LAI GOLDMAN MYLA
Form 5
February 14, 2003

OMB APPROVAL	
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U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 5

ANNUAL STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,
Section 17(a) of the Public Utility Holding Company Act of 1935 or
Section 30(f) of the Investment Company Act of 1940

[_] Check box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

[_] Form 3 Holdings Reported

[_] Form 4 Transactions Reported

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1. Name and Address of Reporting Person*

Lai-Goldman, Myla P.

(Last) (First) (Middle)

c/o Laboratory Corporation of America Holdings, 430 South Spring Street

(Street)

Burlington, North Carolina 27215

(City) (State) (Zip)

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2. Issuer Name and Ticker or Trading Symbol

Laboratory Corporation of America Holdings ("LH")

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3. IRS Identification Number of Reporting Person, if an Entity (Voluntary)

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4. Statement for Month/Year

December 31, 2002

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5. If Amendment, Date of Original (Month/Year)

6. Relationship of Reporting Person(s) to Issuer
(Check all applicable)

[_] Director [_] 10% Owner
[X] Officer (give title below) [_] Other (specify below)
Executive Vice President, Chief Scientific Officer and Medical Director

7. Individual or Joint/Group Filing
(Check applicable line)

[X] Form Filed by One Reporting Person
[_] Form Filed by More than One Reporting Person

Table I -- Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day Year)	2A. Deemed Execution Date, if any (Month/ Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) Amount	(A) or (D)	Price	5 A S B O o F (a
Common Stock	1/7/02		A	11,900	A		
Common Stock	2/14/02		A	17,600	A		1

(1) Amount shown reflects a 2-for-1 stock split effective on May 10, 2002. Includes 442.2659 shares acquired on June 28, 2002 and 520.5865 shares acquired on December 31, 2002 under the Laboratory Corporation of America Holdings stock purchase plan.
(2) Dr. Lai-Goldman disclaims beneficial ownership of the 2,000 shares of common stock held in her daughter's name.

(Over)
SEC 2270 (6-02)

FORM 5 (continued)

Table II -- Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Trans-action Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr.8)	5. Number of Derivative Securities Acquired (A) o Disposed of (D (Instr. 3, 4 a (A)	(D
Non-Qualified Stock Option (2)	$78.68	1/7/02		A	17,700	
Non-Qualified Stock Option (4)	$87.06	2/14/02		A	25,200	

7. Title and Amount of Underlying Securities (Instr. 3 and 4) Title	Amount or Number of Shares	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Beneficially Owned at End of Year (Instr. 4)	10. Ownership of Derivative Security: Direct (D) or Indirect (I) (Instr. 4)
Common Stock	17,700	$78.68	35,400 (6)	D
Common Stock	25,200	$87.06	50,400 (6)	D

Explanation of Responses:

(2) Employee stock option (right to buy) granted pursuant to the Laboratory Corporation of America Holdings 2000 Stock Incentive Plan.
(3) The option vests in three equal annual installments beginning on January 7, 2003.
(4) Employee stock option (right to buy) granted pursuant to the Laboratory Corporation of America Holdings 2000 Stock Incentive Plan.
(5) The option vests in three equal annual installments beginning on February 14, 2003.
(6) Amount shown reflects a 2-for-1 stock split effective on May 10, 2002.

/s/ Bradford T. Smith — February 14, 2003

**Signature of Reporting Person — Date

Bradford T. Smith, Attorney-in-Fact for
Myla P. Lai-Goldman

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

* If the form is filed by more than one Reporting Person, see

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            Instruction 4(b)(v).

         ** Intentional misstatements or omissions of facts constitute Federal
            Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

      Note: File three copies of this form, one of which must be manually signed.
            If space provided is insufficient, see Instruction 6 for procedure.

  Potential persons who are to respond to the collection of information contained
  in this form are not required to respond unless the form displays a currently
  valid OMB control number.
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>*Long-term Debt*, to the condensed consolidated financial statements included in Part I, Item 1, *Financial Statements (Unaudited)*, of this report.

(b) Interest on our fixed rate debt is presented using the stated interest rate. Interest expense on our variable rate debt is estimated using the rate in effect as of June 30, 2009. Interest related to capital lease obligations is excluded from this line. Amounts exclude amortization of debt discounts, amortization of loan fees, or fees for lines of credit that would be included in interest expense in our condensed consolidated statements of operations. Amounts also exclude the impact of our interest rate swaps.

(c) Amounts include interest portion of future minimum capital lease payments.

(d) We lease many of our hospitals as well as other property and equipment under operating leases in the normal course of business. Some of our hospital leases require percentage rentals on patient revenues above specified minimums and contain escalation clauses. The minimum lease payments do not include contingent rental expense. Some lease agreements provide us with the option to renew the lease or purchase the leased property. Our future operating lease obligations would change if we exercised these renewal options and if we entered into additional operating lease agreements. For more information, see Note 5, *Property and Equipment,* to the consolidated financial statements accompanying our 2008 Form 10-K. In addition, as of June 30, 2009, these amounts exclude $2.1 million of operating lease obligations associated with facilities that are reported in discontinued operations.

(e) Future operating lease obligations and purchase obligations are not recognized in our condensed consolidated balance sheet.

(f) Purchase obligations include agreements to purchase goods or services that are enforceable and legally binding on HealthSouth and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transaction. Purchase obligations exclude agreements that are cancelable without penalty. Our purchase obligations primarily relate to software licensing and support, medical supplies, certain equipment, and telecommunications.

(g) Because their future cash outflows are uncertain, the following noncurrent liabilities are excluded from the table above: medical malpractice and workers' compensation risks, deferred income taxes, and our estimated liability for unsettled litigation. For more information, see Note 1, *Summary of Significant Accounting Policies,* "Self-Insured Risks," Note 17, *Income Taxes,* and Note 21, *Contingencies and Other Commitments,* to the consolidated financial statements accompanying our 2008 Form 10-K. Also, at June 30, 2009 and in accordance with the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, we had $61.2 million of total gross unrecognized tax benefits. In addition, we had an accrual for related interest income of $2.9 million as of June 30, 2009. We continue to actively pursue the maximization of our remaining state income tax refund claims. The process of resolving these tax matters with the applicable taxing authorities will continue throughout 2009. At this time, we cannot estimate a range of the reasonably possible change that may occur.

Indemnifications

In the ordinary course of business, HealthSouth enters into contractual arrangements under which HealthSouth may agree to indemnify another party to such arrangement from any losses incurred relating to the services they perform on behalf of HealthSouth or for losses arising from certain events as defined within the particular contract, which may include, for example, litigation or claims relating to past performance. Such indemnification obligations may not be subject to maximum loss clauses. For additional information related to indemnifications, see Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, "Contractual Obligations," to our 2008 Form 10-K and Note 11, *Settlements*, and Note 12, *Contingencies*, to the condensed consolidated financial statements included in Part I, Item 1, *Financial Statements (Unaudited)*, of this report.

Critical Accounting Policies

Our significant accounting policies are discussed in Note 1, *Summary of Significant Accounting Policies*, to the consolidated financial statements accompanying our 2008 Form 10-K. Of those significant accounting policies, those that we consider to be the most critical to aid in fully understanding and evaluating our reported financial results, as they require management's most difficult, subjective, or complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain, are disclosed in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, "Critical Accounting Policies," to our 2008 Form 10-K.

Since the filing of our 2008 Form 10-K, there have been no material changes to our critical accounting policies.

Recent Accounting Pronouncements

In April 2009, the FASB issued FASB Staff Position ("FSP") No. FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*. This FSP amends the other-than-temporary impairment guidance in GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. This FSP is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. HealthSouth elected to adopt this FSP in the first quarter of 2009. While its adoption did not have a material impact on our financial position, results of operations, or cash flows, it does require interim disclosures related to our available-for-sale equity securities. See Note 3, *Cash and Marketable Securities*, to the condensed consolidated financial statements included in Part I, Item 1, *Financial Statements (Unaudited)*, of this report.

In April 2009, the FASB also issued FSP No. FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*. This FSP amends FASB Statement No. 107, *Disclosures about Fair Value of Financial Instruments*, and Accounting Principles Board Opinion No. 28, *Interim Financial Reporting*, to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This FSP is effective for interim reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. HealthSouth elected to adopt this FSP in the first quarter of 2009. Its adoption resulted in additional interim disclosures only. See Note 7, *Fair Value Measurements*, to the condensed consolidated financial statements included in Part I, Item 1, *Financial Statements (Unaudited)*, of this report.

In May 2009, the FASB issued FASB Statement No. 165, *Subsequent Events*, to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. This Statement is effective for interim or annual financial periods ending after June 15, 2009. Our adoption of this Statement resulted only in additional disclosure regarding the date through which subsequent events have been evaluated in each set of interim or annual financial statements and had no impact on our financial position, results of operations, or cash flows. See Note 1, *Basis of Presentation*, to the condensed consolidated financial statements included in Part I, Item 1, *Financial Statements (Unaudited)*, of this report.

In June 2009, the FASB issued FASB Statement No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*. FASB Statement No. 168 establishes the *FASB Accounting Standards Codification* as the single authoritative source for GAAP. The Codification is effective for financial statements that cover interim and annual periods ending after September 15, 2009. While not intended to change GAAP, the Codification significantly changes the way in which the accounting literature is organized. Because the Codification completely replaces existing standards, it will affect the way GAAP is referenced by companies in their financial statements and accounting policies. Our adoption of this Statement and our use of the Codification beginning in the third quarter of 2009 will not have an impact on our financial position, results of operations, or cash flows.

Since the filing of our 2008 Form 10-K, we do not believe any recently issued, but not yet effective, accounting standards will have a material effect on our consolidated financial position, results of operations, or cash flows. For additional information regarding recent accounting pronouncements, see Note 1, *Basis of Presentation*, to our condensed consolidated financial statements included under Part I, Item 1, *Financial Statements (Unaudited)*, of this report.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our primary exposure to market risk is to changes in interest rates on our long-term debt. We use sensitivity analysis models to evaluate the impact of interest rate changes on these items.

Changes in interest rates have different impacts on the fixed and variable rate portions of our debt portfolio. A change in interest rates impacts the net fair value of our fixed rate debt but has no impact on interest expense or cash flows. Interest rate changes on variable rate debt impacts our interest expense and cash flows, but does not impact the net fair value of the underlying debt instruments. Our fixed and variable rate debt (excluding capital lease obligations and other notes payable) as of June 30, 2009 is shown in the following table (in millions):

	As of June 30, 2009 Carrying Amount	% of Total	Estimated Fair Value	% of Total
Fixed rate debt	$ 496.4	31.4%	$ 507.4	33.6%
Variable rate debt	1,084.7	68.6%	1,003.8	66.4%
Total long-term debt	$ 1,581.1	100.0%	$ 1,511.2	100.0%

As discussed in Note 5, *Long-term Debt*, to the condensed consolidated financial statements included in Part I, Item 1, *Financial Statements (Unaudited)*, of this report, in March 2006, we entered into an interest rate swap to effectively convert the floating rate of a portion of our Credit Agreement to a fixed rate in order to limit the variability of interest-related payments caused by changes in LIBOR. Under this interest rate swap agreement, we pay a fixed rate of 5.2% on an amortizing notional principal of $1.1 billion, while the counterparties to this interest rate swap agreement pay a floating rate based on 3-month LIBOR. As also discussed in Note 5, *Long-term Debt*, to the condensed consolidated financials statements included in Part I, Item 1, *Financial Statements (Unaudited)*, of this report, in June 2009, we entered into a receive-fixed swap as a mirror offset to $100.0 million of the $1.1 billion interest rate swap discussed above in order to reduce our effective fixed rate to total debt ratio.

Our variable-rate interest expense increases or decreases as interest rates change. However, the net settlement payments or receipts on interest rate swaps described above offset a majority of those changes. Because these swaps are not designated as hedges, net settlements are included in the line item *Loss (gain) on interest rate swaps* in our condensed consolidated statements of operations and are not included in interest expense.

Based on the size of our variable rate debt as of June 30, 2009 and inclusive of the impact of the net conversion of $1.0 billion of variable rate interest to a fixed rate via interest rate swaps, as discussed above, a 1% increase in interest rates would result in an incremental negative cash flow of approximately $1.6 million over the next 12 months, while a 1% decrease in interest rates would result in an incremental negative cash flow of approximately $0.7 million over the next twelve months. A 1% decrease in interest rates results in negative cash flows due to our hedging position, the current low LIBOR rate, and the assumption that LIBOR will not fall below 0%.

A 1% increase in interest rates would result in an approximate $22.3 million decrease in the estimated net fair value of our fixed rate debt, and a 1% decrease in interest rates would result in an approximate $19.5 million increase in its estimated net fair value.

We also maintain two forward-starting interest rate swaps that are designated as cash flow hedges. See Note 5, *Long-term Debt*, to the condensed consolidated financial statements included in Part I, Item 1, *Financial Statements (Unaudited)*, of this report. There will be no cash flow impact associated with these forward-starting swaps over the next 12 months because net settlements do not begin until June 2011.

Foreign operations, and the related market risks associated with foreign currencies, are currently, and have been, insignificant to our financial position, results of operations, and cash flows.

Item 4. Controls and Procedures
Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, an evaluation was carried out by our management, including our chief executive officer and chief financial officer, of the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended. Based on our evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control Over Financial Reporting

There have been no changes in our Internal Control over Financial Reporting during the quarter ended June 30, 2009 that have a material effect on our Internal Control over Financial Reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Information relating to certain legal proceedings in which we are involved is included in Note 11, *Settlements*, and Note 12, *Contingencies*, to the condensed consolidated financial statements contained in Part I, Item 1, *Financial Statements (Unaudited)*, of this report and is incorporated herein by reference and should be read in conjunction with the related disclosure previously reported in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2009 and our Annual Report on Form 10-K for the year ended December 31, 2008.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table summarizes our repurchases of equity securities during the three months ended

June 30, 2009:

Period	**Total Number of Shares (or Units) Purchased [(1)]**	**Average Price Paid per Share (or Unit)**	**Total Number of Shares (or Units) Purchased as part of Publicly Announced Plans or Programs**	**Maximum Number of Shares (or Units) That May Yet Be Purchased Under the Plans or Programs**
April 1 through April 30, 2009	–	$ –	–	–
May 1 through May 31, 2009	402	11.52	–	–
June 1 through June 30, 2009	–	–	–	–
Total	402	11.52	–	–

(1) Shares in this column were tendered by an employee as payment of tax liability incident to the vesting of previously awarded shares of restricted stock.

Item 4. Submission of Matters to a Vote of Security Holders

We held our 2009 Annual Meeting of Stockholders on May 7, 2009. At the annual meeting, the stockholders voted on the election of all ten members of our board of directors and the ratification of PricewaterhouseCoopers LLP as our independent registered public accounting firm. The voting results at the annual meeting were as follows:

Proposal 1, election of directors, which passed:

Name of Nominee	Votes For	Votes Against	Votes Abstained
Edward A. Blechschmidt	81,574,764	762,635	N/A
John W. Chidsey	80,780,047	1,557,352	N/A
Donald L. Correll	80,778,577	1,558,822	N/A
Yvonne M. Curl	78,657,306	3,680,094	N/A
Charles M. Elson	80,984,875	1,352,525	N/A
Jay Grinney	80,770,706	1,566,693	N/A
Jon F. Hanson	81,371,702	965,697	N/A
Leo I. Higdon, Jr.	78,913,947	3,423,452	N/A
John E. Maupin, Jr.	80,555,587	1,781,812	N/A
L. Edward Shaw, Jr.	79,495,465	2,841,934	N/A

Proposal 2, ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm, which passed:

Votes For	Votes Against	Votes Abstained
80,793,848	986,766	90,382

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Item 6. Exhibits

The exhibits required by Regulation S-K are set forth in the following list and are filed by attachment to this report unless otherwise noted.

No.	Description
3.1	Restated Certificate of Incorporation of HealthSouth Corporation, as filed in the Office of the Secretary of State of the State of Delaware on May 21, 1998 (incorporated by reference to HealthSouth's Annual Report on Form 10-K filed with the SEC on June 27, 2005).
3.2	Certificate of Amendment to the Restated Certificate of Incorporation of HealthSouth Corporation, as filed in the Office of the Secretary of State of the State of Delaware on October 25, 2006 (incorporated by reference to Exhibit 3.1 to HealthSouth's Current Report on Form 8-K filed on October 31, 2006).
3.3	Amended and Restated By-Laws of HealthSouth Corporation, effective as of September 21, 2006, as amended on February 28, 2007 and November 1, 2007 (incorporated by reference to Exhibit 3.3 to HealthSouth's Quarterly Report on Form 10-Q filed on November 6, 2007).
3.4	Certificate of Designations of 6.50% Series A Convertible Perpetual Preferred Stock, as filed with the Secretary of State of the State of Delaware on March 7, 2006 (incorporated by reference to Exhibit 3.1 to HealthSouth's Current Report on Form 8-K filed on March 9, 2006).
31.1	Certification of Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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, thereunto duly authorized.

HEALTHSOUTH CORPORATION

By: /s/ John L. Workman
John L. Workman
Executive Vice President, Chief Financial Officer
and Principal Accounting Officer

Date: August 5, 2009

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