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HEALTHSOUTH CORP
Form 8-K
July 29, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (date of earliest event reported): July 25, 2005

HEALTHSOUTH Corporation

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

1-10315

(Commission File Number)

63-0860407

(IRS Employer Identification No.)

One HEALTHSOUTH Parkway, Birmingham, Alabama 35243

(Address of Principal Executive Offices, Including Zip Code)

(205) 967-7116

(Registrant's Telephone Number, Including Area Code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 1.01. Entry into a Material Definitive Agreement.

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On July 25, 2005, HealthSouth Corporation ("HealthSouth" or the "Company") entered into a class action settlement agreement (the "Settlement") with representatives of the plaintiff class relating to the action consolidated on July 2, 2003 against, among others, the Company, captioned IN RE HEALTHSOUTH CORP. ERISA LITIGATION, No. CV-03-BE-1700 (N.D. Ala.) (the "ERISA Litigation").

Under the terms of the Settlement, and in consideration of an absolute and unconditional release from all members of the plaintiff class of all claims (collectively, the "Released Claims") asserted in the ERISA Litigation against the Company and certain other defendants, excluding all Securities Actions, Derivative Actions, and certain other claims (each, as set forth in the Settlement), HealthSouth and its insurance carriers have agreed, without admitting or denying the existence or validity of any of the Released Claims, to pay \$25 million to the plaintiff class via the HealthSouth Corporation Employee Stock Benefit Plan, of which the Company is contributing \$7 million and its insurance carriers are contributing \$18 million. The Settlement does not release claims asserted by plaintiffs against defendants Aaron Beam, Jr., Michael Martin, William Owens and Richard Scrushy. The United States District Court for the Northern District of Alabama (the "Court") must approve the terms of the Settlement for it to be consummated.

The foregoing description of the terms of the Settlement does not purport to be complete. The papers relating to the Settlement will be filed with the Court.

Certain matters discussed herein constitute forward-looking statements which represent HealthSouth's current expectations and beliefs concerning future events that involve risks and uncertainties which could cause actual results to differ materially from those currently anticipated. Such information is based on numerous assumptions and involve a number of risks and uncertainties, many of which are beyond the Company's control.

ITEM 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The disclosure included under Item 1.01 of this Current Report on Form 8-K is incorporated by reference into this Item 2.03.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Current Report on Form 8-K to be signed on its behalf by the undersigned hereunto duly authorized.

HEALTHSOUTH CORPORATION

By: /s/ Gregory L. Doody

Name: Gregory L. Doody
Title: Executive Vice President,
General Counsel and Secretary

Dated: July 29, 2005

