

# THIRD AMENDED AND RESTATED CHARTER OF THE COMPENSATION COMMITTEE OF HEALTHSOUTH CORPORATION

## I. PURPOSE, OBJECTIVES AND RESPONSIBILITIES

The purposes and objectives of the Compensation Committee (the “Committee”) of the Board of Directors of HealthSouth Corporation (the “Company”) are to oversee the Company's compensation and employee benefit objectives, plans and policies and to review and approve (or recommend for approval of the independent directors of the Board of Directors in the case of the Chief Executive Officer of the Company) the individual compensation of the Section 16 executive officers of the Company in order to attract and retain high-quality personnel to better ensure the long-term success of the Company and the creation of long-term shareholder value.

The specific responsibilities of the Committee are to:

- (a) review at least annually the goals and objectives of the Company's compensation programs and policies, including the Company's benefit plans, incentive compensation plans and equity-based plans, and amend, or recommend that the Board of Directors amend, these goals and objectives if the Committee deems it appropriate;
- (b) review at least annually the Company's compensation programs and policies, including the Company's benefit plans, incentive compensation plans and equity-based plans, in light of the Company's goals and objectives with respect to such plans and the results of any advisory votes by the stockholders of the Company, and, if the Committee deems it appropriate, adopt, or recommend to the Board of Directors the adoption of, new, or the amendment of existing, compensation programs and policies;

- (c) review at least annually and recommend to the Board of Directors for approval, corporate goals and objectives relevant to the compensation of the chief executive officer of the Company, and, in light of those goals and objectives, (i) evaluate annually the performance of the chief executive officer of the Company, and (ii) together with the other independent directors (as defined in the Corporate Governance Guidelines), determine and approve the base compensation level of and incentive compensation for the chief executive officer of the Company based on this evaluation;
- (d) review at least annually and approve corporate goals and objectives relevant to the compensation of Section 16 executive officers of the Company, and, in light of those goals and objectives, (i) evaluate annually the performance of Section 16 executive officers of the Company and (ii) determine and approve the base compensation level of and incentive compensation for Section 16 executive officers of the Company based on this evaluation;
- (e) review perquisites or other personal benefits provided to the Company's Section 16 executive officers and directors and recommend any changes to the Board of Directors;
- (f) review all equity compensation plans to be submitted for stockholder approval under the New York Stock Exchange (“NYSE”) listing standards, and, in the Committee's sole discretion, approve all equity incentive plans that are exempt from such stockholder approval requirement, and pursuant thereto, (i) act as (or designate) an administrator for equity compensation plans as may be required and (ii) approve, or recommend to the Board of Directors for their approval, equity-based awards granted by the Company;
- (g) review and discuss with management the Company's Compensation Discussion and Analysis (“CD&A”) required by the Securities and Exchange Commission (“SEC”), and based on that review and discussion, recommend to the Board of

Directors that the CD&A be included in the Company's annual proxy statement or annual report on Form 10-K;

- (h) produce a compensation committee report in accordance with the rules and regulations of the SEC for inclusion in the Company's annual proxy statement or annual report on Form 10-K;
- (i) review the description of the Committee's processes and procedures for the consideration and determination of executive and director compensation to be included in the Company's annual proxy statement;
- (j) review and approve (or recommend for approval of the independent directors of the Board of Directors in the case of the Chief Executive Officer of the Company) any employment agreements, severance arrangements, termination arrangements or change in control agreements to be made with any Section 16 executive officer of the Company;
- (k) perform an annual performance evaluation of the Committee and the members of the Committee;
- (l) review and recommend to the Board of Directors fees and retainers for non-employee members of the Board of Directors and non-employee members and chairpersons of committees of the Board of Directors;
- (m) periodically (but not less than bi-annually) review compliance with HealthSouth's Senior Officer Stock Ownership Guidelines and HealthSouth's Outside Director Stock Ownership Guidelines; and
- (n) perform such duties and responsibilities as may be assigned to the Committee under the terms of any compensation plan or other employee benefit plan, including any incentive-compensation or equity-based plan.

## II. COMMITTEE COMPOSITION

The Committee shall consist of no fewer than three members.

Each member of the Committee shall be appointed by the Board of Directors, considering the recommendations of the Nominating / Corporate Governance Committee of the Board of Directors. No member of the Committee may be removed except by a majority of independent directors (as defined in the Corporate Governance Guidelines) then in office. The Board of Directors may fill vacancies on the Committee by a majority vote of the Board of Directors.

Each member of the Committee must qualify as an independent director under the Corporate Governance Guidelines and otherwise meet the qualifications for membership on a compensation committee imposed by the NYSE and any other laws and regulations applicable to the Company.

As deemed appropriate by the Board of Directors, each member of the Committee may be required to meet the requirements of a non-employee director under Rule 16b-3 under the Securities Exchange Act of 1934 and the requirements of an outside director for purposes of Section 162(m) of the Internal Revenue Code of 1986.

The Board of Directors shall designate one member of the Committee as its chairperson (the "Chairman"), provided that if the Board of Directors does not so designate a Chairman, the members of the Committee, by a majority vote, may designate a Chairman. Except as may be expressly provided to the contrary in the bylaws of the Company, this charter or the Corporate Governance Guidelines of the Company, the Committee shall determine the rules of procedure under which it shall operate.

## III. COMMITTEE STRUCTURE AND OPERATION

The Committee will meet as often as it deems necessary to carry out its duties and responsibilities, but in any event not less than four times per year. A majority of the members of the Committee present in person or by means of a conference telephone or other communication equipment by means of which all persons participating in the meeting can hear each other shall constitute a quorum.

The Chairman shall preside over the meetings of the Committee and shall appoint a secretary (who need not be a member of the Committee) to take written minutes of the meetings.

The Chairman, in consultation with the other members of the Committee and subject to the requirements set forth in this charter, will determine the frequency and duration of the meetings of the Committee and the agenda of items to be addressed at each meeting. In advance of each meeting and to the extent practicable, the Chairman shall circulate the agenda for each meeting to each member of the Committee. In addition, if requested by the Board of Directors, the Chairman shall call a meeting of the Committee and place on the agenda such items as may be requested by the Board of Directors.

The Committee may invite to its meetings other members of the Board of Directors, members of the Company's management and such other persons as the Committee deems appropriate. The Committee may exclude any person (other than a member of the Committee) from a meeting as the Committee deems appropriate.

The Committee may form and delegate any of its authority and/or responsibilities to one or more subcommittee(s) as deemed appropriate by the Committee; provided, however, that no subcommittee shall consist of fewer than two members; and provided further that the Committee shall not delegate to a subcommittee any power or authority required by any applicable law, regulation or listing standard to be exercised by the Committee as a whole.

#### **IV. COMPENSATION POLICIES**

In determining the long-term incentive component of the compensation of the chief executive officer of the Company, the Committee and the independent directors shall consider the Company's performance and relative stockholder return, the value of similar compensation and incentive awards to chief executive officers of comparable companies and the awards given to the chief executive officer of the Company in past years, together with such other factors as the Committee and the independent directors shall deem relevant.

To the extent that long-term incentive compensation is a component of Section 16 executive officer's compensation, the Committee shall consider all relevant factors in determining the appropriate level of such compensation, including the factors applicable with respect to the chief executive officer.

#### **V. ROLE OF CHIEF EXECUTIVE OFFICER**

The chief executive officer may make, and the Committee may consider, recommendations to the Committee regarding the Company's compensation and employee benefit plans and practices, including its executive compensation plans, its incentive compensation and equity-based plans with respect to Section 16 executive officers other than the chief executive officer and the Company's director compensation arrangements.

#### **VI. AUTHORITY**

The Committee shall have the sole authority to retain and terminate any compensation consultant to assist in the evaluation of compensation for members of the Board of Directors and Section 16 executive officers (including the chief executive officer) of the Company and to approve such consultant's fees and other retention terms, such fees to be borne by the Company.

The Committee shall have the authority to approve the annual base salary, annual incentive bonus, long-term incentive awards, employment agreements, severance arrangements, change in control agreements and special or supplemental benefits for Section 16 executive officers of the Company, provided, however, that the Committee may delegate authority to management to approve, in accordance with the Company's compensation policies, programs, plans and procedures, ordinary merit increases, changes in broadly applicable compensation and benefit plans, changes in compensation upon promotion or change of job duties, and similar compensation matters handled in the ordinary course of business.

The Committee shall have the authority to:

- (a) retain, appoint, compensate and oversee the work of outside advisers, including legal, accounting and compensation advisers, at the expense of the Company;
- (b) conduct or authorize investigations into or studies of matters within the Committee's scope of responsibilities; and
- (c) perform all acts necessary or appropriate to fulfill its responsibilities and achieve its objectives under this charter and as otherwise directed by the Board of

Directors, provided such acts are not in violation of the bylaws and certificate of incorporation of the Company, this charter, the Corporate Governance Guidelines, the Company's Standards of Business Conduct or any laws and regulations applicable to the Company.

With respect to any advisers engaged, the Committee must consider, prior to such engagement and at least annually thereafter, the independence of such advisers including review of those factors required by SEC or NYSE Rules.

## **VII. REVIEWS AND EVALUATIONS**

The Committee shall be responsible, at least on an annual basis, for reviewing and evaluating (i) the performance of the Committee and the members of the Committee, (ii) whether this charter appropriately addresses the matters that are or should be within its scope, and (iii) with management, the Company's material compensation related risk exposures and the steps management takes to monitor and mitigate such exposures.

The Committee shall deliver to the Board of Directors a report, which may be oral, setting forth the results of its evaluation, including any recommended amendments to this charter and any recommended changes to the policies and procedures of the Company or the Board of Directors.

## **VIII. ADDITIONAL RESPONSIBILITIES**

The Committee shall adopt, administer and approve awards under incentive compensation and equity-based plans, including amendments to the awards made under any such plans, and review and monitor awards under such plans, or recommend to the Board of Directors such awards all as provided under the terms of the applicable plans. The Committee shall annually evaluate the possible dilutive effects of equity granted to employees.

The Committee shall make regular reports to the Board of Directors.

## **IX. DISCLOSURE OF CHARTER**

This charter shall be made available on the Company's website.

## **X. DATE OF ADOPTION**

This amended and restated charter was approved by the Board of Directors on February 15, 2013.

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While the members of the Committee have the duties and responsibilities set forth in this charter, nothing contained in this charter is intended to create, or should be construed as creating, any responsibility or liability of members of the Committee, except to the extent otherwise provided under applicable federal or state law.