HEALTHSOUTH CORP
Form 424B2
June 26, 2008
Filed Pursuant to Rule 424(b)(2)

Registration No. 333-151848

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common stock, $0.01 par value per share...	$151,360,000	$5,948.45 (1)

(1) Calculated in accordance with Rule 457(r) under the Securities Act of 1933.

PROSPECTUS SUPPLEMENT

(To Prospectus dated June 23, 2008)

8,800,000 Shares

HEALTHSOUTH CORPORATION

Common Stock

We are offering 8,800,000 shares of common stock to be sold in this offering.

Our common stock is listed on the New York Stock Exchange under the symbol "HLS." The last reported sale price on the New York Stock Exchange of the common stock on June 23, 2008 was $17.97 per share.

See "Risk Factors" beginning on page S-2 of this prospectus supplement and on page 3 of the accompanying prospectus to read about factors you should consider before buying shares of common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed on the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	$17.20	$151,360,000
Underwriting discounts and commissions	$ 0.13	$ 1,144,000
Proceeds to us (before expenses)	$17.07	$150,216,000

The underwriter expects to deliver the shares against payment in New York, New York on June 27, 2008.

JPMorgan

June 24, 2008

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PROSPECTUS SUPPLEMENT

PROSPECTUS

ABOUT THIS PROSPECTUS SUPPLEMENT

Unless otherwise stated or the context otherwise requires, the terms "HealthSouth," "we," "us," "our," and the "Company" refer to HealthSouth Corporation and its subsidiaries.

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering of common stock. The second part is the accompanying prospectus, which provides more general information. Generally, when we refer to the prospectus, we are referring to both parts of this document combined. If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement. This prospectus supplement contains information about the common stock offered in this offering and may add, update or change information in the accompanying prospectus. Before you invest in our common stock you should carefully read this prospectus supplement along with the accompanying prospectus, in addition to the information contained in the documents we refer to under the heading "Where You Can Find More Information" in the accompanying prospectus.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information in this prospectus supplement and the accompanying prospectus is accurate only as of the date on its cover page and that any information we have incorporated by reference is accurate only as of the date of the document incorporated by reference. Our business, financial position, results of operations and prospects may have changed since such dates.

RISK FACTORS

We urge you to carefully consider the risks described below, the risks beginning on page 3 of the accompanying prospectus and the risks described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007, as well as the other information we have provided in this prospectus supplement, the accompanying prospectus, and the documents we incorporate by reference, before reaching a decision regarding an investment in our common stock.

Risks Related to this Offering and Our Common Stock

The price of our common stock historically has experienced significant price and volume fluctuations, which may make it difficult for you to resell the common stock.

The market price of our common stock historically has experienced and may continue to experience significant price and volume fluctuations similar to those experienced by the broader stock market in recent years. In addition, the price of our common stock may fluctuate significantly in response to various factors, including, but not limited to: (1) variations in annual or quarterly financial results; (2) changes by financial research analysts in their estimates of our earnings or the earnings of our competitors; and (3) conditions in the economy in general or the healthcare industry in particular, including increased competitive pressures and dependence on, and pricing pressures from, the industry and its customers.

Significant sales of common stock, or the perception that significant sales may occur in the future, could adversely affect the market price for our common stock and may significantly dilute stockholder value.

The sale of substantial amounts of our common stock could adversely affect its price. We are required to issue approximately 5.0 million shares of common stock and warrants to purchase approximately 8.2 million shares of common stock pursuant to our agreement to settle litigation filed against us, certain of our former directors and officers and certain other parties relating to financial reporting and related activity that occurred at HealthSouth during periods ended in March 2003. Distribution of the common stock and warrants to purchase shares of common stock cannot occur until the order related to this settlement becomes a final, non-appealable order. At this time, an appeal is outstanding with the Eleventh Circuit Court of Appeals. We cannot predict when, or if, the order will become final and non-appealable. You should review the information in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007 which we are incorporating herein by reference for additional information regarding the litigation and related settlement. The availability of a large block of stock for sale in relation to our normal trading volume could result in a decline in the market price of our common stock and may have a dilutive effect on our existing stockholders.

USE OF PROCEEDS

We expect the net proceeds from this offering to be approximately $150.0 million, after deducting underwriting discounts and commissions and the estimated expenses of the offering. Under the terms of our Credit Agreement (as defined in our Form 10-K for the year ended December 31, 2007), we are required to use 25% of the net proceeds from this offering to repay borrowings under our Term Loan Facility (as also defined in our Form 10-K for the year ended December 31, 2007). Our Term Loan Facility, which matures in March 2013, bears interest at a rate of LIBOR plus 2.5%. We also intend to retire approximately $30.3 million of 10.750% Senior Subordinated Notes due to mature on October 1, 2008. The remainder of the net proceeds will be used for general corporate purposes including redemption and repayment of other short- and long-term borrowings, acquisitions of, or investments in, businesses or assets, capital expenditures and working capital. Pending the application of the net proceeds, we may temporarily invest the net proceeds in short-term marketable securities.

THE OFFERING

Common stock we are offering..	8,800,000
Common stock outstanding after this offering, net of treasury shares..	87,974,141[1]

1. Excludes approximately 13.4 million potential shares of common stock, including dilutive stock options, restricted stock awards, restricted stock units, and convertible perpetual preferred stock. Approximately 13.1 million of the potential shares relates to the Company’s convertible perpetual preferred stock.

In addition to these potential shares, there are also options to purchase approximately 2.5 million shares of the Company’s common stock outstanding that are not included in the above potential shares amount because these shares are antidilutive.

In connection with the repayment of certain loan amounts in January 2004, the Company issued warrants to the applicable lender to purchase two million shares of the Company’s common stock. Each warrant has a term of ten years from the date of issuance and an exercise price of $32.50 per share. The warrants are not included in the above number of potential shares because they are currently antidilutive.

In September 2006, the Company agreed to issue approximately 5.0 million shares of common stock and warrants to purchase approximately 8.2 million shares of common stock to settle its class action securities litigation. This agreement received final court approval on January 11, 2007. These shares of common stock and warrants are not included in any amounts presented, currently outstanding or potential shares, as distribution of these shares and warrants cannot occur until the order underlying the securities litigation becomes a final, non-appealable order. At this time, an appeal is outstanding with the Eleventh Circuit Court of Appeals.

PRICE RANGE OF COMMON STOCK

On March 19, 2003, after the United States Securities and Exchange Commission issued an Order of Suspension of Trading, the New York Stock Exchange ("NYSE") suspended trading in our common stock, which was then listed under the symbol HRC. That same day, Standard & Poor’s announced that it removed our common stock from the S&P 500 Index. The NYSE continued the trading halt and eventually delisted our common stock. On March 25, 2003, immediately following the delisting from the NYSE, our stock began trading in the over-the-counter "Pink Sheets" market under the symbol HLSH. On August 14, 2006, we announced we had been cleared to submit an application for the listing of our common stock on the NYSE. Shares of our common stock began trading on the NYSE on October 26, 2006, under the symbol "HLS."

The following table sets forth the high and low bid quotations per share of our common stock as reported on the over-the-counter market from January 1, 2006 through October 25, 2006, as well as the high and low sales prices per share for our common stock as reported on the NYSE from October 26, 2006 until the date indicated below. The stock price information is based on published financial sources. Over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down, or commissions, and may not necessarily represent actual transactions. All quotations per share have been adjusted to reflect the reverse stock split that became effective on October 25, 2006.

	Market	**High**	**Low**
2006			
First Quarter..	OTC	$ 26.25	$ 22.50
Second Quarter...	OTC	24.60	21.50

Third Quarter..	OTC	25.05	17.50
Fourth Quarter (through October 25, 2006).................................	OTC	26.65	24.10
Fourth Quarter (from October 26 through December 31, 2006)..	NYSE	26.25	19.80

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2007			
First Quarter	NYSE	$ 25.89	$ 20.51
Second Quarter	NYSE	21.70	16.59
Third Quarter	NYSE	19.33	14.84
Fourth Quarter	NYSE	23.02	17.03
2008			
First Quarter	NYSE	$ 21.70	$ 15.20
Second Quarter (through June 23, 2008)	NYSE	20.20	17.80

The foregoing table shows only historical comparisons. These comparisons may not provide meaningful information to you in determining whether to purchase shares of our common stock. You are urged to obtain current market quotations for our common stock and to review carefully the other information contained in this prospectus supplement or incorporated by reference into the accompanying prospectus.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our common stock. We currently expect to retain future earnings, if any, to finance the growth and development of our business and reduce debt, and do not anticipate paying any cash dividends in the foreseeable future. The terms of our Credit Agreement place restrictions on our ability to pay dividends. However, our 6.50% Series A Convertible Perpetual Preferred Stock generally provides for the payment of cash dividends subject to certain limitations.

UNDERWRITING

HealthSouth Corporation and J.P. Morgan Securities Inc., who we refer to herein as the underwriter, have entered into an underwriting agreement with respect to the shares of common stock being offered. Subject to certain conditions, the underwriter has agreed to purchase all of the shares being offered hereby.

The underwriting agreement provides that the obligation of the underwriter to purchase the shares of common stock included in this offering is subject to approval of legal matters by counsel and to other conditions. The underwriter is committed to take and pay for all of the shares being offered, if any are taken.

The underwriter proposes to offer some of the shares directly to the public at the public offering price set forth on the cover page of this prospectus supplement and to selected dealers at such offering price less a selling concession not to exceed $0.10 per share of the principal amount of the shares. After the initial offering of the shares to the public, the underwriter may change the public offering price.

We and all of our directors and each member of our executive management team have agreed that, for a period of 90 days from the date of this prospectus supplement, we and they will not, without the prior written consent of the underwriter, dispose of or hedge any shares of our common stock or any securities convertible into or exchangeable for our common stock, subject to certain exceptions. The underwriter in its sole discretion may release any of the securities subject to these lock-up agreements at any time without notice.

In connection with the offering, the underwriter may purchase and sell shares of common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriter of a greater number of shares than it is required to purchase in the offering. Stabilizing transactions consist of certain bids for or purchases of common stock made by an underwriter in the open market prior to the completion of the offering.

The underwriter may also impose a penalty bid. This occurs when a broker or dealer repays to the underwriter a portion of the underwriting discount or commission received by it because the underwriter has repurchased shares sold by or for the account of such broker or dealer in short covering transactions.

Any of these activities, as well as other purchases by the underwriter for its own account, may have the effect of preventing or regarding a decline in the market price of the shares of common stock and may stabilize, maintain or otherwise affect the market price of the common stock. As a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued at any time. These transactions may be effected on the NYSE, in the over-the-counter market or otherwise.

The underwriter and its affiliates have performed investment banking, commercial banking and advisory services for us from time to time for which they have received customary fees and expenses. The underwriter may, from time to time in the future, engage in transactions with and perform services for us in the ordinary course of its business. We intend to use a portion of the combined net proceeds of this offering to, among other things, repay a portion of our outstanding indebtedness under our existing credit agreements. JPMorgan Chase Bank, N.A., an affiliate of the underwriter, is a lender, an administrative agent and a collateral agent under the existing credit agreements and, accordingly, may receive a portion of the net proceeds of this offering.

We have agreed to indemnify the underwriter against certain liabilities, including liabilities under the Securities Act.

Other than in the United States, no action has been taken by us or the underwriter that would permit a public offering of the securities offered by this prospectus in any jurisdiction where action for that purpose is required. The securities offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities offered by this prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

This document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling with Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). The securities are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), from and including the date on which the European Union Prospectus Directive (the "EU Prospectus Directive") is implemented in that Relevant Member State (the "Relevant Implementation Date") an offer of securities described in this prospectus may not be made to the public in that Relevant Member State prior to the publication of a prospectus in relation to the shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the EU Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of shares to the public in that Relevant Member State at any time:

- to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- to fewer than 100 natural or legal persons (other than qualified investors as defined in the EU Prospectus Directive) subject to obtaining the prior consent of the book-running manger for any such offer; or
- in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of securities to the public" in relation to any securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe for the securities, as the same may be varied in that Member State by any measure implementing the EU Prospectus Directive in that Member State and the expression EU Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

LEGAL MATTERS

Certain legal matters in connection with the common stock offered under this prospectus supplement will be passed upon for us by Skadden, Arps, Slate, Meagher & Flom LLP, New York, New York. Certain legal matters in connection with the common stock offered under this prospectus supplement will be passed upon for the underwriter by Cravath, Swaine & Moore LLP.

EXPERTS

The financial statements and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) incorporated in the accompanying prospectus by reference to HealthSouth Corporation's Annual Report on Form 10-K for the year ended December 31, 2007 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

Prospectus

HEALTHSOUTH CORPORATION

Common Stock

Preferred Stock

Warrants

The following are types of securities that we may offer, issue and sell from time to time, together or separately:

- shares of our common stock;
- shares of our preferred stock, which may be convertible or exchangeable; and
- warrants to purchase common stock or preferred stock.

We may offer these securities in amounts, at prices and on terms determined at the time of offering. We may sell these securities directly to you, through agents we select, or through underwriters and dealers we select. If we use agents, underwriters or dealers to sell these securities, we will name them and describe their compensation in a prospectus supplement.

This prospectus describes some of the general terms that may apply to these securities. The specific terms of any securities to be offered will be described in a supplement to this prospectus. The prospectus supplement may also add, update or change information contained in this prospectus. You should read this prospectus and any prospectus supplement, together with additional information described under the heading "Where You Can Find More Information," before you make your investment decision. Our common stock is listed on the New York Stock Exchange under the symbol "HLS."

This prospectus may not be used to sell securities unless accompanied by a prospectus supplement.

Investing in our securities involves a high degree of risk. You should carefully consider the risk factors incorporated herein by reference and described under the heading "Risk Factors" beginning on page 3.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is June 23, 2008

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$
138.0

$
576.0

$
453.9

Electric utility
152.0

154.7

315.0

304.2

Other
0.1

0.1

0.1

0.2

Total operating revenues
284.5

292.8

891.1

758.3

OPERATING EXPENSES

Cost of gas sold
43.7

50.7

314.6

207.9

Cost of fuel & purchased power
48.1

53.9

105.1

104.1

Other operating
81.5

76.1

179.8

162.9

Depreciation & amortization
50.6

48.7

100.5

97.1

Taxes other than income taxes
12.5

12.2

32.6

29.7

Total operating expenses
236.4

241.6

732.6

601.7

OPERATING INCOME
48.1

51.2

158.5

156.6

Other income - net
3.7

3.0

7.6

4.8

Interest expense
16.7

15.7

33.4

33.6

INCOME BEFORE INCOME TAXES
35.1

38.5

132.7

127.8

Income taxes
12.2

14.3

48.5

48.5

NET INCOME	$ 22.9	$ 24.2	$ 84.2	$ 79.3

The accompanying notes are an integral part of these condensed consolidated financial statements.

VECTREN UTILITY HOLDINGS, INC. AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited – In millions)

	Six Months Ended June 30, 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$84.2	$79.3
Adjustments to reconcile net income to cash from operating activities:		
Depreciation & amortization	100.5	97.1
Deferred income taxes & investment tax credits	17.0	16.5
Expense portion of pension & postretirement periodic benefit cost	2.3	2.7
Provision for uncollectible accounts	2.3	3.9
Other non-cash expense - net	1.5	2.9
Changes in working capital accounts:		
Accounts receivable & accrued unbilled revenue	102.8	56.1
Inventories	16.4	22.3
Recoverable/refundable fuel & natural gas costs	(22.7)	6.7
Prepayments & other current assets	4.1	6.7
Accounts payable, including to Vectren companies & affiliated companies	(88.9)	(88.0)
Accrued liabilities	(5.6)	(6.4)
Changes in noncurrent assets	5.8	(0.6)
Changes in noncurrent liabilities	(6.5)	(2.1)
Net cash provided by operating activities	213.2	197.1
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Long-term debt - net of issuance costs	—	122.3
Additional capital contribution	3.2	3.0
Requirements for:		
Dividends to parent	(54.3)	(52.6)
Retirement of long-term debt	—	(175.7)
Net change in short-term borrowings	(24.9)	7.3
Net cash used in financing activities	(76.0)	(95.7)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from other investing activities	0.1	0.1
Requirements for:		
Capital expenditures, excluding AFUDC equity	(141.0)	(110.9)
Net cash used in investing activities	(140.9)	(110.8)
Net change in cash & cash equivalents	(3.7)	(9.4)
Cash & cash equivalents at beginning of period	8.6	13.3
Cash & cash equivalents at end of period	$4.9	$3.9

The accompanying notes are an integral part of these condensed consolidated financial statements.

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VECTREN UTILITY HOLDINGS, INC. AND SUBSIDIARY COMPANIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Organization and Nature of Operations

Vectren Utility Holdings, Inc. (the Company, Utility Holdings or VUHI), an Indiana corporation, was formed on March 31, 2000 to serve as the intermediate holding company for Vectren Corporation's (Vectren) three operating public utilities: Indiana Gas Company, Inc. (Indiana Gas), Southern Indiana Gas and Electric Company (SIGECO), and Vectren Energy Delivery of Ohio, Inc. (VEDO). Utility Holdings also has other assets that provide information technology and other services to the three utilities. Vectren, an Indiana corporation, is an energy holding company headquartered in Evansville, Indiana and was organized on June 10, 1999. Both Vectren and Utility Holdings are holding companies as defined by the Energy Policy Act of 2005 (Energy Act).

Indiana Gas provides energy delivery services to approximately 578,000 natural gas customers located in central and southern Indiana. SIGECO provides energy delivery services to approximately 143,000 electric customers and approximately 111,000 gas customers located near Evansville in southwestern Indiana. SIGECO also owns and operates electric generation assets to serve its electric customers and optimizes those assets in the wholesale power market. Indiana Gas and SIGECO generally do business as Vectren Energy Delivery of Indiana. VEDO provides energy delivery services to approximately 315,000 natural gas customers located near Dayton in west central Ohio.

2. Basis of Presentation

The interim condensed consolidated financial statements included in this report have been prepared by the Company, without audit, as provided in the rules and regulations of the Securities and Exchange Commission and include a review of subsequent events through the date the financial statements were issued. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been omitted as provided in such rules and regulations. The information in this report reflects all adjustments which are, in the opinion of management, necessary to fairly state the interim periods presented, inclusive of adjustments that are normal and recurring in nature. These condensed consolidated financial statements and related notes should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2013, filed with the Securities and Exchange Commission on March 5, 2014, on Form 10-K. Because of the seasonal nature of the Company's utility operations, the results shown on a quarterly basis are not necessarily indicative of annual results.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

3. Subsidiary Guarantor and Consolidating Information

The Company's three operating utility companies, SIGECO, Indiana Gas, and VEDO are guarantors of Utility Holdings' $350 million in short-term credit facilities, of which approximately $3.7 million was outstanding at June 30, 2014, and Utility Holdings' has unsecured senior notes with a par value of $875 million outstanding at June 30, 2014. The guarantees are full and unconditional and joint and several, and Utility Holdings has no direct subsidiaries other than the subsidiary guarantors.   However, Utility Holdings does have operations other than those of the subsidiary guarantors. Pursuant to Item 3-10 of Regulation S-X, disclosure of the results of operations and balance sheets of the subsidiary guarantors, which are 100 percent owned, separate from the parent company's operations is required. Following are consolidating financial statements including information on the combined operations of the subsidiary guarantors separate from the other operations of the parent company. Pursuant to a tax sharing agreement, consolidating tax effects, which are calculated on a separate return basis, are reflected at the parent level.

Condensed Consolidating Balance Sheet as of June 30, 2014 (in millions):

ASSETS	Subsidiary Guarantors	Parent Company	Eliminations & Reclassifications	Consolidated
Current Assets				
Cash & cash equivalents	$2.9	$2.0	$—	$4.9
Accounts receivable - less reserves	77.8	—	—	77.8