

HEALTHSOUTH Announces New Director, Formation of Special Litigation Committee

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HEALTHSOUTH Corporation announced that it had appointed a new independent member to its Board of Directors. Jon F. Hanson, Chairman of The Hampshire Companies, a real estate investment firm located in Hackensack, New Jersey, has agreed to join HEALTHSOUTH's Board. Mr. Hanson's experience includes service on the boards of Prudential Financial, Inc., Bell Atlantic/New Jersey, Inc., Hackensack University Medical Center and numerous other corporations and civic and charitable organizations. "Jon Hanson is an experienced businessman of broad experience and unquestioned independence, and we believe he will be a tremendous asset to the Board," said Richard M. Scrushy, Chairman of the Board of HEALTHSOUTH.

The company also announced that, in light of recent pending litigation, including at least one purported stockholder derivative lawsuit, the Board had appointed an independent Special Litigation Committee with full authority to review all matters relevant to the derivative claims. Larry D. Striplin, Jr., who has been a director of HEALTHSOUTH since 1999, and Jon Hanson were appointed to serve as the Special Litigation Committee. In addition, the company has engaged the national law firm of Fulbright & Jaworski LLP as special counsel to conduct a review of issues related to the litigation and other matters. The findings of that review will be presented to the Board and shared with regulatory authorities.

As part of its commitment to the review process, the company earlier this week contacted the Securities and Exchange Commission on its own initiative and volunteered to provide the Commission with any information that might be helpful to it in evaluating recent events. The company has since received notice of an investigation by the SEC, and is cooperating fully with the investigation.

"Our Board and management team are fully committed to addressing the issues that have been raised in recent days," said Scrushy. "We have established an independent Special Litigation Committee, we have brought in an outstanding law firm and pledged to give them everything they need for a full review, and we went to the SEC and told them we would give them any information they needed. We have a strong company in sound financial condition, and we are confident that the results of the steps we have outlined today will demonstrate our commitment to acting in the best interests of our stockholders."

As previously announced, HEALTHSOUTH will hold a conference call at 9:00 a.m. CDT today to provide investors and other interested persons with an update on several matters discussed in the company's August 27, 2002 press release and conference call, as well as the matters described in this press release. Interested persons may access the call by dialing 1-888-428-4478 and entering confirmation code 652745. A simultaneous "Webcast" of the call will be available via an Internet link at <http://www.healthsouth.com/> under the "Investor Relations" Section. A replay of the call will be available at the same Internet site address for 15 days following the call.

HEALTHSOUTH is the nation's largest provider of outpatient surgery, diagnostic imaging and rehabilitative healthcare services, with approximately 1,900 locations in all 50 states, the United Kingdom, Australia, Canada and Puerto Rico. HEALTHSOUTH can be found on the Web at <http://www.healthsouth.com/>.

Statements contained in this press release which are not historical facts are forward-looking statements. Without limiting the generality of the preceding statement, all statements in this press release concerning or relating to estimated and projected earnings, margins, costs, expenditures, cash flows, growth rates and financial results are forward-looking statements. In addition, HEALTHSOUTH, through its senior management, may from time to time make forward-looking public statements concerning the matters described herein. Such forward-looking statements are necessarily estimates reflecting the best judgment of HEALTHSOUTH's senior management based upon current information, involve a number of risks and uncertainties and are made pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. HEALTHSOUTH's actual results may differ materially from the results anticipated in these forward-looking statements as a result of a variety of factors, including those identified in this press release and in the public filings made by HEALTHSOUTH with the Securities and Exchange Commission, including HEALTHSOUTH's Annual Report on Form 10-K for the year ended December 31, 2001 and its Quarterly Reports on Form 10-Q, and forward-looking statements contained in this press release or in other public statements of HEALTHSOUTH or its senior management should be considered in light of those factors. There can be no assurance that such factors or other factors will not affect the accuracy of such forward-looking statements.

For more information, contact Richard M. Scrushy, Chairman of the Board, or Tadd McVay, Executive Vice President and Chief Financial Officer, at 205-967-7116

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SOURCE: HEALTHSOUTH Corporation

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