

HEALTHSOUTH CORP  
Form 8-K  
September 21, 2015

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 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): September 16, 2015

HealthSouth Corporation

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

001-10315

(Commission File Number)

63-0860407

(I.R.S. Employer  
Identification No.)

3660 Grandview Parkway, Suite 200, Birmingham, Alabama 35243

(Address of Principal Executive Officers, Including Zip Code)

(205) 967-7116

(Registrant's telephone number)

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))
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Item 1.01. Entry into a Material Definitive Agreement.

On September 16, 2015, HealthSouth Corporation (“HealthSouth” or the “Company”) completed the issuance and sale of \$350 million in aggregate principal amount of its 5.75% Senior Notes due 2025 (the “2025 Notes”) at an offering price of 100.0% of the principal amount. The 2025 Notes were issued to the initial purchasers in a transaction exempt from the registration requirements under the Securities Act of 1933, as amended (the “Securities Act”), and were resold by the initial purchasers to qualified institutional buyers pursuant to the exemption from registration provided by Rule 144A under the Securities Act.

The terms of the 2025 Notes are governed by the indenture, dated as of December 1, 2009 (the “Base Indenture”), between the Company and Wells Fargo Bank, National Association, as successor to The Bank of Nova Scotia Trust Company of New York, as trustee (“Wells Fargo” or the “Trustee”), as supplemented by the seventh supplemental indenture, dated September 16, 2015, among the Company, the subsidiary guarantors named therein, and the Trustee (the “Seventh Supplemental Indenture” and, together with the Base Indenture, the “Indenture”). Wells Fargo also serves as trustee under the indentures governing the Company’s 7.75% Senior Notes due 2022, 5.125% Senior Notes due 2023, 5.75% Senior Notes due 2024, and 2.00% Convertible Senior Subordinated Notes due 2043.

The Company intends to use the net proceeds from the offering of the 2025 Notes to pay a portion of the consideration payable in connection with the Company’s acquisition of the issued and outstanding equity interests of the entities operating the hospitals of Reliant Hospital Partners, LLC, except for certain interests, if any, held at closing by one minority limited partner (the “Acquisition”), and fees and expenses incurred by the Company in connection with the Acquisition. If the Acquisition is not consummated, the Company intends to use the net proceeds from the offering for general corporate purposes.

The 2025 Notes:

- mature on September 15, 2025 and bear interest at 5.75% per annum, payable semiannually in arrears on March 15 and September 15, beginning on March 15, 2016;

- are jointly and severally guaranteed on a senior, unsecured basis by all of the Company’s existing and future subsidiaries that guarantee borrowings under its credit agreement and other capital markets debt;

- rank, along with the related guarantees, equal in right of payment to the Company’s current and future senior debt and senior in right of payment to any current and future subordinated debt; and

- are effectively subordinated to the Company’s current and future secured debt, to the extent of the value of the assets securing such debt, and any liabilities of the Company’s nonguarantor subsidiaries.

The Indenture contains restrictive covenants that, among other things, limit the Company’s ability and the ability of certain of its subsidiaries to, among other things, incur or guarantee additional indebtedness; pay dividends on, or redeem or repurchase, its capital stock; issue or sell certain types of preferred stock; make investments; incur obligations that restrict the Company’s subsidiaries from making dividend or other payments to the Company; sell or encumber its assets; engage in transactions with affiliates; enter into sale/leaseback transactions; and merge, consolidate, or transfer all or substantially all of its assets.

The Indenture permits the Company to redeem some or all of the 2025 Notes at any time at specified redemption prices set forth in the Indenture. Upon the occurrence of a change of control, as defined in the Indenture, each holder of the 2025 Notes has the right to require the Company to repurchase some or all of such holder’s 2025 Notes at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the repurchase date. The Indenture also provides for events of default which, if any of them occurs, would permit or require the principal of and accrued interest on the 2025 Notes to become or to be declared due and payable.

Additionally, on September 16, 2015, the Company, the subsidiary guarantors named therein, and the representative of the initial purchasers named therein entered into a registration rights agreement (the "Registration Rights Agreement") with respect to the 2025 Notes. Pursuant to the Registration Rights Agreement, the Company has agreed to use its commercially reasonable efforts to (i) file a registration statement with the Securities and Exchange Commission (the "SEC") within 180 days after the issue date of the 2025 Notes to enable holders thereof to exchange their 2025 Notes for registered notes with terms substantially identical to the terms of the 2025 Notes, (ii) cause the registration statement to be declared effective by the SEC within 240 days following the issue date of the 2025 Notes, and (iii) complete the exchange offer with the holders of the 2025 Notes within 300 days following the issue date of the 2025 Notes.

In certain limited circumstances, the Company has agreed to file a shelf registration statement relating to the resale of the 2025 Notes and to keep such shelf registration statement effective for the period of time set forth in the Registration Rights Agreement. If the Company fails to complete the exchange offer or file a registration statement for the 2025 Notes on a timely basis, the Company will be required to pay additional interest on the 2025 Notes, up to a maximum of 0.50% per year.

The descriptions of the provisions of the Indenture and the Registration Rights Agreement are summary in nature and are qualified in their entirety by reference to the provisions of the definitive agreements on file with the SEC. The Base Indenture was filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2009 and is incorporated herein by reference. The Seventh Supplemental Indenture and the Registration Rights Agreement are attached hereto as Exhibits 4.2 and 4.4, respectively, and are incorporated herein by reference.

#### Forward-Looking Statements

The information contained in this Current Report on Form 8-K includes certain estimates, projections, and other forward-looking information, such as the intended use of proceeds from the offering of the 2025 Notes and the consummation of the Acquisition that reflect the Company's current views with respect to future events. The Company undertakes no duty to publicly update or revise the information contained herein. There can be no assurance that any estimates, projects, or forward-looking statements will be realized, and there may be differences between such estimates and actual events, and those differences may be material. These estimates, projections, and other forward-looking statements are based on assumptions the Company believes, as of the date hereof, are reasonable and involve a number of risks and uncertainties. All such estimates, projects, and forward-looking information speak only as of the date hereof. Actual events or results may differ materially from those 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 events or results to differ materially from those estimated by HealthSouth include, but are not limited to, the accuracy of the representations made by Reliant in connection with the Acquisition; any adverse outcome of various lawsuits, claims, and legal or regulatory proceedings that have been or may be brought by or against HealthSouth, including its pending DOJ and HHS-OIG investigations as well as those related to yet undiscovered issues, if any, at Reliant; adverse effects on the price of HealthSouth's securities resulting from the integration of Reliant; the ability to successfully integrate Reliant consistent with HealthSouth's growth strategy, including realization of anticipated revenues, cost savings, and productivity improvements arising from the related operations and avoidance of unforeseen exposure to liabilities; changes in HealthSouth's management team; changes in the regulation of the healthcare industry broadly or in the inpatient rehabilitation area specifically at either or both of the federal and state levels; competitive pressures in the healthcare industry broadly or in the inpatient rehabilitation area specifically and HealthSouth's response thereto; potential disruptions, breaches, or other incidents affecting the proper operation, availability, or security of HealthSouth's information systems, including the unauthorized access to or theft of patient or other sensitive information as well as unforeseen issues, if any, related to integration or transition of information systems in Reliant hospitals; changes, delays in (including in connection with resolution of Medicare payment reviews or appeals), or suspension of reimbursement for services by governmental or private payors; general conditions in the economy and capital markets; and other factors which may be identified from time to time in HealthSouth's SEC filings and other public announcements, including HealthSouth's Annual Report on Form 10-K for the year ended December 31, 2014 and Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2015 and June 30, 2015.

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

The disclosure required by this item is included in Item 1.01 of this Current Report on Form 8-K and is incorporated herein by reference.

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Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit Number	Description
4.1	Indenture, dated as of December 1, 2009, between HealthSouth Corporation and Wells Fargo Bank, National Association, as successor to The Bank of Nova Scotia Trust Company of New York, as trustee (incorporated herein by reference to Exhibit 4.7.1 to HealthSouth's Annual Report on Form 10-K for the year ended December 31, 2009).
4.2	Seventh Supplemental Indenture, dated September 16, 2015, among HealthSouth Corporation, the subsidiary guarantors named therein and Wells Fargo Bank, National Association, as successor to The Bank of Nova Scotia Trust Company of New York, as trustee.
4.3	Form of 5.75% Senior Notes due 2025 (included in Exhibit 4.2).
4.4	Registration Rights Agreement, dated September 16, 2015, among HealthSouth Corporation, the subsidiary guarantors named therein and the representative of the several initial purchasers named therein.

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SIGNATURE

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

HealthSouth Corporation

By: /s/ John P. Whittington  
Name: John P. Whittington  
Title: Executive Vice President,  
General Counsel, and Corporate Secretary

Dated: September 21, 2015