me?

In accordance with notices previously sent to stockholders, HealthSouth is delivering one annual report and proxy statement in one envelope addressed to all stockholders who share a single address unless they have notified us that they wish to opt out of the program known as householding. Under this procedure, stockholders of record who have the same address and last name receive only one copy of proxy materials. Householding is intended to reduce our printing and postage costs. WE WILL DELIVER A SEPARATE COPY OF THE ANNUAL REPORT OR PROXY STATEMENT PROMPTLY UPON WRITTEN OR ORAL REQUEST.

If you are a beneficial stockholder and you choose not to have the aforementioned disclosure documents sent to a single household address as described above, you must opt-out by writing to ADP Investor Communication Services, Householding Department, 51 Mercedes Way, Edgewood, New York 11717 or by calling 1-800-542-1061, and we will cease householding all such disclosure documents within 30 days. If we do not receive instructions to remove your account(s) from this service, your account(s) will continue to be householded until we notify you otherwise. If you own shares in nominee name (such as through a broker), information regarding householding of disclosure documents should have been forwarded to you by your broker.

Is there a list of stockholders entitled to vote at the meeting?

A complete list of stockholders entitled to vote at the meeting will be open for examination by HealthSouth stockholders for any purpose germane to the meeting, during regular business hours, for a period of ten days prior to the meeting, at the meeting place.

What constitutes a quorum to transact business at the meeting?

Before any business may be transacted at the annual meeting, a quorum must be present. The presence at the annual meeting, in person or by proxy, of the holders of a majority of the shares of HealthSouth capital stock outstanding and entitled to vote on the record date will constitute a quorum. At the close of business on the record date, 78,735,788 shares of our common stock and 400,000 shares of our 6.50% Series A Convertible Perpetual Preferred Stock were issued and outstanding. Proxies received but marked as abstentions and broker non-votes will be included in the calculation of the number of shares considered to be present at the annual meeting for purposes of a quorum.

What is the recommendation of the board of directors?

Our board of directors recommends a vote FOR the election of each of our nine nominees to the board of directors and FOR ratifying the appointment of PricewaterhouseCoopers LLP as HealthSouth s independent registered public accounting firm for 2007.

With respect to any other matter that properly comes before the annual meeting, the proxy holders will vote in accordance with their judgment on such matter.

What vote is required to approve each item?

There are differing vote requirements for the two proposals:

Each nominee for director named in Proposal One will be elected if the votes for the nominee exceed 50% of the number of votes cast with respect to such nominee. Votes cast with respect to a nominee shall include votes to withhold authority but shall exclude abstentions and broker non-votes.

The appointment of PricewaterhouseCoopers LLP as the company s independent registered public accounting firm will be approved if the votes cast for the proposal exceed those cast against the proposal. Abstentions and broker non-votes will not be counted for or against the proposal.

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A broker non-vote occurs when a bank, broker or other holder of record holding shares for a beneficial owner does not vote on a particular proposal because that holder does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner. If you are a beneficial owner, your bank, broker or other holder of record is permitted to vote your shares on the election of directors even if the record holder does not receive voting instructions from you. Absent instructions from you, the record holder may not vote on any non-discretionary matter which includes any stockholder proposal. Without your voting instructions, a broker non-vote will occur. An abstention will occur at the annual meeting if your shares are deemed to be present at the annual meeting, either because you attend the annual meeting or because you have properly completed and returned a proxy, but you do not vote on any proposal or other matter which is required to be voted on by our stockholders at the annual meeting. You should consult your broker if you have questions about this.

The affirmative vote of at least a majority of our issued and outstanding shares present, in person or by proxy, and entitled to vote at the annual meeting will be required to approve any stockholder proposal validly presented at a meeting of stockholders. Under applicable Delaware law, in determining whether any stockholder proposal has received the requisite number of affirmative votes, abstentions and broker non-votes will be counted and will have the same effect as a vote against any stockholder proposal.

What does it mean if I receive more than one proxy or voting instruction card?

It means your shares of common stock and 6.50% Series A Convertible Perpetual Preferred Stock are registered differently or are in more than one account. Please provide voting instructions for all proxy and voting instruction cards you receive.

Where can I find the voting results of the meeting?

We will announce preliminary voting results at the meeting and publish final results in our quarterly report on Form 10-Q for the second quarter of fiscal year 2007.

Who will count the votes?

A representative of Mellon Investor Services, our transfer agent, will tabulate the votes and act as the inspector of election.

Who will pay for the cost of this proxy solicitation?

We are making this solicitation and will pay the entire cost of preparing, assembling, printing, mailing, and distributing these proxy materials. If you choose to access the proxy materials or vote over the Internet, however, you are responsible for Internet access charges you may incur. In addition to the mailing of these proxy materials, the solicitation of proxies or votes may be made in person, by telephone, or by electronic communication by our directors, officers and employees, who will not receive any additional compensation for such solicitation activities. To assist us in soliciting proxies, we have retained Mellon Investor Services, LLC, and we have agreed to pay Mellon Investor Services, LLC a fee of $9,000, and all reasonable out-of-pocket expenses incurred by it in connection with the provision of its proxy soliciting services. We will request banks, brokers, nominees, custodians, and other fiduciaries, who hold shares of HealthSouth stock in street name, to forward these proxy solicitation materials to the beneficial owners of those shares and we will reimburse them the reasonable out-of-pocket expenses they incur in doing so.

How can I access the company s proxy materials and annual report electronically?

A copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2006 (the 2006 Form 10-K), is being mailed concurrently with this proxy statement to all stockholders entitled to notice of and to vote at the annual meeting. A copy of the 2006 Form 10-K and these proxy materials are available without charge from our company website at www.healthsouth.com under the heading Who We Are/Investor Information. The 2006 Form 10-K is also available in print to stockholders without charge and upon request, addressed to HealthSouth Corporation, One HealthSouth Parkway, Birmingham, Alabama 35243, Attention: Corporate Secretary.

Who should I contact if I have questions?

If you have any questions, need additional copies of the proxy materials, or need assistance in voting your shares, please call the firm assisting us in the solicitation of proxies:

Mellon Investor Services, LLC

480 Washington Street Boulevard

Jersey City, New Jersey 07310-1900

Telephone: 888-261-6784

www.melloninvestor.com/isd

NO PERSON IS AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN THOSE CONTAINED IN THIS PROXY STATEMENT, AND, IF GIVEN OR MADE, SUCH INFORMATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED. THE DELIVERY OF THIS PROXY STATEMENT SHALL, UNDER NO CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE OF THIS PROXY STATEMENT.

CORPORATE GOVERNANCE AND BOARD OF DIRECTORS MATTERS

Nominees for Director

Information relating to each of the nominees proposed by our board of directors for election as one of our directors is set forth below. We have no reason to believe that any of the following nominees will be unable to serve.

Name	Age	Position	Date Became Director
Edward A. Blechschmidt*	54	Director; Member of Audit Committee (Chairman)	1/31/2004
Donald L. Correll*	56	Director; Member of Audit Committee and Finance Committee (Chairman)	6/29/2005
Yvonne M. Curl*	52	Director; Member of Compensation Committee and Compliance/Quality of Care Committee	11/18/2004
Charles M. Elson*	47	Director; Member of Compliance/Quality of Care Committee and Nominating/Corporate Governance Committee (Chairman)	9/9/2004
Jay Grinney	56	Director; President and Chief Executive Officer	5/10/2004
Jon F. Hanson*	70	Director; Chairman of the Board of Directors; Member of Finance Committee and Nominating/Corporate Governance Committee	9/17/2002
Leo I. Higdon, Jr.*	60	Director; Member of Compensation Committee (Chairman) and Finance Committee	8/17/2004
John E. Maupin, Jr.*	60	Director; Member of Compensation Committee and Compliance/Quality of Care Committee (Chairman)	8/17/2004
L. Edward Shaw, Jr.*	62	Director; Member of Audit Committee and Nominating/Corporate Governance Committee	6/29/2005

* Denotes independent director. Steven R. Berrard, who served as a director during 2006 but did not stand for re-election at our 2006 annual meeting of stockholders, was also an independent director.

There are no arrangements or understandings known to us between any of the nominees listed above and any other person pursuant to which a director was or is to be selected as a director or nominee, other than any arrangements or understandings with directors or officers of HealthSouth acting solely in their capacities as such.

Edward A. Blechschmidt Acting Chief Executive Officer, Novelis, Inc.

Mr. Blechschmidt is currently Acting Chief Executive Officer for Novelis, Inc. He was Chairman, Chief Executive Officer and President of Gentiva Health Services, Inc., a leading provider of specialty pharmaceutical and home health care services, from March 2000 to June 2002. From March 1999 to March 2000, Mr. Blechschmidt served as Chief Executive Officer and a director of Olsten Corporation. He served as President of Olsten Corporation from October 1998 to March 1999. He also served as President and Chief Executive Officer of Siemens Nixdorf Americas and Siemens Pyramid Technology from July 1996 to October 1998. Prior to Siemens, he spent more than 20 years with Unisys Corp., including serving as its Chief Financial Officer. Mr. Blechschmidt serves as a director of Option Care, Inc., Lionbridge Technologies, Inc., Columbia Laboratories, Inc., and Novelis, Inc.

Donald L. Correll President and Chief Executive Officer, American Water

Effective April 17, 2006, Mr. Correll began serving as President and Chief Executive Officer of American Water, the largest and most geographically diversified provider of water services in North America. Between August 2003 and April 2006, Mr. Correll served as President and Chief Executive Officer of Pennichuck Corporation, a publicly traded holding company which, through its subsidiaries, provides public water supply services, certain water related services, and certain real estate activities, including property development and management. From

1991 to 2001, Mr. Correll served as Chairman, President and Chief Executive Officer of United Water Resources, a water and wastewater utility company. Prior to 1991, Mr. Correll spent nearly 15 years with United Water, including serving as its Chief Financial Officer. From 2001 to 2003, Mr. Correll served as an independent advisor to water service and investment firms on issues relating to marketing, acquisitions, and investments in the water services sector. Mr. Correll served as a director of Interchange Financial Services from 1994 to 2007. Mr. Correll currently serves as a Commissioner of the New Jersey Water Supply Authority and a member of the USEPA Environmental Financial Advisory Board.

Yvonne M. Curl Former Vice President and Chief Marketing Officer, Avaya, Inc.

Ms. Curl is a former Vice President and Chief Marketing Officer of Avaya, Inc., which position she held from October 2000 through April 2004. Before joining Avaya, Ms. Curl was employed by Xerox Corporation beginning in 1976, where she held a number of middle and senior management positions in sales, marketing and field operations, culminating with her appointment to Corporate Vice President. Ms. Curl currently serves as a director of Nationwide Mutual Insurance Company and Charming Shoppes, Inc.

Charles M. Elson Director, John L. Weinberg Center for Corporate Governance, University of Delaware

Mr. Elson holds the Edgar S. Woolard, Jr., Chair in Corporate Governance and has served as the Director of the John L. Weinberg Center for Corporate Governance at the University of Delaware since 2000. Mr. Elson has served on the National Association of Corporate Directors Commissions on Director Compensation, Executive Compensation and the Role of the Compensation Committee, Director Professionalism, CEO Succession, Audit Committees, Governance Committee, Strategic Planning, and Director Evaluation, was a member of its Best Practices Council on Coping with Fraud and Other Illegal Activity, and presently serves on that organization s Advisory Council. In addition, Mr. Elson serves as Vice Chairman of the American Bar Association s Committee on Corporate Governance and is a member of the American Bar Association s Committee on Corporate Laws. Mr. Elson also serves as a director of AutoZone, Inc. Mr. Elson has been Of Counsel to the law firm of Holland & Knight LLP from 1995 to the present.

Jay Grinney President and Chief Executive Officer, HealthSouth Corporation

Mr. Grinney was named our President and Chief Executive Officer on May 10, 2004. From June 1990 to May 2004, Mr. Grinney served in a number of senior management positions with HCA or its predecessor companies, in particular, serving as President of HCA s Eastern Group from May 1996 to May 2004, President of the Greater Houston Division from October 1993 to April 1996 and as Chief Operating Officer of the Houston Region from November 1992 to September 1993. Before joining HCA, Mr. Grinney held several executive positions during a nine year career at the Methodist Hospital System in Houston, Texas.

Jon F. Hanson Chairman and Founder, The Hampshire Companies

Mr. Hanson is the Chairman and founder of The Hampshire Companies and has over 48 years of experience in the real estate industry. Mr. Hanson was named non-executive Chairman of the Board of HealthSouth, effective October 1, 2005. From 1994 through 2005, Mr. Hanson served as Chairman of the National Football Foundation and College Hall of Fame, Inc. He now serves as Chairman Emeritus. Since 1991, Mr. Hanson has served as a director of Prudential Financial Corp., and he has also served as a director of the Hackensack University Medical Center for the past 20 years. Mr. Hanson also currently serves as a director of Pascack Community Bank and Yankee Global Enterprises.

Leo I. Higdon, Jr. President, Connecticut College

Mr. Higdon has served as President of Connecticut College since July 1, 2006. He served as the President of the College of Charleston from October 1, 2001 to June 30, 2006. Between 1997 and 2001, Mr. Higdon served as President of Babson College in Wellesley, Massachusetts, a leading school of entrepreneurship. He also served as Dean of the Darden Graduate School of Business Administration at the University of Virginia. His financial experience includes a 20-year tenure at Salomon Brothers, where he became Vice Chairman and member of the executive committee, managing the Global Investment Banking Division. Mr. Higdon also serves as a director of Eaton Vance Corp.

John E. Maupin, Jr. President, Morehouse School of Medicine

Dr. John E. Maupin, Jr. is President and Chief Executive Officer of the Morehouse School of Medicine located in Atlanta, Georgia, a position he has held since July 2006. Prior to joining Morehouse, Dr. Maupin held several other senior administrative positions including President and Chief Executive Officer of Meharry Medical College from 1994 to 2006, Executive Vice President and Chief Operating Officer of the Morehouse School of Medicine from 1989 to 1994, Chief Executive Officer of Southside Healthcare, Inc. from 1987 to 1989, and Deputy Commissioner of Health of the Baltimore City Health Department from 1984 to 1987. Dr. Maupin serves as a director of LifePoint Hospitals.

L. Edward Shaw, Jr. Senior Managing Director, Richard C. Breeden & Co.

Since March 1, 2006, Mr. Shaw has served as a Senior Managing Director of Richard C. Breeden & Co., a multi-disciplinary professional services firm specializing in strategic consulting, corporate reorganizations, and governance matters. From September 15, 2004 to January 31, 2006, Mr. Shaw was Of Counsel with the international law firm of Gibson Dunn & Crutcher LLP. From January 1, 2004 to September 15, 2004, Mr. Shaw practiced law as a sole practitioner and served as Independent Counsel to the Board of Directors of the New York Stock Exchange on regulatory matters. From May 1999 to December 31, 2003, Mr. Shaw served as General Counsel of Aetna, Inc., one of the leading providers of health and group

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insurance benefits in the United States. Mr. Shaw also served as an Executive Vice President and member of the Office of the Chairman of Aetna from September 2000 to December 31, 2003. Mr. Shaw also serves as a director of Mine Safety Appliances Co. and Covenant House, the nation s largest privately funded provider of crisis care to children.

Voting for Directors

Majority Voting Standard

Stockholders of many public companies have recently urged that directors be required to receive a majority of the votes cast in favor of their election, rather than the generally applicable plurality standard (which simply requires more votes than those of any other candidate). In response, a number of public companies have recently adopted charter or bylaw provisions requiring a majority vote standard and/or bylaws or corporate governance guidelines requiring that a director not receiving such a majority submit his or her resignation to the board or one of its committees. The resignation policy or bylaw is designed to deal with the Delaware state law provision that provides that a director remains in office until his successor is elected and qualified, even if the director has not received a vote sufficient for re-election.

The Nominating/Corporate Governance Committee and the full board of directors carefully considered the arguments for and against a majority voting standard. The difference in standards would not have had any impact on us in the recent past, because our director nominees have received vote totals exceeding a majority of the shares outstanding. While the plurality standard provides greater certainty that the annual election will result in a full and duly elected board of directors, the board of directors recognized that requiring a majority of the votes cast ensures that only directors with broad acceptability among the voting stockholders will be seated on the board and may enhance the accountability of each board member to the stockholders. For these reasons the board of directors concluded that, on balance, the majority voting standard would be in the best interest of HealthSouth.

Amendment to the By-Laws

On February 28, 2007, our board of directors passed resolutions amending HealthSouth s By-Laws to require a majority vote for the election of directors and to require that a stockholder submitting a nomination for director provide additional information regarding the nominee, such amendments to become effective immediately. The board of directors replaced Section 3.4(a) of the By-Laws to provide that our directors shall be elected by the vote of the majority of the votes cast at any meeting for the election of directors at which a quorum is present; provided, however, that our directors will still be elected by a plurality of the votes cast at any meeting of stockholders for which (1) a stockholder nominated person is eligible for election to the board of directors and (2) such nomination has not been withdrawn by such stockholder on or prior to the tenth day preceding the date we first mail our notice of meeting for such meeting to the stockholders.

The board of directors also replaced the fourth paragraph of Section 3.4(b) of the By-Laws to provide that, along with other information previously required, all director nominations by a stockholder must indicate whether the stockholder nominee, if elected, intends to submit an irrevocable resignation to be effective upon (1) such nominee s failure to receive the required vote at the next meeting at which they are nominated for re-election and (2) acceptance by the board of directors of such resignation. This new standard is applicable to the election of directors at the 2007 annual meeting of stockholders.

Corporate Governance

Our Corporate Governance Guidelines are available at our website, www.healthsouth.com, under the heading Who We Are/Corporate Governance and are attached to this proxy statement as Appendix A. We will also provide to any person, without charge, upon request, a copy of our Corporate Governance Guidelines. Requests for a copy may be made in writing to the following address: HealthSouth Corporation, One HealthSouth Parkway, Birmingham, Alabama 35243, Attention: Corporate Secretary.

Our Corporate Governance Guidelines provide, among other things, that each member of the board of directors will:

- dedicate sufficient time, energy, and attention to ensure the diligent performance of his or her duties;
- comply with the duties and responsibilities set forth in the Corporate Governance Guidelines and in our By-Laws;
- comply with all duties of care, loyalty, and confidentiality applicable to directors of publicly traded Delaware corporations; and
- adhere to our Standards of Business Conduct, including the policies on conflicts of interest.

On February 28, 2007, the board of directors amended the Corporate Governance Guidelines to conform to recent amendments to the By-Laws and to require, among other things, that all candidates selected by the board of directors (1) for election as directors or (2) to fill a vacancy or newly created position on the board of directors submit irrevocable resignations that will be effective upon (a) the failure to receive the required vote at the next meeting at which they are

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nominated for re-election and (b) acceptance by the board of directors of such resignation. The amended Corporate Governance Guidelines also add the Finance Committee as a standing committee of our board of directors.

Our Corporate Governance Guidelines and committee charters meet or exceed the requirements of the Sarbanes-Oxley Act of 2002 and the rules and regulations of the Securities and Exchange Commission (the SEC). The board of directors has determined that we are in compliance with our Corporate Governance Guidelines. In accordance with the Sarbanes-Oxley Act of 2002, the Audit Committee has also established procedures for the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls, or auditing matters and for the confidential, anonymous submission by our employees of concerns regarding accounting or auditing matters. We have established a confidential email and hotline for employees to report violations of our Standards of Business Conduct or other company policy and to report any ethical concerns.

Board Membership and Independence

Our business, property, and affairs are managed under the direction of our board of directors. Members of our board of directors are kept informed of our business through discussions with our chief executive officer and other officers, by reviewing materials provided to them, by visiting our offices, and by participating in meetings of the board of directors and its committees.

The board of directors met 12 times during the fiscal year ended December 31, 2006. Other than Mr. Higdon, each incumbent member of the board of directors attended 75% or more of the aggregate of the meetings of the board of directors and of the committees on which he or she served that were held during the period for which he or she was a director or committee member, respectively. Mr. Higdon was unable to attend certain specially called Finance Committee meetings relating to the company s proposed divestitures, which reduced his aggregate attendance to below 75%, although he attended over 85% of the aggregate of the meetings of the board of directors and the Compensation Committee that were held. In addition, it is HealthSouth policy that directors are expected to attend the annual meeting of stockholders. The members of the board of directors generally hold a meeting immediately following the annual meeting of stockholders. Thus, the annual meeting of stockholders and the board of directors meeting are held at the same location to further facilitate and encourage the directors to attend the annual meeting of stockholders. Seven members of our board of directors attended the annual meeting in 2006.

In February 2007, the board of directors undertook its review of the independence of the nominees as independent directors based on our Corporate Governance Guidelines. During its review, the board of directors assessed whether any transactions or relationships exist currently or during the past three years existed between each director or any member of his or her immediate family and HealthSouth and its subsidiaries, affiliates, or our independent registered public accounting firm. The board of directors also examined whether there were any transactions or relationships between each director or any member of his or her immediate family and members of the senior management of HealthSouth or their affiliates. In connection with this determination, on an annual basis, each director and executive officer is required to complete a Director and Officer Questionnaire which requires disclosure of any transactions with HealthSouth in which the director or executive officer, or any member of his or her immediate family, have a direct or indirect material interest. The board of directors considered that in the ordinary course of business, transactions may occur between HealthSouth and its subsidiaries and companies at which some of our directors are or have been officers. In each case, the amount of transactions from these companies in each of the last three years did not approach the levels set forth in the Corporate Governance Guidelines. The board of directors also considered charitable contributions to not-for-profit organizations of which our directors or immediate family members are executive officers, none of which approached the levels set forth in our Corporate Governance Guidelines.

Our Corporate Governance Guidelines, which include guidelines for determining director independence and qualifications for directors, are attached to this proxy statement as Appendix A. All of HealthSouth s corporate governance materials, including the Corporate Governance Guidelines and the charters of each of our board committees are available on our website at www.healthsouth.com under the heading Who We Are/Corporate Governance. Copies are also available in print to stockholders upon request, addressed to HealthSouth Corporation, One HealthSouth Parkway, Birmingham, Alabama 35243, Attention: Corporate Secretary.

Based on its review, the board of directors affirmatively determined that each of Edward A. Blechschmidt, Donald L. Correll, Yvonne M. Curl, Charles M. Elson, Jon F. Hanson, Leo I. Higdon, Jr., John E. Maupin, Jr. and L. Edward Shaw, Jr. is an independent director in accordance with our Corporate Governance Guidelines. Mr. Grinney, who is our chief executive officer, was not deemed to be independent. Each of HealthSouth s directors other than Mr. Grinney also satisfies the definition of independence contained in Rule 303A.02 of the listing standards for the New York Stock Exchange. In addition, there are no arrangements or understandings known to us between any of the directors nominated for election to the board of directors and any other person pursuant to which a director was or is to be elected as a director or nominee, other than any arrangements or understandings with directors or officers of HealthSouth acting solely in their capacities as such.

None of our directors, nominees or executive officers is a party to any material proceedings adverse to us or any of our subsidiaries or has a material interest adverse to us or any of our subsidiaries.

Committees of the Board of Directors

Our board of directors has the following five standing committees: Audit Committee, Compensation Committee, Compliance/Quality of Care Committee, Finance Committee, and Nominating/Corporate Governance Committee. Each of our board committees is governed by a charter, a current copy of which is available on our corporate website at www.healthsouth.com under the heading Who We Are/Corporate Governance. Charters of our board committees are also available in print to stockholders upon request, addressed to HealthSouth Corporation, One HealthSouth Parkway, Birmingham, Alabama 35243, Attention: Corporate Secretary.

Audit Committee

The Audit Committee s purpose is to assist the board of directors in fulfilling its responsibilities to the company and its stockholders, particularly with respect to the oversight of the accounting, auditing, financial reporting, internal control, and compliance practices of HealthSouth.

The specific responsibilities of the Audit Committee are, among others, to:

- assist the board of directors in the oversight of the integrity of our financial statements and compliance with legal and regulatory requirements, the qualifications and independence of our independent auditor, and the performance of our internal audit function and our independent auditor;
- prepare an audit committee report;
- appoint, compensate, replace, retain, and oversee the work of our independent auditor;
- at least annually, review a report by our independent auditor regarding its internal quality control procedures, material issues raised by certain reviews, inquiries or investigations relating to independent audits within the last five years, and relationships between the independent auditor and the company;
- discuss our annual audited financial statements and quarterly financial statements with management and our independent auditor, as well as management s assessment of and the independent auditor s opinion regarding the effectiveness of the company s internal control over financial reporting;
- discuss earnings press releases with management and our independent auditor and recommend to the board of directors the filing of such press releases with the SEC;
- discuss financial information and earnings guidance provided to analysts and rating agencies;
- discuss policies with respect to risk assessment and risk management;
- meet separately and periodically with management, internal auditors, and our independent auditor;
- report regularly to the board of directors;
- review with our independent auditor any audit problems or difficulties and management s response;
- set clear hiring policies for employees or former employees of our independent auditor;
- appoint and oversee the activities of our Inspector General who has the responsibility to identify violations of company policy and law relating to accounting or public financial reporting, to review the Inspector General s periodic reports and to set compensation for the Inspector General and its staff; and
- review and evaluate, at least annually, the performance of the committee and its members.

The Audit Committee consists of Edward A. Blechschmidt (Chairman), Donald L. Correll, and L. Edward Shaw, Jr., each of whom our board of directors has determined to be financially sophisticated and an independent director in accordance with our Corporate Governance Guidelines and otherwise meets the audit committee membership requirements imposed by the New York Stock Exchange, our Corporate Governance Guidelines and other applicable laws and regulations. The board of directors has determined that Mr. Blechschmidt and Mr. Correll each qualify as an audit committee financial expert within the meaning of SEC regulations. The formal report of our Audit Committee can be found on page 17. The Audit Committee met 11 times during the fiscal year ended December 31, 2006.

Compensation Committee

The Compensation Committee s purpose and objectives are to oversee our compensation and employee benefit objectives, plans and policies and to review and recommend to the independent members of the board of directors the individual compensation of our executive officers in order to attract and retain high-quality personnel to help ensure our long-term success and the creation of long-term stockholder value.

The specific responsibilities of the Compensation Committee are, among others, to:

- review and approve our compensation programs and policies, including our benefit plans, incentive compensation plans and equity based plans, to amend, or recommend that the board of directors amend, such programs, policies, goals or objectives;
- enable the board of directors to discharge its responsibilities relating to the compensation of our executive officers;
- make recommendations with respect to incentive compensation plans and equity-based plans;
- review and approve corporate goals and objectives relevant to the compensation of the chief executive officer and other executive officers;
- evaluate the performance of the chief executive officer and other executive officers in light of those goals and objectives;
- determine and approve (together with the independent directors) the base compensation level of and incentive compensation for the chief executive officer based on this evaluation;
- determine and approve (either as a committee or together with the independent directors) the base compensation and incentive compensation levels for other executive officers or recommend the same to the board of directors for approval;
- review perquisites or other personal benefits provided to our executive officers and directors;
- review all equity compensation plans to be submitted for stockholder approval and approve all equity incentive plans that are exempt from stockholder approval;
- review and discuss with management the company s Compensation Discussion and Analysis, and recommend inclusion thereof in our annual report or proxy statement;
- produce a compensation committee report and review the description of the committee s processes and procedures for consideration and determination of executive and director compensation, each to be included in the company s annual proxy statement;
- review and approve employment agreements, severance arrangements and termination arrangements and change in control arrangements to be made with any executive officer of the company;
- review and recommend to the board of directors fees and retainers for non-employee members of the board and non-employee members and chairpersons of committees of the board;
- approve, or recommend to the board of directors for approval, all equity-based awards;
- act as (or designate) an administrator for such plans as may be required; and
- review and evaluate, at least annually, the performance of the committee and its members.

The Compensation Committee consists of Yvonne M. Curl, Leo I. Higdon, Jr. (Chairman), and John E. Maupin, Jr., each of whom our board of directors has determined to be an independent director under our Corporate Governance Guidelines and meets the compensation committee membership requirements imposed by the New York Stock Exchange and other applicable laws and regulations. L. Edward Shaw, Jr., who is also an independent director, served as a member of the Compensation Committee until January 26, 2007, at which time he accepted membership in another committee of the board of directors through HealthSouth s normal rotation of committee members. The Compensation Committee met ten times during the fiscal year ended December 31, 2006. The formal report of our Compensation Committee can be found on page 20. In connection with its duties, the Compensation Committee may, in its sole discretion, obtain the advice and assistance of outside advisors, including legal, accounting and compensation advisors, as is reasonably necessary to fulfill its responsibilities. As discussed in further detail below, the Compensation Committee engaged Mercer Human Resource Consulting to assist it in its review and determination of executive compensation levels.

Compliance/Quality of Care Committee

The Compliance/Quality of Care Committee s function is to assist our board of directors in fulfilling its fiduciary responsibilities relating to our regulatory compliance activities and to ensure we deliver quality care to our patients. The committee is primarily responsible for overseeing, monitoring, and evaluating HealthSouth s compliance with all of its regulatory obligations other than tax and securities law related obligations and reviewing the quality of services provided to patients at our facilities.

The primary objectives and responsibilities of the Compliance/Quality of Care Committee are to:

- ensure the establishment and maintenance of a regulatory compliance program that constitutes an effective program to prevent and detect violations of law as defined by guidelines promulgated by the United States Sentencing Commission;
- appoint and oversee the activities of a chief compliance officer with responsibility for developing and implementing our regulatory compliance program;
- monitor the company s compliance with any Corporate Integrity Agreement (CIA) or similar undertaking, with the Office of Inspector General, U.S. Department of Health and Human Services, or any other government agency;
- review and approve an annual regulatory compliance program and audit plan developed by the chief compliance officer;
- perform, or have performed, an annual evaluation of the performance of the chief compliance officer and the compliance office;
- review periodic reports from the chief compliance officer, including an annual regulatory compliance report summarizing compliance-related activities undertaken by us during the year and the results of all regulatory compliance audits conducted during the year;
- monitor and review our programs, policies, and procedures that support and enhance the quality of our medical and rehabilitative care;
- report at least twice annually to our board of directors regarding the committee s activities and the effectiveness of our regulatory compliance program; and
- recommend such actions or measures to be adopted by the board of directors that it deems appropriate.

The Compliance/Quality of Care Committee consists of Yvonne M. Curl, Charles M. Elson, and John E. Maupin, Jr. (Chairman) each of whom our board of directors has determined qualifies as an independent director under our Corporate Governance Guidelines. The Compliance/Quality of Care Committee met five times during the fiscal year ended December 31, 2006. In connection with its duties, the committee reviews and evaluates, at least annually, the performance of the committee and its members, may obtain the advice and assistance of outside advisors, including consultants and legal and accounting advisors, and perform all acts reasonably necessary to fulfill its responsibilities and achieve its objectives.

Finance Committee

The purpose and objectives of the Finance Committee are to assist our board of directors in the oversight of the use and development of our financial resources, including our financial structure, investment policies and objectives, and other matters of a financial and investment nature.

The specific responsibilities of the Finance Committee are to review, evaluate, and make recommendations to the board of directors regarding HealthSouth s:

- capital structure and proposed changes thereto, including significant new issuances, purchases, or redemptions of our securities;
- plans for allocation and disbursement of capital expenditures;
- credit rating, activities with credit rating agencies, and key financial ratios;
- long-term financial strategy and financial needs;
- unusual or significant commitments or contingent liabilities; and
- plans to manage insurance and asset risk.

The Finance Committee consists of Donald L. Correll (Chairman), Jon F. Hanson, and Leo I. Higdon, Jr. The Finance Committee met 11 times during the fiscal year ended December 31, 2006. In addition to its other responsibilities, the committee reviews and evaluates, at least annually, the performance of the committee and its members. In connection with its duties, the committee may obtain the advice and assistance of outside advisors, including consultants and legal and accounting advisors, and perform all acts reasonably necessary to fulfill its responsibilities and achieve its objectives.

Nominating/Corporate Governance Committee

The purposes and objectives of the Nominating/Corporate Governance Committee are to assist our board of directors in fulfilling its duties and responsibilities to us and our stockholders, and its specific responsibilities include, among others, to:

- assist the board of directors in determining the appropriate characteristics, skills and experience for the individual members of the board of directors and the board of directors as a whole;
- create a process to allow the committee to identify and evaluate individuals qualified to become board members;
- review the suitability for each board member s continued service as a director when his or her term expires, and recommend whether or not the director should be re-nominated;
- recommend nominees for board membership to be submitted for stockholder vote at each annual meeting of stockholders, and to recommend to the board candidates to fill vacancies on the board and newly-created positions on the board;
- develop and recommend to the board Corporate Governance Guidelines applicable to the company that are consistent with applicable laws and listing standards and to periodically review those guidelines and to recommend to the board such changes as the committee deems necessary or advisable;
- make recommendations to the board regarding the composition of each standing committee of the board, to monitor the functioning of the committees of the board and make recommendations for any changes, review annually committee assignments and the policy with respect to rotation of committee memberships and/or chairpersonships, and report any recommendations to the board;
- assist the board in considering whether a transaction between a board member and the company presents an inappropriate conflict of interest and/or impairs the independence of any board member; and
- oversee the evaluation of our board of directors and management and to perform an annual performance evaluation of the Nominating/Corporate Governance Committee and the members thereof.

The Nominating/Corporate Governance Committee consists of Charles M. Elson (Chairman), Jon F. Hanson, and L. Edward Shaw, Jr., each of whom our board of directors has determined qualifies as an independent director under the Corporate Governance Guidelines and otherwise meets the qualifications for membership on such committee imposed by the New York Stock Exchange and other applicable laws and regulations. The Nominating/Corporate Governance Committee met seven times during the fiscal year ended December 31, 2006. In connection with its duties, the committee may obtain the advice and assistance of outside advisors, including consultants and legal and accounting advisors, and perform all acts reasonably necessary to fulfill its responsibilities and achieve its objectives.

Director Nomination Process

The Nominating/Corporate Governance Committee of the board of directors has developed a policy regarding director nominations (the Nominations Policy). The Nominations Policy describes the process by which candidates for possible inclusion in HealthSouth s slate of director nominees are selected.

Criteria for Board Members. The committee considers the following factors in evaluating the suitability of candidates and nominees to our board of directors:

- Integrity: Candidates should demonstrate high ethical standards and integrity in their personal and professional dealings.
- Accountability: Candidates should be willing to be accountable for their decisions as directors.
- Judgment: Candidates should possess the ability to provide wise and thoughtful counsel on a broad range of issues.
- Responsibility: Candidates should interact with each other in a manner which encourages responsible, open, challenging and inspired discussion. Directors must be able to comply with all duties of care, loyalty, and confidentiality applicable to directors of publicly traded Delaware corporations.

High Performance Standards: Candidates should have a history of achievements which reflects high standards for themselves and others.
Commitment and Enthusiasm: Candidates should be committed to, and enthusiastic about, their performance for the company as directors, both in absolute terms and relative to their peers. Directors should be free from conflicts of interest and be able to devote sufficient time to satisfy their board responsibilities.
Financial Literacy: Candidates should be able to read and understand fundamental financial statements and understand the use of financial ratios and information in evaluating the financial performance of the company.
Courage: Candidates should possess the courage to express views openly, even in the face of opposition.

Internal Process for Identifying Candidates. The Nominating/Corporate Governance Committee has two primary methods for identifying director nominees (other than those proposed by stockholders, as discussed below). First, on a periodic basis, the committee solicits ideas for possible candidates from members of the board of directors, senior level executives, and individuals personally known to the members of the board. Second, the committee may from time to time use its authority under its charter to retain, at HealthSouth s expense, one or more search firms to identify candidates (and to approve such firms fees and other retention terms).

Proposals for Director Nominees by Stockholders. The Nominating/Corporate Governance Committee will consider written proposals from stockholders for director nominees. In considering candidates submitted by stockholders, the Nominating/Corporate Governance Committee will take into consideration the needs of the board of directors and the qualifications of the candidate. In accordance with the recent amendments to our By-Laws, which are attached as Exhibit 3.1 to HealthSouth s Current Report on Form 8-K filed with the SEC on March 5, 2007, any such nominations must be delivered or mailed to and received by the Nominating/Corporate Governance Committee, c/o the Corporate Secretary, not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting is called for a date that is not within 30 days before or after such anniversary date, a nomination, in order to be timely, must be received not later than the close of business on the tenth day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs. For nominations for our 2008 annual meeting of stockholders, stockholder nomination must be delivered to or mailed and received at our principal executive offices on or after January 4, 2008 and not later than the close of business on February 3, 2008.

Stockholder nominations must include certain prescribed information set forth in Section 3.4 of the By-Laws, as amended. Specifically, stockholder nominations must set forth: (1) as to each person whom the stockholder proposes to nominate for election as a director (a) the name, age, business address and residence address of the person, (b) the principal occupation or employment of the person, (c) the class or series and number of shares of HealthSouth capital stock which are owned beneficially or of record by the person, (d) a statement whether such person, if elected, intends to tender, promptly following such person s election or re-election, an irrevocable resignation effective upon such person s failure to receive the required vote for re-election at the next meeting at which such person would face re-election and upon acceptance of such resignation by the board of directors, in accordance with the Corporate Governance Guidelines, and (e) any other information relating to the person 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 election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the Exchange Act), and the rules and regulations promulgated thereunder; and (2) as to the stockholder giving the notice (a) the name and record address of such stockholder, (b) the class or series and number of shares of HealthSouth capital stock which are owned beneficially or of record by such stockholder, (c) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such stockholder, (d) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice and (e) any other information relating to such stockholder 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 election of directors pursuant to Section 14 of the Exchange Act, and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

The By-Laws will be provided to any stockholder by mail without charge upon request to the corporate secretary.

Evaluation of Candidates. The Nominating/Corporate Governance Committee will consider all candidates identified through the processes described above, and will evaluate each of them, including incumbents, based on the same criteria. If, after the committee s initial evaluation, a candidate meets the criteria for membership, the chair of the Nominating/Corporate Governance Committee will interview the candidate and communicate the chair s evaluation to the other members of the committee, the chairman of the board and the chief executive officer. Later reviews will be conducted by other members of the committee and senior management. Ultimately, background and reference checks will be conducted and the committee will meet to finalize its list of recommended candidates for the board s consideration. The candidates recommended for the board s consideration will be those individuals that will create a board of directors that is, as a whole, strong in its collective knowledge of, and diverse in skills and experience with respect to, accounting and finance, management and leadership, vision and strategy, business operations, business judgment, crisis management, risk assessment, industry knowledge, corporate governance and global markets.

Code of Ethics

We have adopted Standards of Business Conduct (our code of ethics) that applies to all employees, directors and officers, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. We have posted a copy of our code of ethics on our website at www.healthsouth.com under the heading Who We Are/Corporate Governance. We will provide to any person without charge, upon request, a copy of our code of ethics. Requests for a copy may be made in writing to Corporate Compliance Office, HealthSouth Corporation, P.O. Box 380243, Birmingham, Alabama 35238. The purpose of the code of ethics is to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; to promote full, fair, accurate, timely and understandable disclosure in periodic reports required to be filed by HealthSouth; and to promote compliance with all applicable rules and regulations that apply to HealthSouth and its officers and directors. We will disclose any future amendments to, or waivers from, certain provisions of these ethical policies and standards for officers and directors on our website promptly following the date of such amendment or waiver.

Communications to the Board of Directors, the Committees, and the Non-Management Directors

Stockholders and other parties interested in communicating directly to the board of directors, any committee, or any non-management director may do so by writing to the address listed below. All communications received as set forth in this paragraph will be opened by the office of our General Counsel for the sole purpose of determining whether the contents represent a message to our directors. Any contents that are not in the nature of advertising, promotions of a product or service, or patently offensive material will be forwarded promptly to the addressee. In the case of communications to the board of directors or any group or committee of directors, the General Counsel s office will make sufficient copies of the contents to send to each director who is a member of the group or committee to which the envelope is addressed.

HEALTHSOUTH CORPORATION

BOARD OF DIRECTORS

P.O. BOX 382827

BIRMINGHAM, ALABAMA 35238

ATTENTION: [Addressee*]

*The Addressee description will allow HealthSouth to direct the communication to the intended recipient.

Compensation of Directors

In 2006, we provided the following annual compensation to directors who are not employees:

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)[1]	Option Awards ($)[2]	All Other Compensation ($)	Total ($)
Steven R. Berrard[3]	46,000	90,005			136,005
Edward A. Blechschmidt	114,500	90,005			204,505
Donald L. Correll	98,167	90,005			188,172
Yvonne M. Curl	90,500	90,005			180,505
Charles M. Elson	99,500	90,005			189,505
Jon F. Hanson	191,500	90,005			281,505
Leo I. Higdon, Jr.	103,500	90,005			193,505
John E. Maupin, Jr.	100,500	90,005			190,505
L. Edward Shaw, Jr.	88,500	90,005			178,505

(1) Each non-employee director received an award of restricted stock units with a grant date fair value of $90,005 (3,390 units). These awards are fully vested in that they are not subject to forfeiture; however, no shares underlying a particular award will be issued until the director ends his or her service on the board, as further described below under 2004 Amended and Restated Director Incentive Plan on page 34. In prior years, non-employee directors received awards of restricted stock. The aggregate number of unvested restricted stock awards outstanding at fiscal year end was as follows: Mr. Berrard (0), Mr. Blechschmidt (1,723), Mr. Correll (862), Ms. Curl (1,061), Mr. Elson (1,375), Mr. Hanson (1,623), Mr. Higdon (1,375), Dr. Maupin (1,375), and Mr. Shaw (862). The value of stock awards listed in this column has been determined based on the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with Financial Accounting Standards Board Statements of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment (FAS 123R) for financial reporting purposes. This dollar amount recognized is the same as the grant date fair value for each award. The assumptions used in the valuation are discussed under the heading Critical Accounting Policies - Share-Based Payments in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, of our 2006 Form 10-K. All per share amounts have been adjusted for the five-for-one reverse stock split that became effective on October 25, 2006.

(2) The aggregate number of option awards outstanding at fiscal year end was as follows: Mr. Hanson (10,000). Other than Mr. Grinney, whose option awards are disclosed under the table entitled Outstanding Equity Awards at December 31, 2006, no other directors had option awards outstanding at fiscal year end.

(3) Mr. Berrard did not stand for re-election to the board of directors at our 2006 annual meeting of stockholders. Consequently, on May 18, 2006, Mr. Berrard forfeited 1,723 shares of restricted stock that had not vested.

Non-employee directors of HealthSouth receive an annual cash retainer of $95,000. In addition to the cash retainer, the chairman of the board of directors and the chairperson of each committee receive additional compensation for his or her service as a chairperson. Currently, the chairman of the board receives an additional $100,000 per year to compensate for the enhanced responsibilities and time commitment associated with that position. The chairperson of the Audit Committee receives an additional $25,000 per year, the chairperson of the Compensation Committee receives an additional $15,000 per year, and the chairpersons of the Compliance/Quality of Care Committee, the Finance Committee, and the Nominating/Corporate Governance Committee each receive an additional $10,000 per year.

In addition, under our 2004 Amended and Restated Director Incentive Plan, each non-employee member of the board of directors currently receives an annual grant of restricted stock units valued at $90,000 (or, a similarly valued award of HealthSouth common stock if the director makes a timely election), which will be granted to each director at the time annual equity awards are granted to key employees of HealthSouth, and which units will be settled in shares of HealthSouth common stock six months following the date upon which such director no longer serves on our board of directors. The material features of this plan are described below under Equity Compensation Plan Information on page 34.

Mr. Grinney, who is the only director that is also an employee, receives no additional compensation for serving on the board.

Indemnification and Exculpation

We indemnify our directors and officers to the fullest extent permitted by Delaware law. Our certificate of incorporation also includes provisions that eliminate the personal liability of our directors for monetary damages for breach of fiduciary duty as a director, except for liability:

- for any breach of the director s duty of loyalty to us or our stockholders;
- for acts or omissions not in good faith or that involved intentional misconduct or a knowing violation of law;
- under Section 174 of the Delaware law (regarding unlawful payment of dividends); or
- for any transaction from which the director derives an improper personal benefit.

We have also entered into agreements with certain of our directors and executive officers contractually obligating us to provide this indemnification to them. We believe that these provisions and agreements are necessary to attract and retain qualified people and so that they will be free from undue concern about personal liability in connection with their service to HealthSouth.

AUDIT COMMITTEE MATTERS

Audit Committee Report

We have a separately designed standing Audit Committee established in accordance with Section 3(a)58(A) of the Exchange Act. The Audit Committee operates under a written charter adopted by the board of directors on February 28, 2007, available on the company s website at www.healthsouth.com, under Who We Are/Corporate Governance, which outlines the committee s responsibilities. The board of directors has determined that each member of the committee is an independent director based on HealthSouth s Corporate Governance Guidelines. Each member of the committee also satisfies the definition of independence for audit committee members contained in Rule 303A.02 of the listing standards for the New York Stock Exchange, as well as the SEC s additional independence requirements for audit committee members. In addition, the board of directors has determined that each of Edward A. Blechschmidt and Donald L. Correll is an audit committee financial expert as defined by SEC rules.

The board of directors has the ultimate authority for effective corporate governance, including the role of oversight of the management of HealthSouth. The Audit Committee s purpose is to assist the board of directors in fulfilling its responsibilities to the company and its stockholders by overseeing the accounting and financial reporting processes of HealthSouth, the qualifications and selection of the independent registered public accounting firm engaged as HealthSouth s independent registered public accounting firm, and the performance of HealthSouth s Inspector General, internal auditors and independent registered public accounting firm.

The Audit Committee relies on the expertise and knowledge of management, the internal auditors, and the independent registered public accounting firm in carrying out its oversight responsibilities. Management has the primary responsibility for establishing and maintaining effective systems of internal and disclosure controls (including internal control over financial reporting), for preparing financial statements, and for the public reporting process. PricewaterhouseCoopers LLP, HealthSouth s independent registered public accounting firm for 2006, is responsible for expressing opinions on the conformity of the company s audited financial statements with generally accepted accounting principles. In addition, PricewaterhouseCoopers LLP will express its own opinion on the effectiveness of the company s internal control over financial reporting as required by Section 404 of the Sarbanes-Oxley Act of 2002.

With respect to the fiscal year ended December 31, 2006, the Audit Committee fulfilled its duties and responsibilities generally as outlined in the charter. Specifically, the committee, among other actions:

- reviewed and held discussions with management and the independent registered public accounting firm regarding the fair and complete presentation of the company s consolidated financial statements and related periodic reports filed with the SEC;
- reviewed and held discussions with management, the internal auditors, and the independent registered public accounting firm regarding significant accounting policies applied by the company in its financial statements, as well as alternative treatments and risk assessment;
- reviewed management s assessment of the effectiveness of the company s internal control over financial reporting and discussed with the independent registered public accounting firm its audit of management s assessment of internal controls over financial reporting;
- reviewed with management, the internal auditors, and the independent registered public accounting firm, the audit scope and plan; and
- met in periodic executive sessions with each of management, the internal auditors, and the independent registered public accounting firm.

Management is responsible for maintaining adequate internal control over financial reporting and for assessing the effectiveness of internal control over financial reporting. The Audit Committee was kept apprised of the progress of management s assessment of the company s internal control over financial reporting and provided oversight to management during the process. The Audit Committee also provided oversight and reviewed with management the company s initiatives to remediate material weaknesses in the company s internal control over financial reporting as required by Section 404 of the Sarbanes-Oxley Act of 2002.

The Audit Committee has reviewed and discussed with management and PricewaterhouseCoopers LLP the audited consolidated financial statements for the year ended December 31, 2006, management s assessment of the effectiveness of the company s internal control over financial reporting, and PricewaterhouseCoopers LLP s audit of the company s internal control over financial reporting. The committee also discussed with PricewaterhouseCoopers LLP those matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees).

The Audit Committee recognizes the importance of maintaining the independence of the company s independent registered public accounting firm, both in fact and appearance. Consistent with its charter, the committee has evaluated PricewaterhouseCoopers LLP s qualifications, performance, and independence, including that of the lead audit partner. The committee has established a policy pursuant to which all services, audit and non-audit, provided by the independent registered public accounting firm must be pre-approved by the Audit Committee or its delegate. The company s preapproval policy is more fully described below under Principal Accountant Fees and Services. The committee has concluded that provision of the non-audit services described in that section is compatible with maintaining the independence of PricewaterhouseCoopers LLP. In addition, PricewaterhouseCoopers LLP has provided the committee with the letter required by the Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and the committee has had discussions with PricewaterhouseCoopers LLP regarding its independence.

Based on the reviews and discussions described above, the Audit Committee recommended to the board of directors, and the board of directors has approved, that the audited consolidated financial statements for the year ended December 31, 2006 and management s assessment of the effectiveness of the company s internal control over financial reporting as of December 31, 2006 be included in our 2006 Form 10-K for filing with the SEC. The Audit Committee and the board of directors have selected PricewaterhouseCoopers LLP as the company s independent registered public accounting firm for 2007.

Audit Committee

Edward A. Blechschmidt (Chairman)

Donald L. Correll

L. Edward Shaw, Jr.

The Audit Committee Report does not constitute soliciting material, and shall not be deemed to be filed or incorporated by reference into any other filing of HealthSouth under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that HealthSouth specifically incorporates the Audit Committee Report by reference therein.

Auditor Attendance at the Annual Meeting

Representatives of PricewaterhouseCoopers LLP are expected to attend the annual meeting and will have the opportunity to make a statement, if they desire, and will be available to respond to appropriate questions.

Principal Accountant Fees and Services

The Audit Committee of our board of directors is responsible for the appointment, oversight, and evaluation of our independent registered public accounting firm. In accordance with our Audit Committee s charter, our Audit Committee must approve, in advance of the service, all audit and permissible non-audit services provided by our independent registered public accounting firm. Our independent registered public accounting firm may not be retained to perform the non-audit services specified in Section 10A(g) of the Exchange Act.

The Audit Committee has established a policy regarding preapproval of all audit and permissible non-audit services provided by our independent registered public accounting firm, as well as all engagement fees and terms for our independent registered public accounting firm. Under the policy, the Audit Committee must approve annually a resolution setting forth the expected services to be rendered and fees to be charged by our independent registered public accounting firm during the year. The Audit Committee must approve, in advance, any services or fees exceeding preapproved levels. The Audit Committee has delegated general preapproval authority to a subcommittee of which the chairman of the Audit Committee is the only member. All requests or applications for services to be provided by our independent registered public accounting firm must be submitted to specified officers who may determine whether such services are included within the list of preapproved services. All requests for services that have not been preapproved must be accompanied by a statement that the request is consistent with the independent registered public accounting firm s independence from HealthSouth.

With respect to the audits for the years ended December 31, 2006 and 2005, the Audit Committee approved the audit services to be performed by PricewaterhouseCoopers LLP, as well as certain categories and types of audit-related, tax, and permitted non-audit services.

Fees Paid to the Principal Accountant 2006

Amounts paid or accrued for the services of PricewaterhouseCoopers LLP in 2006 primarily related to the audits of our consolidated financial statements and internal control over financial reporting for the years ended December 31, 2006 and 2005. The table below sets forth all fees paid or accrued for the services of PricewaterhouseCoopers LLP in 2006:

	2006	
	(In Millions)	
Audit Fees[(1)]	$	24.8
Audit-Related Fees[(2)]	1.4	
Total audit and audit-related fees	26.2	
Tax Fees		
All Other Fees[(3)]	3.6	
Total Fees	$	29.8

(1) *Audit Fees* Represents aggregate fees paid or accrued for professional services rendered for the audit of our consolidated financial statements and internal control over financial reporting for the years ended December 31, 2006 and 2005. It also includes fees paid for professional services rendered for the review of financial statements included in our 2006 Form 10-Qs (including the review of quarterly information for 2005, which had never been presented). It also includes fees for professional services that are normally provided by our independent registered public accounting firm in connection with statutory and regulatory engagements required by various partnership agreements or state and local laws in the jurisdictions in which we operate or manage facilities.

(2) *Audit-Related Fees* Represents aggregate fees paid or accrued for professional services rendered for the carveout financial statement audits of our surgery centers, outpatient, and diagnostic divisions for the years ended December 31, 2005 and 2004, and the carveout financial statement audit of our diagnostic division for the year ended December 31, 2003.

(3) *All Other Fees* Represents fees for all other products and services provided by our independent registered public accounting firm that do not fall within the previous categories. More specifically, these fees include amounts paid to PricewaterhouseCoopers LLP for services as our Independent Review Organization, as stipulated in the December 2004 Corporate Integrity Agreement. It also includes fees for professional services for transaction support associated with the potential divestitures of our surgery centers, outpatient, and diagnostic divisions.

Fees Paid to the Principal Accountant 2005

PricewaterhouseCoopers LLP was named our independent registered public accounting firm in May 2003. Prior to their appointment as our independent registered public accounting firm, our Special Audit Review Committee s legal counsel engaged a forensic auditing team from PricewaterhouseCoopers LLP to assist in its investigation of accounting irregularities at HealthSouth and to consider any related matters that it concluded deserved review or comment.

Due to the timing of our filings and the related audits of our consolidated financial statements for the years ended December 31, 2004, 2003, and 2002, as well as the re-audits for the years ended December 31, 2001 and 2000, approximately 87% of the amounts paid or accrued for the services of PricewaterhouseCoopers LLP in 2005 related to the audits of our consolidated financial statements and internal control over financial reporting for the year ended December 31, 2004, the audit of our consolidated financial statements for the years ended December 31, 2003 and 2002, and the re-audits for the years ended December 31, 2001 and 2000. The table below sets forth all fees paid or accrued for the services of PricewaterhouseCoopers LLP in 2005:

	2005	
	(In Millions)	
Audit Fees[(1)]	$	44.7
Audit-Related Fees		
Total audit and audit-related fees	44.7	
Tax Fees		
All Other Fees[(2)]	0.3	
Total Fees	$	45.0

(1)

Audit Fees Represents aggregate fees paid or accrued for professional services rendered for the audit of our consolidated financial statements and internal control over financial reporting for the years ended December 31, 2005 and 2004, the audit of our consolidated financial statements for the years ended December 31, 2003 and 2002, and the re-audits for the years ended December 31, 2001 and 2000. It also includes fees for professional services that are normally provided by our independent registered public accounting firm in connection with statutory and regulatory engagements required by various partnership agreements or state and local laws in the jurisdictions in which we operate or manage facilities.

(2) *All Other Fees* Represents fees for all other products and services provided by our independent registered public accounting firm that do not fall within the previous categories. More specifically, these fees include amounts paid to PricewaterhouseCoopers LLP for forensic audit services rendered to the Special Audit Review Committee, as well as services provided as our Independent Review Organization, as stipulated in the December 2004 Corporate Integrity Agreement.

COMPENSATION COMMITTEE MATTERS

Scope of Authority

The Compensation Committee acts on behalf of the board of directors to establish the compensation of executive officers of the company and provides oversight of the company s compensation philosophy. The committee also acts as the oversight committee with respect to the company s equity compensation, bonus and other compensation plans covering executive officers and other senior management. In overseeing those plans, the committee may delegate authority for day-to-day administration and interpretation of the plan, including selection of participants, determination of award levels within plan parameters, and approval of award documents, to officers of the company. However, the committee may not delegate any authority under those plans for matters affecting the compensation and benefits of the executive officers.

Role of Independent Consultant

The Compensation Committee has retained Mercer Human Resource Consulting as its independent compensation consultant to assist the committee in evaluating executive compensation programs and in setting executive officers compensation. The use of an independent consultant provides additional assurance that the company s executive compensation programs are reasonable and consistent with company objectives. The consultant advises the committee with respect to compensation trends and best practices, plan design, and the reasonableness of individual compensation awards.

Role of Executive Officers and Management

The chief executive officer and the senior vice president of human resources formulate recommendations on matters of compensation philosophy, plan design, and the specific compensation recommendations for executive officers (other than the chief executive officer). The chief executive officer gives the Compensation Committee a performance assessment and compensation recommendation for each of the other named executive officers. Those recommendations are then considered by the committee with the assistance of its compensation consultant. The chief executive officer and the senior vice president of human resources generally attend Compensation Committee meetings but are not present for the independent sessions or for any discussion of their own compensation. The Compensation Committee, together with the other independent directors and without input from the chief executive officer, determine the chief executive officer s base compensation and incentive compensation.

Compensation Committee Interlocks and Insider Participation

None of the current members of our Compensation Committee is an officer or employee of HealthSouth. None of our current executive officers serves or has served as a member of the board of directors or compensation committee of any other company that had one or more executive officers serving as a member of our board of directors or Compensation Committee.

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K, and, based upon such review and discussions, the Compensation Committee recommended to the board of directors that the Compensation Discussion and Analysis be included in this proxy statement.

Compensation Committee

Leo I. Higdon, Jr. (Chairman)

Yvonne M. Curl

John E. Maupin, Jr.

The Compensation Committee Report does not constitute soliciting material, and shall not be deemed to be filed or incorporated by reference into any other filing of HealthSouth under the Securities Act of 1933, as amended, or the Securities

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Exchange Act of 1934, as amended, except to the extent that HealthSouth specifically incorporates the Compensation Committee Report by reference therein.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Compensation Philosophy and Practice

We operate in a highly competitive and dynamic industry. The key objectives of our executive compensation program are to attract, motivate and retain executives who will establish HealthSouth as a leader in the health care industry and enhance stockholder value over the long-term. In addition, because of the challenging operating environment we have faced since March 2003, as well as the strategic repositioning we announced in August 2006, our executive compensation program places a special emphasis on ensuring management stability. We achieve these objectives by providing executives with a comprehensive package that includes a mix of salary, bonus and equity compensation. Our compensation program is designed to:

- reward executives based on individual performance, company performance, and the creation of stockholder value;
- provide outstanding achievers with a compensation package that is highly competitive with comparable employers over the long-term;
- encourage management stability through HealthSouth s turnaround and repositioning period; and
- align executive incentives with the long-term interests of our stockholders.

In recent years, the company has established targets for both salary and bonus based on specific Adjusted Consolidated EBITDA[1] targets. We use Adjusted Consolidated EBITDA to assess our operating performance. We believe it is meaningful because it provides investors with a measure used by our internal decision makers for evaluating our business. During the transitional year of 2007, we will continue to use Adjusted Consolidated EBITDA, but our goal is to focus on additional financial targets, including net income and specific balance sheet goals, by 2008.

Elements of Executive Compensation

The elements of our executive compensation program are discussed below. In general, we try to maintain a balance between cash and equity compensation, with a significant portion of cash compensation being performance based. As an executive s responsibility increases, his or her total compensation mix will generally include a greater percentage of equity as well as a greater percentage of total compensation at risk.

Base Salary

A number of factors are considered in determining executive base salaries, including the executive s scope of responsibilities, a competitive market assessment of similar roles at other similar companies, and an assessment of the executive s performance. Base salaries are reviewed once per year and may be adjusted after considering the above factors. A more detailed discussion of these factors and how they affect compensation is set forth on page 26 under the heading, How Compensation Levels are Determined.

Bonus

In 2006, we adopted the 2006 Senior Management Bonus Program to reward our executives on a performance basis. Under the bonus program, annual bonus targets are determined as a percentage of each executive s base salary. The bonus program, and any payout, is at the full discretion of the independent directors of the board of directors, based on the recommendations of the Compensation Committee, all of whom are also independent directors. Target bonus ranges are established through an analysis of compensation from comparable positions in the health care industry, with actual bonus

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[1] In general terms, the definition of Adjusted Consolidated EBITDA, per our 2006 Credit Agreement (as defined in our 2006 Form 10-K), allows us to add back to Adjusted Consolidated EBITDA all unusual non-cash items or non-recurring items. These items include, but may not be limited to, (1) expenses associated with government, class action, and related settlements, (2) fees, costs, and expenses related to our recapitalization transactions, (3) any losses from discontinued operations and closed locations, (4) charges in respect of professional fees for reconstruction and restatement of financial statements, including fees paid to outside professional firms for matters related to internal controls and legal fees for continued litigation defense and support matters discussed in Note 25, *Contingencies and Other Commitments*, to our consolidated financial statements accompanying our 2006 Form 10-K, and (5) compensation expenses recorded in accordance with FASB Statement No. 123(R). See the discussion under the heading Consolidated Results of Operations Adjusted Consolidated EBITDA in Item 7,

Management s Discussion and Analysis of Financial Condition and Results of Operations, of our 2006 Form 10-K, for a description of how Adjusted Consolidated EBITDA is calculated from our audited financial statements.

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awards being determined according to each executive s level of achievement of certain quantitative and qualitative performance objectives.

The quantitative goals of the bonus program include both corporate and divisional goals determined at the beginning of each year such as specific Adjusted Consolidated EBITDA and margin rate targets for the company, divisional growth targets for the three ambulatory divisions, compliant case growth for the inpatient division, and design of remediation plans for material weaknesses for each division. The Adjusted Consolidated EBITDA target for 2006 was $547 million and the Margin Rate target was 16%. These quantitative goals are weighted in relative importance for each executive. We also specify, for each executive, three to five individual goals, also weighted according to importance, which are determined between each participant and his or her immediate supervisor. In 2006, the target bonus and weightings assigned to the objectives for each executive are shown in the following tables.

Named Executive Officer	Target Bonus as a % of Salary	Company Quantitative Objectives	Divisional Quantitative Objectives[2]	Individual Objectives
Jay Grinney	90%	80%	N/A	20%
Michael D. Snow	80%	70%	N/A	30%
John L. Workman	70%	70%	N/A	30%
John Markus	60%	60%	N/A	40%
Mark J. Tarr	60%	20%	60%	20%
James C. Foxworthy	60%	60%	N/A	40%

Weighting of Quantitative Objectives

Company Quantitative Objectives		Individual Objectives
Objective	Weighting	
EBITDA	50%	Three to five individual objectives appropriately weighted
Margin Rate	30%	
Remediation of Material Weaknesses	20%	

In assessing performance against our quantitative objectives, the Compensation Committee compares actual results against specific financial objectives. The following sliding scale sets forth the potential bonus payout based on the weighted average results. Actual payouts are interpolated using this sliding scale.

Weighted Average Results	Payout
>115%	150%
Budget = 100%	100%
<85%	0%

The Compensation Committee uses qualitative objectives, and achievement of these qualitative objectives, to adjust overall bonus payouts as may be appropriate. Our qualitative goals for 2006 are described in the table below.

[2] For the inpatient division, quantitative objectives are weighted as follows: EBITDA (35%), margin rate (21%), remediation test results (14%), and compliant case growth (30%).

Qualitative Goal	Completion Status
1. Become a regular filer under the Exchange Act.	1. Complete. 2005 10-K and all 2006 10-Qs filed on time.
2. Refinance our balance sheet.	2. Complete. Balance Sheet refinanced with significant pre-payable debt and no near-term maturities.
3. Formalize a long-term de-leveraging plan.	3. Complete. Plan is to reduce long-term debt by $1.5B over the next three years through asset sales, tax refunds and litigation recoveries.
4. Seek re-listing of our stock on a national exchange.	4. Complete. Re-listing on NYSE occurred on October 26, 2006.
5. Resolve securities litigation.	5. Complete. Final Settlement approved January 2007.
6. Formalize the quality component of the Compliance/Quality of Care Committee of the Board.	6. Complete. Quality metrics established. Medical Director hired, oversight by Compliance/Quality of Care Committee initiated.
7. Create a development function, staffed at both the corporate and division levels, and identify a minimum of five IRFs and five surgery center development projects for 2007.	7. Complete.
8. Divest the diagnostic division.	8. Not complete.
9. Increase stakeholder value (stock price).	9. Not complete.

If the weighted average result relative to company quantitative objectives is less than 85%, the maximum bonus payout an executive can receive is 50% of the target bonus, even if all qualitative objectives are met. Taking into account the recommendations of the Compensation Committee, the independent directors of our board of directors made the final determination regarding bonuses to be paid under the 2006 Senior Management Bonus Program at the February 2007 meeting of the board of directors. These amounts are set forth in the Summary Compensation Table on page 28.

Equity Incentives

Our executives are eligible to receive awards of restricted stock and options to purchase common stock on an annual basis. Grants of restricted stock and option awards are generally made at the February board meeting based on recommendations of the Compensation Committee. The Compensation Committee believes that such grants help focus executive attention on managing the business effectively and ensuring that operational decisions are based on long-term considerations that benefit the company and our stockholders. However, we have been unable to maintain an effective registration statement since March 2003. Therefore, the holders of options have been unable to exercise any options or trade stock awarded during that time and we recognize the value of these incentives currently may be somewhat impaired. However, we intend to file one or more registration statements covering our equity incentive plans as soon as reasonably possible in 2007. At that time, outstanding vested options will become immediately exercisable, providing recognizable value to holders.

Restricted Stock Awards. Restricted stock awards are for shares of HealthSouth common stock and will only be earned by an executive officer when the restrictions on the award lapse and only if the individual continues to be employed by HealthSouth. Restricted stock awards vest on a cliff vesting schedule, typically three years from the grant date of the award. Restricted stock awards are granted at the discretion of the independent directors of the board of directors, based on recommendations from the Compensation Committee and evidenced by an award agreement with each recipient.

Option Awards. Each stock option permits the executive officer, generally for a period of 10 years, to purchase one share of HealthSouth common stock at the exercise price, which is the closing market price on the date of the grant. Options vest ratably in equal annual increments over a specified period of time, typically three years from the grant date of the option. Options are granted at the discretion of the independent directors of the board of directors based on recommendations from the Compensation Committee and evidenced by an option agreement with each recipient.

Retention Incentives

An important component of our overall executive compensation program is designed to reward management stability. Retention incentives are particularly important to us because: (1) we have a new management team, (2) we have faced an extremely challenging operating environment since March 2003, and (3) we have recently announced a strategic repositioning of the company which contemplates the divestiture of our surgery, outpatient and diagnostic divisions. We have implemented two compensation plans to encourage management stability during this turnaround and repositioning period, both of which are discussed below.

Key Executive Incentive Program. The HealthSouth Key Executive Incentive Program was created by our chief executive officer in late 2005. The Compensation Committee approved the program and recommended it to the board of directors, which approved the program on November 17, 2005. The program is a supplement to the company s overall compensation program for executives and is intended to provide incentives for key senior executives in the form of equity awards that vest and cash bonuses that are payable, in each case through January 2009. All named executive officers, other than Mr. Grinney, are participants in the program.

The program consists of a 50% equity component and a 50% cash component, except that the awards to Messrs. Snow and Workman consist of 60% in equity and 40% in cash. The equity component is comprised of approximately one-third stock options and two-thirds restricted stock.

The equity awards, which were made on November 17, 2005, were one-time special equity grants. These awards were separate from, and in addition to, the normal equity grants awarded in March and generally were equivalent to the executive s normal annual grant. The equity awards granted to the key executives who are named executive officers, adjusted for the five-for-one reverse stock split that became effective on October 25, 2006, are as follows: Mr. Snow: 28,159 shares of restricted stock and 17,727 stock options; Mr. Workman: 23,923 shares of restricted stock and 15,061 stock options; Mr. Markus: 10,883 shares of restricted stock and 6,852 stock options; Mr. Foxworthy: 10,883 shares of restricted stock and 6,852 stock options; and Mr. Tarr: 11,164 shares of restricted stock and 7,029 stock options. The stock options have an exercise price equal to $19.35 per share, the fair market value on the date of grant. The stock options and restricted stock will vest according to the following schedule: 25% in January 2007, 25% in January 2008, and the remaining 50% in January 2009.

The cash component of the award is an incentive payment payable 25% in January 2007, 25% in January 2008, and the remaining 50% in January 2009. This cash bonus is equivalent to between approximately 80% and 110% of the key executive s base salary. In order for each key executive to receive each installment of the cash award, he or she must be employed in good standing on a full-time basis at the time of each payment, and the company must have attained certain performance goals based on liquidity standards established by HealthSouth.

Transitional Severance Plan. Effective October 1, 2006, the Compensation Committee approved a Transitional Severance Plan for executives and selected corporate employees to provide an appropriate incentive for these employees to remain during the potential divestiture of the surgery centers, outpatient, and diagnostic divisions. The plan relating to executives consists of two components: a cash severance payment and a retention bonus.

Under the severance component, if an executive s employment is terminated by HealthSouth other than for cause or by the executive for good reason (as defined in the severance plan), then the executive is entitled to receive a cash severance payment, health benefits, and such other benefits as may be determined by the plan s administrator. The cash severance payment is an amount equal to the executive s monthly salary then in effect multiplied by the number of months of severance applicable to the executive, plus any accrued but unused vacation and accrued but unpaid salary. This amount is to be paid in substantially equal installments in accordance with our normal payroll practices. Mr. Grinney, Mr. Workman, and Mr. Tarr are not participants. The number of months of severance to be received is based on the executive s severance classification as set forth in the following table.

Number of Months Severance Applicable by Tier

Tier	Participants	Termination Before February 1, 2007	Termination After February 1, 2007
1	Executive Vice Presidents Division Presidents	18 months	24 months
2	Senior Vice Presidents	12 months	18 months
3	Select Vice Presidents	6 months	12 months

Under the retention bonus component of the plan, certain executives designated by the Compensation Committee are eligible also to receive a retention bonus contingent on the closing of the relevant divestiture transaction. For the named executive officers, the bonus will be payable upon closing of the disposition of the division or divisions in which such executive participated. The retention bonus will consist of a fixed and a discretionary portion. The fixed portion is paid to executives still employed at the time of the closing of the relevant divestiture. The discretionary portion is equal to a percentage of the executive s annual base salary and is based on both transaction criteria, including sales price and timing of transaction, and individual performance criteria, including individual effort, attitude, timely completion of assignments, and quality of management presentations to potential buyers. For participating named executive officers, the bonus is weighted 80% to the surgery divestiture and 20% to the outpatient divestiture. Mr. Snow is the only named executive officer eligible to receive a retention bonus under the Transitional Severance Plan. The fixed portion of Mr. Snow s retention bonus would equal $323,695 and the discretionary portion, if awarded, would equal no less than $323,695.

Participants in the Transitional Severance Plan who have written employment agreements must choose whether to receive severance benefits under the Transitional Severance Plan or their employment agreements, as set forth in the following table.

Transitional Severance Plan v. Employment Agreement

Transitional Severance Plan				Employment Agreement
Occurrence	Severance Payment Component Eligible Under Transitional Severance Plan	Retention Bonus Component Eligible Under Transitional Severance Plan	**OR**	Severance Payment Eligible Under Employment Agreement
Voluntary resignation other than for good reason	No	No		Salary and benefits due as of date of termination
HealthSouth terminates for cause	No	No		Salary and benefits due as of date of termination
HealthSouth terminates without cause	Yes; multiple of monthly salary and number of months of severance	Yes		24 months base salary and benefits
Retirement, death or disability	No	No		Three months base salary in the event of death Salary for number of months remaining in agreement in the event of disability
Comparable employment offer within 50 miles	No	Yes		N/A

Executive Benefits

In 2006, our executives were eligible for the same benefits offered to other employees, including medical and dental coverage. Executives are also eligible to participate in HealthSouth s 401(k) plan subject to a limit on contributions. In addition to the standard benefits offered to all employees, we pay our executives group term life premiums and also provide Mr. Grinney with additional long-term disability coverage. Other than the plans referenced here, the company does not provide its executives with compensation in the form of a pension plan, non-qualified deferred compensation plan, or a retirement plan.

Perquisites Philosophy

HealthSouth does not provide its executive officers with perquisites such as country club memberships. The board of directors, the Compensation Committee, and executive management do not believe such personal benefits are necessary for HealthSouth to attract and retain executive talent.

How Compensation Levels Are Determined

The Compensation Committee reviews each element of compensation for our executives. Each year the Compensation Committee reviews and considers, among other things, executive market data (base salary, target bonus, total cash, long term incentives and total direct compensation) when setting compensation targets.[3] The Compensation Committee also considers an assessment of the company s performance, the executive s level of responsibility, anticipated contributions to the company, competitive practices, and certain factors relating to equity awards such as the number of awards available for grant and potential dilution and expense relating to such grants. The Compensation Committee exercises its business judgment in applying standard approaches to the facts and circumstances associated with each executive.

The Compensation Committee does not rely solely on predetermined formulas or a limited set of criteria when it evaluates the performance of our executive officers. Rather, the Compensation Committee considers management s continuing achievement of its short and long-term goals which, for the periods covered by this proxy statement, are discussed elsewhere in this Compensation Discussion and Analysis.

To assist the Compensation Committee in its review and determination of executive compensation levels, the Compensation Committee has engaged Mercer Human Resource Consulting. From time to time we also review data from several executive compensation benchmarking surveys, including those published by Mercer and Towers Perrin. Such surveys provide summarized data on levels of base salary, target annual incentives, and stock-based and other long-term incentives. These surveys also provide benchmark information on compensation practices such as the prevalence of types of compensation plans and the proportion of the components that comprise the total direct compensation package. These surveys are supplemented by other publicly available information and input from Mercer on other factors such as recent market trends.

During the year, the Compensation Committee considers a list of companies against which performance and compensation for executives will be compared. The principal criteria used to determine membership in the comparator group include industry segment and revenue size. The 2006 comparator group was comprised of 12 companies: Community Health Systems, Coventry Health Care, HCA, Health Management Associates, Kindred Healthcare, Laboratory Corp of America, Manor Care, Omnicare, Quest Diagnostics, Tenet Healthcare, Triad Hospitals, and Universal Health Services. HealthSouth, with assistance from Mercer, reviews the comparator group on a regular basis to ensure the group is appropriate based on the anticipated divestiture process. The comparator group for 2007 will be modified to reflect a more appropriate group based upon the divestiture process that is ongoing within the company.

Together with the other independent directors and in consultation with Mercer, the Compensation Committee determines and approves the base compensation level of and incentive compensation for the chief executive officer. The discussions with respect to the chief executive officer s compensation package occur during the independent session of both the Compensation Committee and the board of directors. In determining the compensation package for our chief executive officer, the Compensation Committee and the board of directors assess the individual performance of the chief executive officer and the financial and operating performance of HealthSouth.

At the end of the year, our chief executive officer makes recommendations to the Compensation Committee concerning the compensation of the other executive officers and of the senior management team, which consists of HealthSouth s senior vice presidents. Our chief executive officer provides complete evaluations only for executive officers and certain senior vice presidents. The Compensation Committee considers the chief executive officer s recommendations based on each executive s individual responsibility, performance and overall contribution.

The Compensation Committee reviewed all components of the executive officers compensation for 2006, including salary, annual and long-term incentive pay, stock option grants and restricted stock awards, as well as potential payout obligations under HealthSouth s Transitional Severance Plan and Change in Control Benefits Plan. With the help of Mercer Human Resource Consulting, and in consultation with the board of directors, the Compensation Committee determined that our 2006 executive compensation was reasonable and consistent with HealthSouth s objectives.

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[3] It should be noted that when setting compensation targets, the compensation values used by Mercer Human Resource Consulting for HealthSouth s comparator data reflect projected equity prices and not current values (i.e. options were valued at $25.00 and restricted shares were valued at $50.00).

Other Severance Arrangements

On November 4, 2005, the Special Committee of the board of directors approved, upon the recommendation of the Compensation Committee, the HealthSouth Corporation Change in Control Benefits Plan. After consultation with outside counsel, the company has determined that a divestiture of any divisions will not trigger benefits due under the Change in Control Benefits Plan. Mr. Grinney, Mr. Snow, Mr. Workman, Mr. Markus, and Mr. Tarr are participants in the Change in Control Benefits Plan, as are other executives. In addition, prior to leaving HealthSouth, Mr. Foxworthy was a participant. As a condition to receipt of any payment or benefits under the plan, participating employees, as designated by the chief executive officer, must enter into a Non-Solicitation, Non-Disclosure, Non-Disparagement and Release Agreement with HealthSouth.

Under the Change in Control Benefits Plan, participants are divided into three different tiers as designated by the Compensation Committee. Tier 1 is comprised of certain executive officers including the named executive officers as listed above; Tier 2 is comprised of division presidents and certain other officers; and Tier 3 includes additional officers. Upon the occurrence of a change in control as defined in the Change in Control Benefits Plan, each outstanding option to purchase common stock held by participants will become automatically vested and exercisable for a 90 day period. All options granted after November 4, 2005 will remain exercisable for the following additional exercise periods:

Change in Control Additional Option Exercise Periods	
Tier Level	Additional Exercise Period
Tier 1	3 years
Tier 2	2 years
Tier 3	1 year

If a participant s employment is terminated within 24 months following a change in control or within 3 months of a potential change in control, either by the participant for good reason (as defined in the Change in Control Benefits Plan) or by HealthSouth without cause, then the participant shall receive a lump sum severance payment. The lump sum is based upon a multiple of base salary and maximum target bonus as follows:

Change in Control Severance Payment	
Tier Level	Multiple
Tier 1	2.99
Tier 2	2.00
Tier 3	1.00

Employment Agreements

Certain of our executive officers are employed pursuant to written employment agreements.[4] Each employment agreement separately reflects the terms that the Compensation Committee believed were appropriate and necessary to retain the services of the particular executive officer, within the framework of our compensation policies. A limited number of other senior officers of the company are also employed pursuant to employment agreements. Our employment agreements provide us with protection in the form of restrictive covenants, including non-competition, non-solicitation, and confidentiality covenants. The Compensation Committee has considered the advisability of using employment agreements and determined that, under certain circumstances, such agreements may be in our best interests but, in general, we intend to minimize the use of employment agreements. The material terms of existing employment agreements with our named executive officers are described below beginning on page 29.

Changes to Executive Compensation

Although our executives have been forced to devote a significant portion of our time and attention over the past several years to matters primarily outside the ordinary course of business, and have been compensated in accordance with those responsibilities, 2006 marked the end of many of the legal, financial, and operational rocks in the road we have faced since March 2003 and the beginning of our repositioning as a pure play provider of post-acute care services with an immediate focus on inpatient rehabilitative care. At the February 2007 meeting of the board of directors, the Compensation Committee approved and recommended the 2007 Senior Management Bonus Program, which the independent directors of the board of directors reviewed and approved. The 2007 Senior Management Bonus Program recognizes that the company remains in a transition period, but is beginning to tie compensation decisions more directly to improved operating performance as it emerges from this transition and repositioning period. This enhanced focus on operational performance is reflected in various changes to the 2007 Senior Management Bonus Program:

- The company s quantitative objective targets now include volume growth, in addition to Adjusted Consolidated EBITDA, margin rate and no material weaknesses.

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[4] Mr. Grinney s employment agreement expires in May 2007. Mr. Snow s employment agreement expires in June 2007. Mr. Workman s employment agreement expires in September 2007. Mr. Markus agreement expired in February 2007.

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The company s qualitative objectives include outperforming peer-group stock price performance, identifying corporate cost-reduction opportunities, consummating a minimum number of development projects, and improving accounts receivable collection.

The company must achieve at least 80% of its Adjusted Consolidated EBITDA target before any payments are made for individual objectives.

After 2007, following completion of the divestitures of our surgery centers, outpatient, and diagnostic divisions, we expect additional changes to the focus of our compensation system. Specifically, as we emerge from this turnaround and repositioning period, we expect to put greater emphasis on the following factors:

earnings-per-share improvement;

revenue growth versus industry;

meeting or exceeding patient value expectations and maintaining quality care standards;

development and growth of inpatient division;

compliant case growth in our inpatient division;

enhancing our position as a leader in the health care industry; and

development of talent and leadership throughout the company.

Summary Compensation Table

The table below shows the compensation of our chief executive officer, chief financial officer, our former chief administrative officer, and each of our other three most highly compensated executive officers, for services in all capacities to the company in 2006, except as otherwise indicated. For a discussion of the amount of a named executive officer s salary and bonus in proportion to his total compensation, please see the Compensation Discussion and Analysis beginning on page 21.

Name and Principal Position	Year	Salary ($)	Stock Awards ($)(1)	Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)(3)	All Other Compensation ($)(4)	Total ($)
Jay Grinney President and Chief Executive Officer	2006	980,110	150,814	711,625	765,075	25,238	2,632,862
Michael D. Snow Executive Vice President and Chief Operating Officer	2006	642,603	150,814	102,510	463,532	5,870	1,365,329
John L. Workman Executive Vice President and Chief Financial Officer	2006	517,769	82,948	80,543	428,912	9,810	1,119,982
John Markus Executive Vice President and Chief Compliance Officer	2006	387,583	45,244	47,594	212,928	9,243	702,592
James C. Foxworthy Executive Vice President and Chief Administrative Officer	2006	296,500	45,244	47,594	95,823	213,093	698,254
Mark J. Tarr President, Inpatient Division	2006	335,354	45,244	43,933	206,529	4,508	635,568

(1) The value of stock awards listed in this column has been determined based on the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with Financial Accounting Standards Board Statements of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment (FAS 123R) for financial reporting purposes. The assumptions used in the valuation are discussed under the heading Critical Accounting Policies - Share-Based Payments in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, of our 2006 Form 10-K.

(2) The value of option awards listed in this column has been determined based on the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with Financial Accounting Standards Board Statements of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment (FAS 123R) for financial reporting purposes. The assumptions used in the valuation are discussed under the heading Critical Accounting Policies - Share-Based Payments in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, of our 2006 Form 10-K. On February 16, 2006, Mr. Tarr forfeited an option to purchase 440 shares of common stock which was granted on February 16, 1996 and expired by its terms.

(3) The amounts shown in this column comprise bonuses paid in 2007 under our 2006 Senior Management Bonus Program.

(4) For Mr. Grinney, the amount shown in this column includes company paid premiums for long-term disability insurance ($16,870). For Mr. Foxworthy, the amount shown in this column includes (a) separation pay ($45,500), (b) company relocation assistance payments ($125,246), (c) company outplacement assistance payments ($30,000), and (d) payout of accrued vacation ($11,375).

Grants of Plan-Based Awards During 2006

e Payouts Under Plan Awards				
arget (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exer
50,000		20,000	150,000	26.55
3,000		20,000	28,000	26.55
3,000		11,000	22,000	26.55
9,000		6,000	13,000	26.55