

HEALTHSOUTH Corporation Increases Consent Fee by 37.5%, Modifies Terms of And Extends Consent Solicitations

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BIRMINGHAM, Ala.

HEALTHSOUTH Corp. (OTC Pink Sheets: HLSH) today announced that it is extending until 11:59 p.m., New York City Time, on May 13, 2004, its solicitation of consents from holders of its 6.875% Senior Notes due 2005, 7.375% Senior Notes due 2006, 7.000% Senior Notes due 2008, 8.500% Senior Notes due 2008, 8.375% Senior Notes due 2011, 7.625% Senior Notes due 2012 and 10.750% Senior Subordinated Notes due 2008. The consent solicitations, which commenced on March 16, 2004, were previously scheduled to expire at 11:59 p.m., New York City Time, on April 28, 2004.

HEALTHSOUTH also announced that it is increasing the consent fee that it will pay to holders who deliver valid and unrevoked consents prior to the expiration of the consent solicitations to \$13.75 per \$1,000 principal amount of notes for which consents have been delivered, which represents an increase of \$3.75 per \$1,000 from the amount originally offered. The payment of the consent fee remains conditioned upon the proposed amendments to the indentures becoming operative. Holders who previously delivered valid consents and do not revoke those consents will receive the increased consent fee if the conditions to their consent solicitation are satisfied or waived.

HEALTHSOUTH said that it continues to be encouraged by the significant positive response that it has received in the consent solicitations. However, the Company continues to believe that it is in the best interest of its stakeholders to minimize the extent of litigation over this matter and is increasing the consent fee in order to consensually resolve the matters in the litigation on a fair and commercially reasonable basis in order to facilitate its continuing restructuring efforts.

Other Terms

HEALTHSOUTH is also modifying certain of the terms of the proposed amendments that it is seeking to the indentures governing its Senior Notes and Senior Subordinated Notes. Each holder of notes who consents to the proposed amendments will also be waiving all alleged and potential defaults under the indentures arising out of events occurring on or prior to the effectiveness of the proposed amendments.

The proposed amendments will become effective only upon satisfaction or waiver by HEALTHSOUTH of certain conditions which include receipt of valid and unrevoked consents from holders representing not less than a majority in aggregate principal amount of outstanding notes for a series. Consents for any series of notes may be revoked at any time prior to the date on which the trustee under the indenture for that series receives evidence that the requisite consents have been obtained. In order to provide holders with sufficient time to consider the proposed amendments, as modified today, HEALTHSOUTH will not provide to the trustee evidence that requisite consents for any series of notes have been obtained prior to May 6, 2004.

HEALTHSOUTH continues to be engaged in litigation with holders, the trustees and persons claiming to be beneficial owners of our Senior Notes and Senior Subordinated Notes seeking to prevent the acceleration of the indebtedness outstanding under such notes. At an April 23, 2004 status conference, the Court scheduled a hearing for HEALTHSOUTH's motion for partial summary judgment for June 30, 2004. At that hearing HEALTHSOUTH will argue that the noteholders' purported default notices were invalid and that HEALTHSOUTH is not required to pay a "make-whole premium" to holders of its Senior Notes and Senior Subordinated Notes upon acceleration of the notes. The Court stated that if any issues remain unresolved after that hearing, the Court will schedule a trial. The Court also noted that if holders take action prior to that time, and the Court determines that the persons doing so were not entitled to do so, those persons face serious liability exposure.

This news release is not a solicitation of consents with respect to any securities. The consent solicitations are being made only pursuant to the terms and conditions of the consent solicitation statements relating to each series of Notes and the accompanying documents. These documents can be obtained from Innisfree M&A Incorporated, the information agent, at 212-750-5833 (Banks and Brokers Call Collect) or 888-750-5834 (Noteholders Call Toll-Free). Questions regarding the solicitations should be directed to Credit Suisse First Boston, the solicitation agent, at 800-820-1653.

About HEALTHSOUTH

HEALTHSOUTH is the nation's largest provider of outpatient surgery, diagnostic imaging and rehabilitative healthcare services, with nearly 1,700 locations nationwide and abroad. HEALTHSOUTH can be found on the

Web at www.healthsouth.com .

Statements contained in this press release which are not historical facts 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 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. While it is impossible to identify all such factors, factors which could cause actual results to differ materially from those estimated by HEALTHSOUTH include, but are not limited to: the investigations by the Department of Justice and the Securities Exchange Commission into HEALTHSOUTH's financial reporting and related activity; HEALTHSOUTH's statement that as a result of the investigations, the Company's previously filed financial statements should no longer be relied upon and may result in the Company restating its prior financial statements; the withdrawal by HEALTHSOUTH's former accountants of their audit reports on all of the Company's previously filed financial statements; the outcome of pending litigation relating to these matters; significant changes in HEALTHSOUTH's management team; HEALTHSOUTH's ability to successfully amend, restructure and/or renegotiate its existing indebtedness or cure or receive a waiver of alleged defaults under such agreements, the inability of which may result in HEALTHSOUTH filing a voluntary petition for bankruptcy; HEALTHSOUTH's ability to continue to operate in the ordinary course and manage its relationships with its creditors, including its lenders, bondholders, vendors and suppliers, employees and customers; changes, delays in or suspension of reimbursement for HEALTHSOUTH's services by governmental or private payors; changes in the regulation of the healthcare industry at either or both of the federal and state levels; changes to the implementation of the prospective payment system for inpatient rehabilitation services; competitive pressures in the healthcare industry and HEALTHSOUTH's response thereto; HEALTHSOUTH's ability to obtain and retain favorable arrangements with third-party payors; general conditions in the economy and capital markets; and other factors which may be identified from time to time in the Company's SEC filings and other public announcements.

For more information contact Andy Brimmer at 205-410-2777.

SOURCE: HEALTHSOUTH Corporation

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Web site: <http://www.healthsouth.com/>

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