

# **HEALTHSOUTH E&Y/UBS BONDHOLDER SETTLEMENTS**

## **FREQUENTLY ASKED QUESTIONS**

### **IMPORTANT DATES AND DEADLINES:**

**Objections to the Settlements:** Any objections to the Settlements must be sent to Bondholder Plaintiffs' Lead Counsel, counsel for E&Y and/or the UBS Defendants, as applicable, and the court at the addresses set forth on page 14 of the Notice so that they are **received no later than July 7, 2010.**

**Requests for exclusion ("opt-outs") from the Class:** Requests for exclusion from the Bondholder Class must be sent to the Claims Administrator so that they are **received no later than July 7, 2010.** If you opt-out of the class, you will not be eligible to participate in the proposed settlements.

**Settlement Hearing:** A hearing is scheduled to be held by the court in order to consider whether to give the Settlements final approval, to consider Bondholder Plaintiffs' Lead Counsel's request for an award of attorneys' fees and reimbursement of litigation expenses and other matters. The hearing is currently scheduled for **July 22, 2010 at 10:00 a.m.**

**Proof of Claim:** To be eligible to participate in the distribution of the respective Net Settlement Funds, you must be a member of the E&Y Bondholder Class (which means that you purchased HealthSouth Bonds between March 30, 2000 through and including March 18, 2003) or the UBS Bondholder Class (which means that you purchased HealthSouth Bonds between September 20, 2000 through and including March 18, 2003) **and**

#### **EITHER**

(1) Have submitted a Proof of Claim in connection with the previously announced HealthSouth Settlement which will be evaluated to see if you are eligible to participate in the Settlement with E&Y or the Settlement with the UBS Defendants or both.

— OR —

(2) Timely complete and return a valid Proof of Claim form **postmarked no later than September 29, 2010.**

### **GENERAL BACKGROUND OF THE LAWSUIT AND THE SETTLEMENTS**

#### ***What is the Bondholder Class Period?***

The Bondholder Class Period is from July 30, 1999 through and including March 18, 2003. Other important time periods are the E&Y Class Period, which is from March 30, 2000 through and including March 18, 2003, and the UBS Class Period, which is from September 20, 2000 through and including March 18, 2003. Only Bondholder Class Members who purchased or acquired HealthSouth bonds, notes or other debt instruments during the E&Y Class Period are eligible to participate in the Settlement with E&Y and only Bondholder Class Members who purchased or acquired HealthSouth bonds, notes or other debt instruments during the UBS Class Period are eligible to participate in the Settlement with the UBS Defendants.

#### ***How do I know if I am a member of the Bondholder Class?***

"Bondholder Class" means all Persons who purchased, exchanged or otherwise acquired bonds, notes or other debt instruments of HealthSouth Corporation beginning July 30, 1999 through and including March 18, 2003 and were damaged thereby (subject to certain exclusions discussed in the Notice).

***Who are the Settling Defendants in these proposed Settlements?***

Ernst & Young LLP (“E&Y”) and UBS AG, UBS Warburg, LLC, Howard Capek, Benjamin D. Lorello and William C. McGahan (collectively, the “UBS Defendants”) are the Settling Defendants.

***Am I eligible to receive a payment under the proposed Settlements?***

The claims asserted against the Settling Defendants cover only certain time periods. Only Bondholder Class Members who purchased or acquired HealthSouth bonds, notes or other debt instruments beginning March 30, 2000 through and including March 18, 2003 (the “E&Y Bondholder Class”) are eligible to participate in the Settlement with E&Y. Only Bondholder Class Members who purchased or acquired HealthSouth bonds, notes or other debt instruments beginning September 20, 2000 through and including March 18, 2003 (the “UBS Bondholder Class”) are eligible to participate in the Settlement with the UBS Defendants. If you did not purchase any HealthSouth bonds, notes or debt instruments during these time periods, you will not be able to participate in these Settlements. The specific debt instruments that are eligible securities with respect to the proposed Settlements are listed in the Notice and in the Proof of Claim.

***Who is the Bondholder Lead Plaintiff?***

“Bondholder Lead Plaintiff” means the Retirement Systems of Alabama.

***Am I being sued?***

No. The Bondholder Lead Plaintiff and other Bondholder Plaintiffs are suing the Defendants. If you are a Member of the Bondholder Class, the Bondholder Lead Plaintiff has brought this suit on your behalf.

***Who are the attorneys representing the Bondholder Class?***

The Bondholder Class is represented by Bondholder Plaintiffs’ Lead Counsel: Bernstein Litowitz Berger & Grossmann LLP, Salvatore J. Graziano, 1285 Avenue of the Americas, New York, NY 10019 and Cunningham Bounds, LLC, Robert T Cunningham, Jr., 1601 Dauphin Street, Mobile, AL 36604.

***What claims does the lawsuit make against the Defendants?***

The Complaint alleges that during the relevant period, at the direction of senior HealthSouth management, Defendants implemented a scheme to falsify HealthSouth’s financial statements in order to meet or exceed Wall Street expectations and to issue HealthSouth Bonds to finance that alleged fraudulent scheme. E&Y is alleged to have issued false and misleading audit reports on HealthSouth’s financial statements during the E&Y Class Period. The UBS Defendants are alleged to have fraudulently disseminated false and misleading information regarding HealthSouth to the Bondholder Class and to the market generally through a series of Rule 144A bond offerings between 2000 and 2002.

E&Y and the UBS Defendants have expressly denied and continue to deny all charges of wrongdoing or liability against them arising out of any of the conduct, statements, acts or omissions alleged, or that could have been alleged, in the Bondholder Action.

***Where was this lawsuit filed?***

The plaintiffs filed a class action lawsuit in the United States District Court in the Northern District of Alabama, Southern Division.

**BASIC INFORMATION**

***How much are the Settlements?***

The proposed settlement with Ernst & Young is for \$33,500,000 in cash, which has been deposited in an interest bearing escrow account (the “E&Y Settlement Fund”). The proposed settlement with the UBS Defendants is

for \$100,000,000 in cash, which has been deposited in an interest bearing escrow account (the “UBS Settlement Fund”).

***Which HealthSouth bond, notes or debt instruments are eligible securities for purposes of the Settlements?***

The following HealthSouth bonds, notes or debt instruments (“HealthSouth Bonds”) are the eligible securities for purposes of the Settlements:

- a) 3.25% Convertible Debentures due 4/1/2003
- b) 6.875% Senior Notes due 6/15/2005
- c) 7.0% Senior Notes due 6/15/2008
- d) 10.75% Senior Subordinated Notes due 10/1/2008
- e) 8.5% Senior Notes due 2/1/2008
- f) 8.375% Senior Notes due 10/1/2011
- g) 7.375% Senior Notes due 10/1/2006
- h) 7.625% Senior Notes due 6/1/2012

***I do not know how many bonds, notes or other debt instruments I purchased or sold during the E&Y and/or UBS Bondholder Class Periods. Where can I get my information (or do you have it)?***

You must contact your broker to get that information; we do not have that information.

***Why did I get a form about the lawsuit?***

You may be a member of the Bondholder Class and the court asked that the Notice be sent to you because you have a right to know about the proposed settlements and about all of your options.

***I received a form in the mail. What is this about?***

Proposed Settlements have been reached with Ernst & Young and the UBS Defendants in a litigation which alleged that Ernst & Young issued false and misleading audit reports on HealthSouth’s financial statements during the E&Y Class Period and UBS Defendants are alleged to have fraudulently disseminated false and misleading information regarding HealthSouth to the Bondholder Class and to the market generally through a series of Rule 144A bond offerings between 2000 and 2002.

E&Y and the UBS Defendants continue to deny all charges of wrongdoing or liability against them arising out of any of the conduct, statements, acts or omissions alleged, or that could have been alleged, in the Bondholder Action; however, Ernst & Young has agreed to a settlement payment of \$33,500,000 in cash and UBS has agreed to a settlement payment of \$100,000,000 in cash.

Additionally, the court has certified this action as a class action on behalf of the Bondholder Class, i.e. all persons and entities who purchased HealthSouth bonds, notes or other debt instruments beginning July 30, 1999 through and including March 18, 2003. Members of the Bondholder Class should know about this ruling as it affects their rights.

***I do not think I had HealthSouth bonds or other HealthSouth debt instrument, why did I receive a Notice?***

You may have been identified by HealthSouth or your broker or financial institution as potentially being a Bondholder Class Member. We are unable to tell you exactly who provided your name, as we have received hundreds of thousands of names and addresses (some in the form of labels) which were used to send out information packets to potential members of the Bondholder Class. Please consult your records or call your broker to confirm your eligibility.

***When will I receive my settlement payment?***

If the proposed Settlement(s) are approved, the Claims Administrator will distribute checks to Authorized Claimants according to the Plan of Allocation at a future date after the administration process is complete. This process may take many months. Please be patient.

***How much will I receive?***

We are unable, at this time, to tell any E&Y or UBS Bondholder Class Member how much he, she or it may receive.

***What are the attorneys' fees?***

Bondholder Plaintiffs' Lead Counsel, on behalf of all plaintiffs' counsel, will request that the court award attorneys' fees in the amount of 13% of the Total Settlement Fund (i.e., 13% of the \$133,500,000 total settlement amount from the E&Y and UBS Settlements plus interest accrued thereon), plus reimbursement of their expenses (which may include the costs and expenses of Bondholder Plaintiffs relating to their representation of the class) in an amount not to exceed \$9.5 million plus interest, which were incurred in connection with prosecuting the claims in the Bondholder Action.

***Do I have to pay attorneys' fees directly?***

No. The attorneys' fees and expenses will be paid out of the Settlement Funds, if approved by the court.

***What do I need to do to receive a distribution from the Settlement Funds?***

If you already submitted a Proof of Claim in the earlier HealthSouth Settlement, the trading information you supplied will be evaluated to determine whether you are eligible to participate in the E&Y and/or UBS Settlements and the amount of your claim. **DO NOT** submit another Proof of Claim.

However, if you did not file a Proof of Claim in the earlier HealthSouth Settlement, you must submit a Proof of Claim postmarked no later than September 29, 2010. If you are a member of the E&Y Bondholder Class or the UBS Bondholder Class (or both) and need a Proof of Claim form, copies may be obtained by clicking on the link entitled "Proof of Claim" in the left-hand column or calling the Claims Administrator at (877) 788-4959.

The Proof of Claim, with all supporting documents (DO NOT SEND ORIGINALS), must be **postmarked no later than September 29, 2010** and delivered to the Claims Administrator at this address:

HealthSouth Corporation Securities Litigation  
E&Y/UBS Bondholder Settlements  
c/o Rust Consulting, Inc.  
P.O. Box 2332  
Faribault, MN 55021-9032

Even if you are a member of both the E&Y Bondholder Class and the UBS Bondholder Class, only submit one Proof of Claim with supporting documents.

**SETTLEMENT HEARING**

***What, When or Where is the Settlement Hearing?***

A Settlement Hearing is scheduled to be held by the court in order to consider whether the Settlements should be approved as fair, reasonable and adequate. The hearing is currently scheduled for **July 22, 2010, at 10:00**

**a.m.** It will be held before the Honorable Karon Owen Bowdre, United States District Judge, at the Hugo L. Black United States Courthouse, 1729 Fifth Avenue North, Birmingham, Alabama.

***Has the court approved the Settlements?***

The court has preliminarily approved the Settlements for the purposes of sending out the notice documents to the Bondholder Class. A hearing on the Settlements is currently scheduled to be held on **July 22, 2010** to determine:

(1) whether the E&Y Settlement consisting of \$33,500,000 in cash should be approved as fair, reasonable and adequate and the proposed E&Y Judgment entered;

(2) whether the UBS Settlement consisting of \$100,000,000 in cash should be approved as fair, reasonable and adequate and the proposed UBS Judgment entered;

(3) whether Bondholder Plaintiffs' Lead Counsel's request for an award of attorneys' fees and reimbursement of litigation expenses (which may include Bondholder Plaintiffs' costs and expenses) should be approved by the court; and

(4) whether the claims against the last remaining defendant, Richard Scrushy, should be dismissed without prejudice if the two proposed Settlements are approved and become Final.

The court may adjourn or continue the Settlement Hearing without further notice to the Bondholder Class.

***Do I have to go to the hearing?***

No. At the hearing, Lead Counsel for Bondholder Lead Plaintiff and for the E&Y Bondholder Class and the UBS Bondholder Class will answer questions the Judge may have. You do not need to come to the hearing, but you are welcome to come at your own expense. If you send an objection, you also do not have to come to court to talk about it. As long as you mailed your written objection on time, the court will consider it.

***If the Settlement Hearing date is changed, will I be notified?***

No. There is no provision for notifying Bondholder Class Members if the court adjourns the Settlement Hearing. However, if you plan to attend the hearing, you may visit this website or counsel's websites for any updates or you may call the court clerk to confirm the date of the Settlement Hearing.

**REQUESTING EXCLUSION FROM THE BONDHOLDER CLASS**

***Requesting exclusion from the Bondholder Class:*** Those Bondholder Class Members who do not want to receive the relief offered by the proposed Settlements and do **not want to be bound by the terms of the Settlement(s), and any future Judgment(s)**, have the opportunity to be excluded.

***What are Opt-Outs?***

Bondholder Class Members who request to be excluded from the class.

***Why would I want to exclude myself (request exclusion from the class or Opt-Out of the class)?***

You would exclude yourself from the Bondholder Class if:

- you do not want to share in the proceeds of the Settlements, nor do you want to share in any recovery that might be obtained as a result of execution of the outstanding judgment against Richard Scrushy;
- you do not want to be bound by any judgment that will be entered in the Bondholder Action (including any judgment entered pursuant to the Settlements described in the Notice); and
- you do not want to be precluded from otherwise prosecuting an individual claim, if timely, against the Settling Defendants or Richard Scrushy based on the matters complained of in the Bondholder Action.

***Why would I not want to exclude myself from the class?***

You want to be eligible to receive distribution from the Settlement Funds. Only eligible Bondholder Class Members, if they are also members of the E&Y Bondholder Class and/or UBS Bondholder Class, can receive a recovery from the Settlements.

***I do not want to be bothered; do I need to exclude myself from the Bondholder Class?***

No. You may do nothing at all. However, if do nothing you will not share in the proceeds of the Settlement(s) (unless you are a member of the E&Y and/or UBS Bondholder Class and you previously filed a Proof of Claim in the HealthSouth Settlement which is determined to have a recoverable loss with respect to the applicable Settlement(s)), but you will be bound by any applicable judgments entered by the court including those entered in connection with the Settlement(s) applicable to the class(es) in which you are member, and you shall be deemed to have, and by operation of the applicable Judgment(s) shall have, fully released all of the Released Claims against the Released Persons covered by the relevant Judgment(s).

***What is the deadline for requesting exclusion (“opting out”) from the Bondholder Class?***

Requests to be excluded from the Bondholder Class must be in writing and must be **RECEIVED no later than July 7, 2010**. If you are requesting exclusion from the class, you must read carefully the instructions provided on page 10 of the Notice.

***What if I miss the deadline for requesting exclusion or do not provide all the information required in the Notice?***

If you miss the deadline or do not follow the instructions for filing a request for exclusion from the class:

- You will remain a member of the Bondholder Class;
- You will be bound by any and all applicable determinations or judgments in the Bondholder Action, whether favorable or unfavorable
- You will not be able to bring, or continue to pursue, an individual claim against the Settling Defendants, or against Richard Scruschy if the litigation continues as to him;
- To the extent that you are a member of the E&Y and/or UBS Bondholder Class, you shall be deemed to have, and by operation of the applicable Judgment(s) that may be entered with respect to the proposed Settlement(s) shall have, fully released all of the Released Claims against the E&Y and/or UBS Released Persons
- If you are a member of the E&Y or UBS Bondholder Class, and you previously filed a claim in connection with the HealthSouth Settlement, it will be evaluated to see if you are entitled to a recovery under the E&Y and/or UBS Settlement(s), as applicable, or if you did not previously file a claim, you may now file a Proof of Claim which will be evaluated.

***I requested exclusion (opted-out from the Bondholder Class), but have since changed my mind. Can I still be a Bondholder Class Member?***

If you opted-out, but now believe that opting out was a mistake, you must request in writing to be reinstated to the Bondholder Class. Your request will be forwarded to Lead Counsel for Bondholder Lead Plaintiff and for the E&Y Bondholder Class and the UBS Bondholder Class for review.

**OBJECTING TO THE SETTLEMENT(S)**

***Objection:*** This is a written submission to the court and the relevant Settling Parties that states a disagreement with some aspect of the Settlement(s). Only members of the E&Y Bondholder Class may object to the E&Y Settlement and only members of the UBS Bondholder Class may object to the UBS Settlement.

***What is the deadline for objecting?***

The court, Bondholder Plaintiffs' Lead Counsel, and counsel for Ernst & Young and/or UBS Defendants, as applicable, must **receive on or before July 7, 2010** all written objections to the Settlement(s).

***How do I go about raising an objection?***

If you are a member of the E&Y or UBS Bondholder Class, you may write to the court and explain why you do not like the proposed Settlement with E&Y or the UBS Defendants, as applicable, or why you do not like the request for attorneys' fees and reimbursement of expenses. If you are a Bondholder Class Member you may write to the court and explain why you do not like the proposed dismissal of claims against Richard Scrushy. If you want to object, you must send a written statement of objection to the court, Bondholder Plaintiffs' Lead Counsel and counsel for Ernst & Young and/or the UBS Defendants as applicable so that it is **received on or before July 7, 2010**. If you wish to object, please carefully read page 14 of the Notice, which describes the procedures you must follow in order to object to the Settlement(s). If your objection is rejected, you will still be bound by the applicable determinations of the court just as if you had not objected.

***Do I need an attorney in order to object to the Settlement(s)?***

No. If you do hire an attorney to represent you personally, whether for purposes of objecting to the Settlement(s) or for any other reason, you must do so at your own expense.

***If I file a request for exclusion, can I still object to the Settlement(s)?***

No. If you exclude yourself from the Bondholder Class you cannot object to either Settlement, the request for attorneys' fees and reimbursement of litigation expenses, or the proposed dismissal of claims against Scrushy.

***I opted-out of the Bondholder Class. Why can't I file an objection with the court, too?***

If you already opted-out, you are **NOT** a Bondholder Class Member and therefore have no standing to object.

***What's the difference between objecting to the Settlement(s) and seeking exclusion from the Bondholder Class?***

Objecting is simply telling the court that you don't like something about the Settlement(s). You cannot object if you exclude yourself from the Bondholder Class. Excluding yourself is telling the court that you don't want to be part of the class. If you exclude yourself from the class, you have no basis to object because you are no longer part of the class and the Settlements will not affect you.

**FILING A PROOF OF CLAIM**

***How can I obtain a distribution under these Settlements?***

To be eligible to participate in the distribution of the Net Settlement Funds, you must be a member of the E&Y Bondholder Class or the UBS Bondholder Class and either:

- (1) have previously submitted a Proof of Claim form in connection with the earlier HealthSouth Settlement, or
- (2) timely complete and return a valid Proof of Claim in connection with these Settlements

The Proof of Claim, with all supporting documents, must be **postmarked no later than September 29, 2010** and delivered to the Claims Administrator at:

HealthSouth Corporation Securities Litigation  
E&Y/UBS Bondholder Settlements  
c/o Rust Consulting, Inc.

P.O. Box 2332  
Faribault, MN 55021-9032

Even if you are a member of both the E&Y Bondholder Class and the UBS Bondholder Class, only submit one Proof of Claim with supporting documents.

If you do not timely submit a valid Proof of Claim (and did not previously submit a Proof of Claim in connection with the HealthSouth Settlement), you will be barred from receiving any payments from the Net Settlement Funds, but will in all other respects be bound by the Settlements.

***Do I need to submit supporting documentation?***

Yes. Copies of broker confirmations, monthly account statements or other documentation of your purchases, acquisitions, sales or transactions in HealthSouth bonds, notes or other debt instruments (the eligible securities are listed in the Proof of Claim form) must be attached to your Proof of Claim. **DO NOT SEND ORIGINALS.** Failure to provide this documentation could delay verification of your claim or result in rejection of your claim. The Settling Parties and the Claims Administrator do not independently have information about your investments in HealthSouth. The Claims Administrator may also request additional information as needed to efficiently and reliably calculate your losses.

**What documentation is acceptable?**

You **must** attach to the Proof of Claim (for each transaction) original or legible copies of either:

- Broker confirmation slips;
- Monthly brokerage statements;
- Year-end brokerage statements;
- A letter from your broker on the firm's letterhead; or
- Other satisfactory proof confirming the particulars of each purchase and sale of the securities between March 30, 2000 and January 16, 2004, inclusive.

Some examples of **UNACCEPTABLE** documentation are:

- spreadsheets from your personal records;
- stock certificates; or
- statements that are missing crucial pages or missing the account holder's name, printouts from web sites that do not include your name or account number or do not include the name of the web site, etc.