

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ALABAMA
SOUTHERN DIVISION

In re HEALTHSOUTH)
CORPORATION SECURITIES LITIGATION)
)
) CLASS ACTION
)
_____) This Document Relates To:
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)
)
) *In re HealthSouth Corporation*
) *Bondholder Litigation*, Consolidated Case
)
)
)
_____) No. CV-03-BE-1502-S.

**NOTICE OF (I) PENDENCY OF CLASS ACTION;
(II) PROPOSED SETTLEMENTS WITH ERNST & YOUNG LLP AND
THE UBS DEFENDANTS; AND (III) PROPOSED DISMISSAL OF CLAIMS**

TO: ALL PERSONS WHO PURCHASED, EXCHANGED OR OTHERWISE ACQUIRED BONDS, NOTES OR OTHER DEBT INSTRUMENTS OF HEALTHSOUTH CORPORATION (“HEALTHSOUTH”) BEGINNING JULY 30, 1999 THROUGH AND INCLUDING MARCH 18, 2003 AND WERE DAMAGED THEREBY (THE “BONDHOLDER CLASS” OR THE “CLASS”)

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. IT RELATES TO PROPOSED SETTLEMENTS OF THIS CLASS ACTION WITH DEFENDANT ERNST & YOUNG LLP AND THE UBS DEFENDANTS (AS DEFINED BELOW). IF YOU ARE A MEMBER OF THE CLASS DESCRIBED ABOVE, THIS NOTICE CONTAINS IMPORTANT INFORMATION AS TO YOUR RIGHTS.

If you are a member of the E&Y Bondholder Class or the UBS Bondholder Class you may be entitled to share in the proceeds of the applicable Settlement(s) described in this Notice. The E&Y Bondholder Class and UBS Bondholder Class are subsets of the certified Bondholder Class.

- The E&Y Bondholder Class includes only those Bondholder Class Members who purchased HealthSouth bonds, notes or other debt instruments (“HealthSouth Bonds” or “Bonds”) beginning March 30, 2000 through and including March 18, 2003 (the “E&Y Class Period”) and who are not excluded from the class by definition (*see* Section II.12 below). E&Y Bondholder Class Members may be entitled to share in the proceeds of the proposed settlement with Ernst & Young LLP (the “E&Y Settlement”).
- The UBS Bondholder Class includes only those Bondholder Class Members who purchased HealthSouth Bonds beginning September 20, 2000 through and including March 18, 2003 (the “UBS Class Period”) and who are not excluded from the class by definition (*see* Section II.28 below). UBS Bondholder Class Members may be entitled to share in the proceeds of the proposed settlement with the UBS Defendants (the “UBS Settlement”).¹

If you request to be excluded from the Bondholder Class, you will not be eligible to participate in the distribution of the proceeds of either settlement.

Please note that even if you are not a member of the E&Y Bondholder Class or the UBS Bondholder Class, but you are a member of the certified Bondholder Class (i.e., you purchased HealthSouth Bonds beginning July 30, 1999 through and including March 29, 2000), your rights will be affected by the court’s order certifying the Class. If you do not wish to be included in the Bondholder Class, which means that you do not wish to be bound by any orders to be entered by the court, you may request to be excluded. To do so, you must submit a written request for exclusion that must be **received on or before July 7, 2010**.²

To be eligible to receive a distribution from the applicable Settlement(s), you either must have previously submitted a timely valid Proof of Claim and Release form (“Proof of Claim”) in connection with the partial settlement with HealthSouth or you must timely submit a valid Proof of Claim **postmarked by September 29, 2010**, in connection with these Settlements. The Proof of Claim does *not* accompany this Notice. You may obtain one from the Claims Administrator or Bondholder Plaintiffs’ Lead Counsel, as explained below.

PLEASE NOTE, ONLY MEMBERS OF THE E&Y BONDHOLDER CLASS ARE ELIGIBLE TO PARTICIPATE IN THE SETTLEMENT WITH E&Y, IF IT IS APPROVED; AND ONLY MEMBERS OF THE UBS BONDHOLDER CLASS ARE ELIGIBLE TO PARTICIPATE IN THE SETTLEMENT WITH THE UBS DEFENDANTS, IF IT IS APPROVED.

¹ If all your purchases of HealthSouth Bonds were between March 30, 2000 through and including September 19, 2000 (and you are not excluded from the class by definition), you will be eligible to participate only in the E&Y Settlement; if you have purchases of HealthSouth Bonds between September 20, 2000 through and including March 18, 2003 (and you are not excluded from the class by definition) you will be eligible to participate in both the E&Y and the UBS Settlements.

² The time to request exclusion from the settlement class certified in connection with the previously approved settlement with HealthSouth Corporation and certain of its officers and directors (the “HealthSouth Settlement”) has expired. If you did not submit a request for exclusion that was accepted by the court in connection with that settlement, you are bound by the Judgment entered by the court with respect to those settling defendants.

SUMMARY OF THIS NOTICE

This Notice has been sent to you pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the United States District Court for the Northern District of Alabama, Southern Division (the “court”). The purpose of this Notice is to inform you (i) that this action has been certified as a class action on behalf of the Bondholder Class as defined in Section II.3 below; (ii) of the proposed settlement with defendant Ernst & Young LLP (“E&Y”) as set forth in the Stipulation of Settlement With Ernst & Young LLP (the “E&Y Stipulation”); (iii) of the proposed settlement with defendants UBS AG, UBS Warburg, LLC, Howard Capek, Benjamin D. Lorello and William C. McGahan (collectively, the “UBS Defendants”) as set forth in the Stipulation of Settlement With UBS Defendants (the “UBS Stipulation”); (iv) of the proposed dismissal of claims against Richard M. Scrushy if the two proposed Settlements are approved and become Final, which would end the Bondholder Action; and (v) of the hearing to be held by the court to consider the fairness, reasonableness, and adequacy of the E&Y Settlement and the UBS Settlement (together, the “Settlements”) and Bondholder Plaintiffs’ Lead Counsel’s request for an award of attorneys’ fees and reimbursement of litigation expenses. This Notice is not intended to be, and should not be construed as, an expression of any opinion by the court with respect to the truth of the allegations in the Bondholder Action or the merits of the claims or defenses asserted. This Notice describes the rights you may have in connection with the Bondholder Action and the Settlements and what steps you may take in relation to the Settlements and this litigation.³

Statement of the E&Y and UBS Bondholder Class Recoveries – Subject to court approval, and as described more fully in Section VI below, Bondholder Lead Plaintiff

- on behalf of the E&Y Bondholder Class, has agreed to settle all claims based on the purchase, exchange or other acquisition of HealthSouth Bonds during the E&Y Class Period that were or could have been asserted against E&Y in the Bondholder Action in exchange for a settlement payment of \$33,500,000 in cash (the “E&Y Settlement Amount”) to be deposited into an interest-bearing escrow account (the “E&Y Settlement Fund”); and
- on behalf of the UBS Bondholder Class, has agreed to settle all claims based on the purchase, exchange or other acquisition of HealthSouth Bonds during the UBS Class Period that were or could have been asserted against the UBS Defendants in the Bondholder Action in exchange for a settlement payment of \$100,000,000 in cash (the “UBS Settlement Amount”) to be deposited into an interest-bearing escrow account (the “UBS Settlement Fund”).

An E&Y or UBS Bondholder Class Member’s recovery from the respective funds will depend on a number of variables, including the number of HealthSouth Bonds he, she or it purchased or otherwise acquired during the E&Y and/or UBS Class Period and the timing of the purchases or acquisitions and any sales, exchanges or other dispositions. Bondholder Lead Plaintiff’s damages expert estimates that approximately 5,077,490 Bonds purchased or otherwise acquired during the E&Y Class Period and approximately 5,051,862 Bonds purchased or otherwise acquired during the UBS Class Period may have been affected by the conduct at issue in the litigation. If claims are made with respect to all of the estimated affected Bonds, the average per-Bond recovery from the E&Y Settlement Fund is estimated to be approximately \$6.60 per Bond, and the average per-Bond recovery from the UBS Settlement Fund is estimated to be approximately \$19.79 per Bond before the deduction of attorneys’ fees, costs and expenses, as approved by the court. Bondholder Lead Plaintiff’s damages expert further estimates that approximately 99% of eligible claimants will recover from both Settlement Funds, thus, assuming claims are made with respect to all estimated affected Bonds, the recovery for those claimants is estimated to be approximately \$26.39 per Bond before the deduction of attorneys’ fees, costs and expenses, as approved by the court.

Before any distribution is made to E&Y and/or UBS Bondholder Class Members, court-awarded expenses, such as attorneys’ fees and litigation expenses (which may include the costs and expenses of the Bondholder Plaintiffs), the cost of sending this Notice, and the costs of the administration and distribution of the Settlement Funds will be deducted from the Settlement Funds.

Statement of Potential Outcome if the Claims Continued to Be Litigated – Bondholder Lead Plaintiff and the Settling Defendants disagree on the potential liability of the Settling Defendants and they do not agree on the average amount of damages, if any, per HealthSouth Bond that would be recoverable if Bondholder Lead Plaintiff were to have prevailed at trial on each claim alleged. The Settling Defendants deny that they are liable in any respect or that the plaintiffs suffered any injury. The issues on which the parties

³ Capitalized terms not defined herein shall have the meaning ascribed to them in the E&Y Stipulation and in the UBS Stipulation.

disagree include: (i) whether any Settling Defendant engaged in any conduct subject to challenge under the federal securities laws; (ii) the amount by which HealthSouth Bonds were allegedly artificially inflated (if at all) during the E&Y Class Period or the UBS Class Period (the “Class Periods”); (iii) the effect of various market forces influencing the trading price of HealthSouth Bonds at various times during the Class Periods; (iv) the extent to which the various matters that Bondholder Lead Plaintiff alleged were materially false or misleading influenced (if at all) the trading price of HealthSouth Bonds during the Class Periods; (v) the extent to which the various allegedly adverse material facts that Bondholder Lead Plaintiff alleged were omitted influenced (if at all) the trading price of HealthSouth Bonds during the Class Periods; (vi) whether the statements made or facts allegedly omitted were material, false, misleading or otherwise actionable under the securities laws; and (vii) whether, even if liability could be proven, total damages would be greater than \$0.

Reasons for the Settlements – Bondholder Lead Plaintiff believes that the proposed settlements with (i) E&Y, HealthSouth’s former auditor, and (ii) the UBS Defendants, which include one of HealthSouth’s investment banks and several of that bank’s former employees, are excellent recoveries and are in the best interests of the E&Y and UBS Bondholder Classes, respectively. Because of the risks associated with continuing to litigate and proceeding to trial, there was a danger that the E&Y and UBS Bondholder Classes would not have prevailed on any of their claims against E&Y or the UBS Defendants, in which case the E&Y Bondholder Class would receive nothing from E&Y, and the UBS Bondholder Class would receive nothing from the UBS Defendants. In addition, the amount of damages recoverable by the E&Y Bondholder Class and by the UBS Bondholder Class was and is challenged by E&Y and the UBS Defendants, respectively. Recoverable damages in this case are limited to losses caused by conduct actionable under applicable law and, had the Bondholder Action gone to trial, E&Y and the UBS Defendants would have asserted that all or most of the losses of E&Y Bondholder Class Members and UBS Bondholder Class Members, respectively, were caused by non-actionable market, industry or general economic factors. The Settling Defendants would also assert, among other things, that their conduct complied with all applicable professional standards and that they did not act with the required state of mind to be liable for securities fraud.

Statement of Attorneys’ Fees and Costs Sought – Bondholder Plaintiffs’ Counsel have not received any payment for their services since January 11, 2007 in prosecuting the claims against the Settling Defendants on behalf of Bondholder Lead Plaintiff and the E&Y and UBS Bondholder Classes, nor have they been reimbursed for their litigation expenses since that time. Bondholder Plaintiffs’ Lead Counsel, on behalf of plaintiffs’ counsel, will apply to the court for an award of attorneys’ fees in the amount of 13% of the Total Settlement Fund.⁴ Bondholder Plaintiffs’ Lead Counsel will also apply for reimbursement of litigation expenses in an amount not to exceed \$9.5 million, plus interest (which expenses may also include the costs and expenses of Bondholder Plaintiffs), to be paid from the Settlement Funds. Any fees and expenses awarded by the court will be paid from the Settlement Funds. E&Y and UBS Bondholder Class Members are not personally liable for any such fees or expenses. Based on the prior recovery in the HealthSouth Settlement and the recoveries from E&Y and the UBS Defendants, if claims were made with respect to all estimated eligible Bonds as against each of the settlement funds, the average recovery per Bond would be approximately \$64.34 before the deduction of attorneys’ fees, costs and expenses as approved by the court. If the court approves the E&Y and UBS Settlements and Bondholder Plaintiffs’ Lead Counsel’s fee and expense application, based on the fee and expense request that will be made in connection with the E&Y and UBS Settlements and the prior award of attorneys’ fees and expenses in connection with the HealthSouth Settlement, the average cost per estimated eligible Bond will be approximately \$9.54.

Further Information – You may contact a representative of Bondholder Plaintiffs’ Lead Counsel for further information about the Settlement: Salvatore J. Graziano, Bernstein Litowitz Berger & Grossmann LLP, 1285 Avenue of the Americas, New York, NY 10019, Telephone: (800) 380-8496, blbg@blbglaw.com.

⁴ The Total Settlement Fund consists of the \$133,500,000 Total Settlement Amount from the E&Y and UBS Settlements plus interest accrued thereon.

YOUR LEGAL RIGHTS AND OPTIONS:

<p>REMAIN A MEMBER OF THE BONDHOLDER CLASS.</p>	<p>This is the only way to get a payment from the proposed settlement with E&Y if you are an E&Y Bondholder Class Member and from the proposed settlement with the UBS Defendants if you are a UBS Bondholder Class Member.</p> <p>If you wish to be eligible to obtain a payment from the proposed Settlement(s), and you did not previously file a Proof of Claim in connection with the HealthSouth Settlement, you will need to file one postmarked no later than September 29, 2010. <i>See</i> Section XI below for instructions on how to obtain a claim form.</p>
<p>EXCLUDE YOURSELF FROM THE BONDHOLDER CLASS BY SUBMITTING A WRITTEN REQUEST FOR EXCLUSION SO THAT IT IS <i>RECEIVED</i> NO LATER THAN JULY 7, 2010.</p>	<p>Get no payment from the proposed Settlements with E&Y and the UBS Defendants. This is the only option that allows you to ever be part of any other lawsuit against E&Y, the UBS Defendants, or the other Released Persons concerning the claims that were, or could have been, asserted in this case.</p>
<p>OBJECT TO THE SETTLEMENT(S) BY SUBMITTING WRITTEN OBJECTIONS SO THAT THEY ARE <i>RECEIVED</i> NO LATER THAN JULY 7, 2010.</p>	<p>If you are an E&Y or UBS Bondholder Class Member, 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.</p> <p>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 request for attorneys' fees and reimbursement of expenses.</p> <p>You cannot object to a Settlement unless you are a member of the relevant class and you cannot object to the fee and expense request unless you are a member of the E&Y or UBS Bondholder Class.</p> <p>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 Scrushy.</p> <p>You cannot object to either Settlement, the request for attorneys' fees and reimbursement of expenses, or the proposed dismissal of claims against Scrushy, if you exclude yourself from the Bondholder Class.</p>
<p>GO TO THE HEARING ON JULY 22, 2010 AT 10:00 A.M, AND FILE A NOTICE OF INTENTION TO APPEAR SO THAT IT IS <i>RECEIVED</i> NO LATER THAN JULY 7, 2010.</p>	<p>If you are an E&Y Bondholder Class Member, you may ask to speak in court about the fairness of the E&Y Settlement. If you are a UBS Bondholder Class Member, you may ask to speak in court about the fairness of the UBS Settlement. If you are a member of either class, you may ask to speak in court about the request for attorneys' fees and reimbursement of expenses. If you are a Bondholder Class Member, you may ask to speak in court about the proposed dismissal of claims against Scrushy.</p>
<p>DO NOTHING.</p>	<p>Get no payment. Remain a Bondholder Class Member. Give up your rights.</p>

I. NOTICE OF HEARING ON PROPOSED SETTLEMENT

A settlement hearing will be held on **July 22, 2010, at 10:00 a.m.**, before the Honorable Karon Owen Bowdre, United States District Judge, at the United States Courthouse, Northern District of Alabama, Southern Division, Hugo L. Black United States Courthouse, 1729 Fifth Avenue North, Birmingham, Alabama (the "Settlement Hearing"). The purpose of the Settlement Hearing will be to determine: (i) 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; (ii) 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; (iii) 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 (iv) whether the claims against Richard Scrusby should be dismissed without prejudice if the two proposed Settlements are approved and become Final in light of the fact that there currently is an outstanding \$2.88 billion judgment against Scrusby in a civil derivative action filed in Alabama state court (*Tucker v. Scrusby*, CV 02-5212 (Jefferson County, AL)) and, to the extent that recovery is obtained against that judgment, a portion of that recovery will be distributed to the Bondholder Class. The court may adjourn or continue the Settlement Hearing without further notice to the E&Y or the UBS Bondholder Classes.

II. CERTAIN DEFINITIONS USED IN THIS NOTICE

1. "Authorized Claimant" means any E&Y or UBS Bondholder Class Member whose claim for recovery has been allowed pursuant to the terms of the relevant Stipulation.

2. "Bondholder Action" means the actions consolidated under the caption *In re HealthSouth Corporation Bondholder Litigation*, No. 03-BE-1502-S.

3. "Bondholder Class" means all persons and entities who purchased, exchanged or otherwise acquired HealthSouth bonds during the periods (a) beginning July 30, 1999 through and including March 18, 2003 as to claims against Richard Scrusby; or (b) beginning March 30, 2000 through and including March 18, 2003 as to claims against Ernst & Young LLP; or (c) beginning September 20, 2000 through and including March 18, 2003 as to claims against the UBS Defendants; and who were damaged thereby. For the purposes of the Section 11 claims only, this class does not include claims of QIBs as to bonds obtained through a Rule 144A/Exxon Capital Exchange. Excluded from the Bondholder Class are (a) current or former Defendants; (b) any officer or director during the Bondholder Class Period of HealthSouth or any of its subsidiaries or affiliates; (c) members of the immediate families of any of the current or former Individual Defendants; (d) any entity in which any current or former Defendant has or had a controlling interest; and (e) the legal representatives, heirs, successors or assigns of any such excluded party. Also excluded from the Bondholder Class are those persons and entities who timely and validly request exclusion from the class pursuant to this Notice.

4. "Bondholder Lead Plaintiff" means the Retirement Systems of Alabama.

5. "Bondholder Named Plaintiffs" means Houston Firefighters' Relief and Retirement Fund and State Universities Retirement System of Illinois.

6. "Bondholder Plaintiffs" means Bondholder Lead Plaintiff and Bondholder Named Plaintiffs collectively.

7. "Bondholder Plaintiffs' Lead Counsel" means the firms of Bernstein Litowitz Berger & Grossmann LLP and Cunningham Bounds LLC.

8. "Bondholder Plaintiffs' Liaison Counsel" means the firm of Donaldson & Guin, LLC.

9. "Bondholder Plaintiffs' Counsel" means, in addition to Bondholder Plaintiffs' Lead and Liaison Counsel, the firm of Berman DeValerio.

10. "Defendants" means the Settling Defendants and all other persons and entities that are currently or were formerly named as defendants in the Bondholder Action.

11. "Derivative Plaintiffs" means the plaintiffs bringing the following derivative actions: (1) *Tucker v. Scrusby, et al.*, CV 02 5212 (Circuit Court of Jefferson County, Alabama); (2) *Dennis Family Trust v. HealthSouth Corp.*, CV-98-6592 (Ala. Cir. Ct.); (3) the federal consolidated derivative cases, including but not limited to *In re HealthSouth Corp. Derivative Litig.*, CV-02-BE-2565 (N.D. Ala.); (4) *In re HealthSouth Corp. Shareholder Litig.*, Consol. CA No. 19869 (Del. Ch.); and (5) any action, no matter how styled, that brings derivative claims arising from the same subject matter as the Bondholder Action or any of the foregoing actions.

12. "E&Y Bondholder Class" means all persons and entities who, between March 30, 2000 and March 18, 2003, inclusive, purchased, exchanged or otherwise acquired the bonds, notes or other debt instruments of HealthSouth and were damaged thereby. Excluded from the E&Y Bondholder Class are (a) current or former Defendants; (b) any officer or director of HealthSouth or any of its subsidiaries or affiliates; (c) the partners, directors and officers of E&Y and the UBS Defendants; (d) members of the immediate families of any of the current or former Individual Defendants; (e) any person, firm, trust,

corporation, officer, director or other individual or entity in which any current or former Defendant has or had a controlling interest; and (f) the legal representatives, affiliates, heirs, successors or assigns of any such excluded party. Also excluded from the E&Y Bondholder Class are those persons and entities found by the court in the Judgment to have timely and validly requested exclusion from the class in accordance with the terms set forth in this Notice.

13. “E&Y Bondholder Class Member” or “Member of the E&Y Bondholder Class” means a person or entity that falls within the definition of the E&Y Bondholder Class as set forth above.

14. “E&Y Class Period” means the period beginning on March 30, 2000 through and including March 18, 2003.

15. “Federal Actions” means the Stockholder Action and the Bondholder Action.

16. “HealthSouth” means HealthSouth Corporation and its officers, directors, subsidiaries, divisions, affiliates, predecessors, and successors.

17. “HealthSouth Settlement” means the previously announced settlement with HealthSouth pursuant to the Stipulation of Partial Settlement filed with the court on September 26, 2006 and approved by the court on January 11, 2007.

18. “Person” means an individual, corporation, partnership, limited partnership, association, joint stock company, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof, and any business or legal entity and their spouses, heirs, predecessors, successors, representation or assignees.

19. “Plan of Allocation” means the plan or formula of allocation of the Settlement Funds, previously approved by the court, whereby the Settlement Funds shall be distributed to Authorized Claimants after payment of expenses of notice and administration of the Settlements, Taxes and Tax Expenses, and such attorneys’ fees, costs, expenses and interest as may be awarded by the court. The Plan of Allocation is not a part of either the E&Y Stipulation or UBS Stipulation, and neither E&Y, its Related Parties, the UBS Defendants nor their Related Parties shall have any responsibility for the Plan of Allocation or liability with respect thereto.

20. “Related Parties” means, with respect to E&Y and the UBS Defendants, their respective successors, assigns, present and former partners, employees, officers, directors, attorneys, legal representatives, and agents of each Settling Defendant and any person or entity which is or was related to or affiliated with the Settling Defendant or in which the Settling Defendant has or had a controlling interest and the present and former parents, subsidiaries, divisions, affiliates, predecessors, successors, partners, employees, insurers, underwriters, officers, directors, attorneys, assigns, and agents of each of them. Notwithstanding anything in this paragraph, Related Parties shall not include any Non-Settling Defendant as defined in the respective Stipulations.

21. “Released Claims” means all claims (including “Unknown Claims” as defined below) and causes of action of every nature and description, whether known or unknown, whether arising under federal, state, common or foreign law, whether brought directly or derivatively, that Bondholder Lead Plaintiff or any member of the E&Y or UBS Bondholder Class (as applicable) asserted in the Complaint, or could have asserted against E&Y or the UBS Defendants, as applicable, or their respective Related Parties, as a result of purchases, acquisitions, sales, exchanges or any other disposition made during the relevant Class Period in bonds, notes or other debt instruments issued by HealthSouth (including, without limitation, all claims arising out of or relating to any disclosures, public filings, registration statements or other statements by HealthSouth or any Defendant in the Bondholder Action), based upon or arising out of any facts, allegations or claims set forth in the Complaint. Released Claims do not include any claims of the Bondholder Class (including the claims of the E&Y and UBS Bondholder Classes, as applicable) against the Non-Settling Defendant(s) as defined in the respective Stipulations or any claims of the Stockholder Class, the Stockholder Settlement Class, the Derivative Plaintiffs and/or HealthSouth Corporation. Released Claims shall not be construed as, and do not change or modify, the releases given in the HealthSouth Settlement. Additionally, the Released Claims in the E&Y Settlement shall not be construed as, and do not change or modify the releases given in the UBS Settlement, and the Released Claims in the UBS Settlement shall not be construed as, and do not change or modify the releases given in the E&Y Settlement.

22. “Released Persons” means as to E&Y, E&Y and its Related Parties, and as to the UBS Defendants, the UBS Defendants and their Related Parties. Released Persons shall not include any Non-Settling Defendant as defined in the respective Stipulations.

23. “Settling Defendants” means E&Y and the UBS Defendants.

24. “Settling Parties” means, collectively, the Settling Defendants and Bondholder Lead Plaintiff, on behalf of itself and the E&Y Bondholder Class and the UBS Bondholder Class.

25. “Stockholder Action” means the actions consolidated under the caption *In re HealthSouth Corporation Stockholder Litigation*, No. 03-BE-1501-S.

26. “Stockholder Class” means the stockholder class certified by the court in its Order dated March 31, 2009.

27. “Stockholder Settlement Class” means the stockholder settlement classes certified by the court in its Orders dated October 2, 2006 and June 12, 2009.

28. “UBS Bondholder Class” means all persons and entities who, between September 20, 2000 and March 18, 2003, inclusive, purchased, exchanged or otherwise acquired the bonds, notes or other debt instruments of HealthSouth and were damaged thereby. Excluded from the UBS Bondholder Class are (a) current or former Defendants; (b) any officer or director of HealthSouth or any of its subsidiaries or affiliates; (c) the partners, directors and officers of E&Y and the UBS Defendants; (d) members of the immediate families of any of the current or former Individual Defendants; (e) any person, firm, trust, corporation, officer, director or other individual or entity in which any current or former Defendant has or had a controlling interest; and (f) the legal representatives, affiliates, heirs, successors or assigns of any such excluded party. Also excluded from the UBS Bondholder Class are those persons and entities found by the court in the Judgment to have timely and validly requested exclusion from the class in accordance with the terms set forth in this Notice.

29. “UBS Bondholder Class Member” or “Member of the UBS Bondholder Class” means a person or entity that falls within the definition of the UBS Bondholder Class as set forth above.

30. “UBS Class Period” means the period beginning on September 20, 2000 through and including March 18, 2003.

31. “UBS Defendants” means UBS AG, UBS Warburg, LLC, Howard Capek, Benjamin D. Lorello and William C. McGahan.

32. “Unknown Claims” means all claims, demands, rights, liabilities, and causes of action of every nature and description which Bondholder Lead Plaintiff or any E&Y or UBS Bondholder Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the applicable Released Persons, and any Released Persons’ Claims that any Settling Defendants or any other Released Person does not know or suspect to exist in his, her or its favor at the time of the release of the Bondholder Plaintiffs, any other E&Y or UBS Bondholder Class Member (as applicable) or their respective attorneys, which, if known by him, her or it, might have affected his, her or its settlement with and release of the applicable Released Persons, or might have affected his, her or its decision not to object to the relevant Settlement. With respect to any and all Released Claims and Released Persons’ Claims, the Settling Parties stipulate and agree that, upon the Effective Date, Bondholder Lead Plaintiff and each of the Released Persons shall expressly waive, and each of the E&Y and UBS Bondholder Class Members shall be deemed to have waived, and by operation of the relevant Judgment shall have waived, the provisions, rights and benefits of California Civil Code § 1542, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Bondholder Lead Plaintiff and each of the Released Persons shall expressly waive and each of the E&Y and UBS Bondholder Class Members shall be deemed to have waived, and by operation of the relevant Judgment shall have expressly waived, any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable or equivalent to California Civil Code § 1542. Bondholder Lead Plaintiff and E&Y or UBS Bondholder Class Members may hereafter discover facts in addition to or different from those which he, she or it now knows or believes to be true with respect to the subject matter of the applicable Released Claims, and Settling Defendants and other Released Persons may hereafter discover facts in addition to or different from those which he, she or it now knows or believes to be true with respect to the subject matter of the applicable Released Persons’ Claims, but, upon the Effective Date, Bondholder Lead Plaintiff and each of the relevant Released Persons shall expressly fully, finally and forever settle and release, and each E&Y and UBS Bondholder Class Member, shall be deemed to have, and by operation of the Judgments shall have, fully, finally, and forever settled and released, any and all applicable Released Claims and Released Persons’ Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed, upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct which is negligent, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts. Bondholder Lead Plaintiff and each of the Released Persons acknowledge, and the E&Y and UBS Bondholder Class Members shall be deemed by operation of the relevant Judgment to have acknowledged, that the foregoing waiver was separately bargained for and a key element of the settlement of which this release is a part.

III. THE LITIGATION

Currently pending before the court is a consolidated action on behalf of all persons and entities who, between July 30, 1999 and March 18, 2003, purchased, exchanged or otherwise acquired bonds, notes or other debt instruments issued by HealthSouth. The action has been extensively litigated by the parties.

The operative complaints in the litigation are the Joint Third Amended Consolidated Class Action Complaint for Violations of Federal Securities Laws [Factual Basis], filed April 30, 2007; and the Third Consolidated Amended Class Action Complaint for Violations of the Federal Securities Laws [Legal Theories and Claims], filed by the Bondholder Class on April 30, 2007 (together, the “Complaint”).

The Complaint alleges violations of §§10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”), and Rule 10b-5 promulgated thereunder by the SEC, and §§11 and 15 of the Securities Act of 1933 (the “Securities Act”). The Complaint names as Defendants HealthSouth’s founder and former Chief Executive Officer, Richard M. Scrushy; HealthSouth’s former outside accountants, E&Y; and the UBS 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.

In September 2004, all non-stayed Defendants moved to dismiss the Complaint in its entirety. The Bondholder Lead Plaintiff filed oppositions to the motions to dismiss in November 2004. Defendants filed reply briefs in support of their motions to dismiss on September 16, 2005. Hearings on the motions were held on January 18, 2006, February 9, 2006, June 28, 2006 and January 23, 2007. Between March 2006 and September 2007, the court issued orders granting and denying Defendants’ motions to dismiss. On June 30, 2006, the court partially granted and denied E&Y’s and the UBS Defendants’ motions to dismiss the Bondholder Action, dismissing certain claims on statute of limitations grounds. In oral rulings made January 23, 2007 and affirmed in a written order on September 6, 2007, the court denied E&Y’s and the UBS Defendants’ motions to dismiss claims under §10(b) of the Exchange Act, and granted in part and denied in part UBS’s motion to dismiss certain claims under the Securities Act. On February 4, 2009, the court denied UBS’s Rule 12(c) motion for judgment on the pleadings to dismiss plaintiffs’ §10(b) “scheme to defraud” claims. On February 26, 2009, the court granted UBS’s motion for partial summary judgment, dismissing the remaining claims brought under §11 of the Securities Act against UBS.

In early 2006, Bondholder Lead Plaintiff, together with the lead plaintiffs representing the Stockholder Class, negotiated a settlement valued at that time at \$445 million with HealthSouth and several of HealthSouth’s former officers and directors. A Stipulation of Partial Settlement was filed with the court on September 26, 2006. On January 11, 2007, the court entered a Partial Final Judgment and Order of Dismissal with Prejudice and approved the proposed settlement with HealthSouth.

On October 3, 2007, Bondholder Lead Plaintiff moved for class certification and appointment of class representatives. On September 30, 2009, the court issued an order certifying the Bondholder Class, appointing Bondholder Lead Plaintiff Retirement Systems of Alabama and named plaintiffs Houston Firefighters’ Relief and Retirement Fund and State Universities Retirement System of Illinois as Bondholder Class representatives, and appointing Bernstein Litowitz Berger & Grossmann LLP and Cunningham Bounds, LLC as Bondholder Class Counsel and Donaldson & Guin, LLC as Bondholder Class Liaison Counsel. On October 15, 2009, E&Y and UBS filed petitions with the Eleventh Circuit Court of Appeals, pursuant to Rule 23(f) of the Federal Rules of Civil Procedure, for leave to appeal from the court’s class certification order. On January 8, 2010, the Eleventh Circuit Court of Appeals denied UBS’s petition for leave to appeal.

There has been extensive fact and expert discovery in the consolidated actions so far. In the course of the litigation, E&Y produced and made available to plaintiffs more than 1.5 million pages of documents and the UBS Defendants produced and made available more than 810,000 pages of documents. The total document production by parties and non-parties amounts to approximately 85 million pages. The parties have deposed approximately 132 different witnesses, including 11 witnesses associated with E&Y and 14 associated with the UBS Defendants. In addition, to date, the parties have exchanged more than thirteen expert reports, including two produced by E&Y and three by the UBS Defendants. Eight expert depositions have also been taken to date.

While the prosecution of the Bondholder Action was ongoing, Bondholder Lead Plaintiff and E&Y engaged in settlement discussions over the course of many months. On or about November 20, 2009, with the assistance of settlement counsel for E&Y, former federal judge Layn R. Phillips, Bondholder Lead Plaintiff and E&Y reached an agreement in principle to settle the claims against E&Y. On November 20, 2009, the Bondholder Class and E&Y filed a joint motion with the Eleventh Circuit requesting that all proceedings with respect to E&Y’s Rule 23(f) petition be stayed in light of the agreement reached. On or about November 30, 2009, Bondholder Lead Plaintiff and E&Y executed a Memorandum of Understanding, setting forth the agreement in principle and on April 22, 2010, Bondholder Lead Plaintiff and E&Y entered into the E&Y Stipulation.

Bondholder Lead Plaintiff and the UBS Defendants also engaged in extensive settlement discussions. On or about February 9, 2010, following a court-ordered mediation presided over by Professor Eric D. Green, Bondholder Lead Plaintiff and the UBS Defendants reached an agreement in principle to settle the claims against the UBS Defendants. Following further negotiations, on April 22, 2010, Bondholder Lead Plaintiff and the UBS Defendants entered into the UBS Stipulation.

On May 12, 2010, the court preliminarily approved the Settlements, authorized this Notice to be sent to potential E&Y and UBS Bondholder Class Members, and scheduled the Settlement Hearing to consider whether to grant final approval to the Settlement.

IV. CLAIMS OF BONDHOLDER LEAD PLAINTIFF AND BENEFITS OF THE SETTLEMENTS

Bondholder Lead Plaintiff believes that the claims asserted in the Bondholder Action have merit and that the evidence developed to date supports those claims. However, Bondholder Lead Plaintiff recognizes and acknowledges the expense and length of continued proceedings necessary to prosecute the Bondholder Action against the Settling Defendants through trial and through appeals. Bondholder Lead Plaintiff also has taken into account the uncertain outcome and the risk of any litigation, especially in complex actions such as the Bondholder Action, as well as the difficulties and delays inherent in such litigation. Bondholder Lead Plaintiff also is mindful of the inherent difficulties of proof under and possible defenses to the securities law violations asserted in the Bondholder Action. Bondholder Lead Plaintiff believes that the Settlements set forth in the Stipulations confer substantial benefits upon the E&Y and UBS Bondholder Classes. Based on their evaluation, Bondholder Lead Plaintiff and Bondholder Plaintiffs' Lead Counsel have determined that the Settlements, which provide for the immediate payment by E&Y of \$33,500,000 in cash for the benefit of the E&Y Bondholder Class and the immediate payment by or on behalf of UBS of \$100,000,000 in cash for the benefit of the UBS Bondholder Class, are in the best interests of the E&Y Bondholder Class and UBS Bondholder Class, respectively.

V. SETTLING DEFENDANTS' DENIALS OF WRONGDOING AND LIABILITY

E&Y and the UBS Defendants, the Settling 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. The Settling Defendants also continue to believe that the claims asserted against them in the Complaint are without merit. Nonetheless, the Settling Defendants have agreed to enter into the Settlements solely to avoid the expense, distraction, time, and uncertainty associated with continuing the litigation.

The Settling Defendants have concluded that further conduct of the Bondholder Action would be protracted and expensive and that it is desirable that the litigation be fully and finally settled in the manner and upon the terms and conditions set forth in the respective Stipulations. The Settling Defendants also have taken into account the uncertainty and risks inherent in any litigation, especially in complex cases such as the Bondholder Action. The Settling Defendants have, therefore, determined that it is desirable and beneficial for the Bondholder Action to be settled in the manner and upon the terms and conditions set forth in the respective Stipulations.

VI. TERMS OF THE PROPOSED SETTLEMENTS

The E&Y Settlement: E&Y has paid, or caused to be paid, cash in the amount of \$33,500,000 into an escrow account, which is earning interest for the benefit of the E&Y Bondholder Class, pursuant to the terms of the E&Y Stipulation. In exchange for such payment, the E&Y Released Claims will be released, discharged and dismissed with prejudice as against each of the E&Y Released Persons.

The UBS Settlement: UBS has paid, or caused to be paid, cash in the amount of \$100,000,000 into an escrow account, which is earning interest for the benefit of the UBS Bondholder Class, pursuant to the terms of the UBS Stipulation. In exchange for such payment, the UBS Released Claims will be released, discharged and dismissed with prejudice as against each of the UBS Released Persons.

The Settlements do not release any claims against the Non-Settling Defendant(s) as defined in the respective Stipulations or any claims of Bondholder Class Members who are not members of the E&Y or UBS Bondholder Classes, or any claims of the Stockholder Class, the Stockholder Settlement Class, the Derivative Plaintiffs and/or HealthSouth Corporation. The Settlements do not change or modify any of the terms of the HealthSouth Settlement, nor does either proposed Settlement change or modify any of the terms of the other proposed Settlement.

A portion of the Settlement Funds will be used for certain administrative expenses, including the costs of printing and mailing this Notice, the cost of publishing notice, payment of any taxes assessed against the Settlement Funds and costs associated with the processing of claims submitted. In addition, as explained herein, a portion of the Settlement Funds may be awarded by the court to Bondholder Plaintiffs' Counsel as attorneys' fees and to reimburse them for their litigation expenses (which may include the costs and expenses of Bondholder Plaintiffs). The balance of the Settlement Funds (the "Net Settlement Funds") will be distributed to Authorized Claimants according to the Plan of Allocation described below.

VII. PROPOSED DISMISSAL OF CLAIMS

If both of the proposed Settlements are approved by the court and become Final in accordance with the terms of the respective Stipulations, the only remaining defendant in the action would be Richard M. Scrushy. Subject to and conditioned upon both proposed Settlements being approved and becoming Final, Bondholder Lead Plaintiff will ask the court to dismiss the claims against Scrushy without prejudice. Bondholder Lead Plaintiff and Bondholder Plaintiffs' Lead Counsel believe that further prosecution of the action with

Scrushy as the sole remaining defendant is unlikely to result in any material additional recovery for the Bondholder Class. There currently is an outstanding \$2.88 billion judgment against Scrushy in a civil derivative action filed in Alabama state court (*Tucker v. Scrushy*, CV 02-5212 (Jefferson County, AL)) and, to the extent that recovery is obtained against that judgment, a portion of that recovery will be distributed to the Bondholder Class.

VIII. THE RIGHTS OF BONDHOLDER CLASS MEMBERS

The court has certified the Bondholder Action to proceed as a class action. If you purchased, exchanged or otherwise acquired HealthSouth Bonds during the periods (a) beginning July 30, 1999 through and including March 18, 2003 as to claims against Richard Scrushy; or (b) beginning March 30, 2000 through and including March 18, 2003 as to claims against E&Y, or (c) beginning September 20, 2000 through and including March 18, 2003 as to claims against the UBS Defendants; and were damaged thereby and you are not excluded by the definition of the class⁵ and do not elect to exclude yourself, then you are a Bondholder Class Member and you will be bound by any judgments or determinations of the court affecting the claims you have.

If you wish to remain a member of the Bondholder Class, and you have a claim against E&Y in the Bondholder Action (i.e., you purchased or acquired HealthSouth Bonds during the period beginning March 30, 2000 through and including March 18, 2003) and/or you have a claim against the UBS Defendants in the Bondholder Action (i.e., you purchased or acquired HealthSouth Bonds during the period beginning September 20, 2000 through and including March 18, 2003), you may be eligible to share in the proceeds of the proposed settlements with E&Y and/or the UBS Defendants provided that you have, or that you now, submit an acceptable Proof of Claim.

If you DO NOT wish to be included in the Bondholder Class (which means that you DO NOT wish to participate in the proposed Settlements described in this Notice or in any recovery that might be obtained pursuant to the outstanding judgment against Scrushy), you must request to be excluded. You must request exclusion from the Bondholder Class even if you previously excluded yourself from the HealthSouth Settlement. To do so, you must submit a written Request for Exclusion that must be **received on or before July 7, 2010**. You must set forth: (a) your name, address and telephone number; (b) the number and type of HealthSouth Bonds purchased or otherwise acquired and the number sold, exchanged or otherwise disposed of during the period beginning July 30, 1999 through and including March 18, 2003, the dates of such purchase(s) or acquisition(s) and/or sales(s), exchange(s) or other disposition(s) and the price paid or received or consideration given or received for each such purchase or acquisition or sale, exchange or other disposition; and (c) that you wish to be excluded from the Bondholder Class. The exclusion request must be addressed as follows:

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

NO REQUEST FOR EXCLUSION WILL BE CONSIDERED VALID UNLESS ALL OF THE INFORMATION DESCRIBED ABOVE IS INCLUDED IN ANY SUCH REQUEST. If the court concludes that you timely and validly requested exclusion from the Bondholder Class: (a) you will be excluded from that class; which means that you will be excluded from the E&Y and UBS Bondholder Classes and, thus, will not be eligible to share in the proceeds of the Settlements described herein, nor will you be eligible to share in any recovery that might be obtained as a result of execution of the outstanding judgment against Scrushy; (b) you will not be bound by any judgment that will be entered in the Bondholder Action (including any judgment entered pursuant to the Settlements described in this Notice); and (c) you will not be precluded from otherwise prosecuting an individual claim, if timely, against the Settling Defendants based on the matters complained of in the Bondholder Action.⁶

If you do not request in writing to be excluded from the Bondholder Class as set forth above, 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 Scrushy, if the Bondholder Action continues against him,

⁵ For the purposes of the Section 11 claims only, the Bondholder Class does not include claims of QIBs as to Bonds obtained through a Rule 144A/Exxon Capital Exchange. Excluded from the Bondholder Class are (a) current or former Defendants; (b) any officer or director during the Bondholder Class Period of HealthSouth or any of its subsidiaries or affiliates; (c) members of the immediate families of any of the current or former Individual Defendants; (d) any entity in which any current or former Defendant has or had a controlling interest; and (e) the legal representatives, heirs, successors or assigns of any such excluded party. With respect to claims asserted against E&Y and the UBS Defendants, also excluded from the E&Y and UBS Bondholder Classes are the partners, directors and officers of E&Y and the UBS Defendants as well as certain other persons as set forth in Sections II.12 and II.28 above.

⁶ Unless you excluded yourself from the Settlement Class certified for purposes of the HealthSouth Settlement, you will be bound by the terms of the Judgment entered in connection with that settlement, even if you now elect to exclude yourself from the Bondholder Class.

based on the matters complained of in the litigation. 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, as applicable, whether or not you submit a valid Proof of Claim.

E&Y and the UBS Defendants have the right to terminate the respective Settlements, if valid requests for exclusion are received from persons and entities entitled to be members of the respective settlement classes in an amount that exceeds an amount agreed to by Bondholder Lead Plaintiff and E&Y and the UBS Defendants respectively.

If you are a Bondholder Class Member, you may, if you want, but are not required to, enter an appearance through counsel of your own choosing at your own expense. If you do not do so, you will be represented by Bondholder Plaintiffs' Lead Counsel: Bernstein Litowitz Berger & Grossmann LLP and Cunningham Bounds LLC. You will not be charged personally for the services of Bondholder Plaintiffs' Lead Counsel.

IX. THE RIGHTS OF E&Y AND UBS BONDHOLDER CLASS MEMBERS

If you are, and remain, a member of the E&Y or UBS Bondholder Class, or both, you may receive the benefit of, and you will be bound by, the terms of the proposed Settlements, as applicable, upon its or their approval by the court.

If you are an E&Y or UBS Bondholder Class Member, you have the following options:

1. If you have NOT previously submitted a Proof of Claim in connection with the HealthSouth Settlement, you may now file one with respect to these Settlements. If you submit a Proof of Claim, you will share in the proceeds of the applicable proposed Settlement(s), if your claim is timely and valid and if the proposed Settlement(s) are finally approved by the court, and you will be bound by the applicable Judgment(s) and release(s) described below. If you previously submitted a Proof of Claim and do not now request to be excluded from the Bondholder Class, you will remain a class member, and if your claim is valid, you will share in the proceeds of the applicable proposed Settlement(s) if the Settlement(s) are finally approved by the court.

2. You may object to the Settlement(s) applicable to your settlement class (*see* Section XV below). However, if your objection is rejected, you will be bound by the applicable Settlement(s) and the applicable Judgment(s) just as if you had not objected.

3. You may do nothing at all. If you choose this option, you will not share in the proceeds of the Settlements, but you will be bound by any judgment entered by the court in connection with the Settlement(s) applicable to your settlement class, 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).

X. PLAN OF ALLOCATION

The Net Settlement Funds will be distributed to E&Y and UBS Bondholder Class Members who submitted valid and timely Proofs of Claim in connection with the earlier HealthSouth Settlement or who submit valid and timely Proofs of Claim in connection with these Settlements, and have an allowable recognized loss under the Plan of Allocation described below. The Plan of Allocation was previously approved by the court in connection with the HealthSouth Settlement. However, please note that while the start of the class period for purposes of the HealthSouth Settlement was March 31, 1998, the start of the E&Y Class Period is March 30, 2000 and the start of the UBS Class Period is September 20, 2000.⁷ Thus, for purposes of calculating a claim under the E&Y Settlement, only purchases or other acquisitions beginning March 30, 2000 through and including March 18, 2003 (the E&Y Class Period) will be considered. For purposes of calculating a claim under the UBS Settlement, only purchases or other acquisitions beginning September 20, 2000 through and including March 18, 2003 (the UBS Class Period) will be considered.

The Net Settlement Fund for the E&Y Settlement will be distributed to E&Y Bondholder Class Members who submit valid and timely Proofs of Claim and have an allowable recognized loss. The Net Settlement Fund for the UBS Settlement will be distributed to UBS Bondholder Class Members who submit valid and timely Proofs of Claim and have an allowable recognized loss.

For E&Y or UBS Bondholder Class Members who held Bonds at the beginning of the relevant Class Period or made multiple purchases or other acquisitions or sales, exchanges or other dispositions during the relevant Class Period, the first-in-first-out (FIFO) method will be applied to such holdings, purchases or other acquisitions and sales, exchanges or other dispositions for purposes of calculating a claim. Under the FIFO method, sales, exchanges or other dispositions of Bonds during the relevant Class Period will be matched, in chronological order, first against securities held at the beginning of the relevant Class Period. The remaining sales, exchanges or other dispositions of Bonds during the relevant Class Period will then be matched, in chronological order, against Bonds purchased or otherwise acquired during the relevant Class Period.

⁷ The determination of the appropriate start of the Class Period with respect to the various Defendants is based on the court's determination as to the earliest date that a claim against those Defendants could be asserted under the applicable statutes.

You will be eligible to participate in the distribution of each applicable Settlement only to the extent you have a net loss on all your transactions in HealthSouth Bonds during the relevant Class Period, after all profits from transactions in HealthSouth Bonds during the relevant Class Period are subtracted from all losses during the relevant Class Period. However, the proceeds from the sales, exchanges or other dispositions of Bonds which have been matched against Bonds held at the beginning of the relevant Class Period will not be used in the calculation of such net loss. No distributions will be made from the Net Settlement Funds to Authorized Claimants who would otherwise receive a distribution of less than \$10.00.

Under the Plan of Allocation, the date of purchase or sale is the “contract” or “trade” date as distinguished from the “settlement” date. Gifts and transfers of securities are not eligible purchases.

The court has reserved jurisdiction to allow, disallow or adjust the claim of any E&Y or UBS Bondholder Class Member on equitable grounds.

Payment pursuant to the Plan of Allocation set forth below shall be conclusive against all Authorized Claimants. No Person shall have any claim against Bondholder Plaintiffs’ Counsel, the Claims Administrator, the Settling Defendants or other Person designated by Bondholder Plaintiffs’ Counsel based on distributions made substantially in accordance with the Stipulations and the Settlements, the Plan of Allocation or further orders of the court. All E&Y and/or UBS Bondholder Class Members who have failed to complete and file valid and timely Proof of Claim and Release Forms in connection with these Settlements or in the earlier HealthSouth Settlement shall be barred from participating in distributions from the Settlement Funds (unless otherwise ordered by the court), but otherwise shall be bound by all of the terms of the applicable Stipulation(s), including the terms of the applicable Judgment(s) entered and the releases given.

To the extent there are sufficient funds in the Net Settlement Funds, each Authorized Claimant will receive an amount equal to the Authorized Claimant’s allowable recognized loss, as defined below. If, however, the Net Settlement Fund(s) is not sufficient to permit payment of the total of all recognized losses, then each Authorized Claimant shall be paid the percentage of the Net Settlement Fund that each Authorized Claimant’s recognized losses bear to the total of the losses of all Authorized Claimants with respect to that Net Settlement Fund (“pro rata share”).

Allocation for HealthSouth Bonds

Each claim shall be calculated based on the allocation below. The E&Y Bondholder Class consists of persons and entities who or which purchased the following HealthSouth debt securities during the period between March 30, 2000 and March 18, 2003 inclusive; and the UBS Bondholder Class consists of persons and entities who or which purchased the following HealthSouth debt securities during the period between September 20, 2000 and March 18, 2003 inclusive:

- 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

For HealthSouth notes and debentures purchased during the respective Class Periods; and

- a) Sold prior to August 27, 2002, the claim per \$1,000 par value Note/Debenture is \$0;
- b) Sold from August 27, 2002 through January 16, 2004, the claim per \$1,000 par value Note/Debenture is the difference between the purchase price per \$1,000 par value Note/Debenture (not to exceed \$1,000) less the sales price per \$1,000 Note/Debenture;
- c) Retained as of January 16, 2004, the claim per \$1,000 par value Note/Debenture is \$0.

NOTE: On January 16, 2004, HealthSouth became current with all principal and interest payments due under borrowing agreements.

XI. PARTICIPATION IN THE 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 timely valid Proof of Claim form in connection with the HealthSouth Settlement or (2) timely complete and return a valid Proof of Claim form in connection with these Settlements.

If you already submitted a Proof of Claim in the earlier HealthSouth Settlement, the trading information you supplied will be used to determine your claim in the proposed Settlements. DO NOT submit another Proof of Claim. However, if you have additional transactional information that you did not submit on your HealthSouth Proof of Claim that you would like considered in the calculation of your claim with respect to the proposed Settlements, you should submit another Proof of Claim with *all* your transaction information and supporting documentation by September 29, 2010. (Your earlier HealthSouth claim will not, however, be adjusted.)

A Proof of Claim is not being sent with this Notice. If you are an E&Y or UBS Bondholder Class Member and need a Proof of Claim form, copies may be requested by: telephoning the Claims Administrator at (877) 788-4959; or by downloading the form on the Internet at the websites for the Claims Administrator (www.HealthSouthBondholderActionSettlements-EY-UBS.com), and Bondholder Plaintiffs' Lead Counsel (www.blbglaw.com or www.cunninghambounds.com).

The Proof of Claim, with all supporting documents (DO NOT SEND ORIGINALS), must be **postmarked on or before September 29, 2010** and delivered to the Claims Administrator at the address below. DO NOT SEND Proofs of Claim to counsel for the Settling Parties or the court. **Even if you are a member of both the E&Y and the UBS Bondholder Class, only submit one Proof of Claim with supporting documents.**

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

Unless the court orders otherwise, if you do not timely submit a valid Proof of Claim, you will be barred from receiving any payments from the Net Settlement Funds, but will in all other respects be bound by the provisions of the Stipulation(s) and the Judgment(s) applicable to the settlement class(es) of which you are a member. The court may disallow or adjust the claim of any E&Y or UBS Bondholder Class Member. Each claimant will be deemed to have submitted to the jurisdiction of the United States District Court for the Northern District of Alabama with respect to his, her or its Proof of Claim.

XII. DISMISSAL AND RELEASES

If the proposed E&Y Settlement is approved, the court will enter a Final Judgment and Order of Dismissal with Prejudice as to Ernst & Young LLP ("E&Y Judgment"). The E&Y Judgment will dismiss the E&Y Released Claims with prejudice as to the E&Y Released Persons. The E&Y Judgment will provide that all E&Y Bondholder Class Members shall be deemed to have fully, finally and forever released, relinquished and discharged all E&Y Released Claims against all E&Y Released Persons, and that the E&Y Released Persons shall be deemed to have fully, finally and forever released, relinquished and discharged each and all of the Bondholder Plaintiffs, Bondholder Plaintiffs' Counsel and E&Y Bondholder Class Members from all claims arising out of the institution, prosecution and settlement of the litigation or the E&Y Released Claims.

If the proposed UBS Settlement is approved, the court will enter a Final Judgment and Order of Dismissal with Prejudice as to the UBS Defendants ("UBS Judgment" and together with the E&Y Judgment, the "Judgments"). The UBS Judgment will dismiss the UBS Released Claims with prejudice as to the UBS Released Persons. The UBS Judgment will provide that all UBS Bondholder Class Members shall be deemed to have fully, finally and forever released, relinquished and discharged all UBS Released Claims against all UBS Released Persons, and that the UBS Released Persons shall be deemed to have fully, finally and forever released, relinquished and discharged each and all of the Bondholder Plaintiffs, Bondholder Plaintiffs' Counsel and UBS Bondholder Class Members from all claims arising out of the institution, prosecution and settlement of the litigation or the UBS Released Claims.

XIII. APPLICATION FOR ATTORNEYS' FEES AND EXPENSES

At the Settlement Hearing, 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, 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, which were incurred in connection with prosecuting the claims in the Bondholder Action, plus interest. Such sums as may be approved by the court will be paid from the Settlement Funds. E&Y Bondholder and UBS Bondholder Class Members are not personally liable for any such fees or expenses.

Bondholder Plaintiffs' Counsel have not received any payment for their services since January 11, 2007 in prosecuting the claims on behalf of the Bondholder Lead Plaintiff, the E&Y Bondholder Class and the UBS Bondholder Class, nor have they been reimbursed for their litigation expenses since that time. The amounts requested by Bondholder Plaintiffs' Lead Counsel will compensate counsel for their efforts in achieving the Settlements, and for their risk in undertaking this representation on a wholly contingent basis. Bondholder Plaintiffs' Lead Counsel submit that the amount to be requested is well within the range of fees awarded to plaintiffs' counsel under similar circumstances in other litigation of this type.

XIV. CONDITIONS FOR SETTLEMENT

The Settlements are conditioned upon the occurrence of certain events as described in the Stipulations. Those events include, among other things: (1) entry of the Judgment by the court, as provided for in each of the Stipulations; and (2) expiration of the time to appeal from or alter or amend the Judgment. If, for any reason, any one of the conditions described in the E&Y or UBS Stipulation is not met or the E&Y or UBS Stipulation otherwise does not become effective or, under certain specified conditions, the E&Y or UBS Stipulation is terminated and, thereby, becomes null and void, the parties to the affected Stipulation will be restored to their respective positions as of November 23, 2009 with respect to the E&Y Settlement and February 9, 2010 with respect to the UBS Settlement.

XV. THE RIGHT TO OBJECT AND BE HEARD AT THE HEARING

Any E&Y Bondholder Class Member, who has not excluded himself, herself or itself from the class, can object to the E&Y Settlement or any part of it. Any UBS Bondholder Class Member, who has not excluded himself, herself or itself from the class, can object to the UBS Settlement or any part of it. Any E&Y or UBS Bondholder Class Member can object to the application by Bondholder Plaintiffs' Lead Counsel for attorneys' fees and expenses, and any Bondholder Class Member can object to the proposed dismissal of claims against Richard Scrushy. To object, any such person or entity must submit a written objection so it is **received on or before July 7, 2010**, by the court, Lead Counsel for the Class and counsel for E&Y and/or UBS as applicable. Objections should be sent to:

CLERK OF THE COURT
UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ALABAMA
SOUTHERN DIVISION
Hugo L. Black United States Courthouse
1729 Fifth Avenue North
Birmingham, AL 35203-2000

BERNSTEIN LITOWITZ BERGER
& GROSSMANN LLP
SALVATORE J. GRAZIANO
1285 Avenue of the Americas
New York, NY 10019

CUNNINGHAM BOUNDS, LLC
ROBERT T. CUNNINGHAM, JR.
1601 Dauphin Street
Mobile, AL 36604

Lead Counsel for Bondholder Lead Plaintiff and for the E&Y Bondholder Class and the UBS Bondholder Class

WINSTON & STRAWN LLP
BRUCE R. BRAUN
35 West Wacker Drive
Chicago, IL 60601-9703

SULLIVAN & CROMWELL LLP
ROBERT GIUFFRA, JR.
125 Broad Street
New York, NY 10004

Counsel for Ernst & Young LLP

Counsel for UBS Defendants

The written objection must demonstrate the objecting person's or entity's membership in the E&Y Bondholder Class or UBS Bondholder Class, or the Bondholder Class, as applicable, including the amount of HealthSouth Bonds purchased or otherwise acquired and sold, exchanged or otherwise disposed of during the relevant Class Period and the amount held as of March 18, 2003, and contain a statement of the reasons for objection. Only class members who have submitted written objections in this manner will be entitled to be heard at the Settlement Hearing, unless the court orders otherwise. Persons and entities who intend to object and desire to present evidence at the Settlement Hearing must include in their written objections the identity of any witnesses they may call to testify and any exhibits they intend to introduce into evidence at the Settlement Hearing.

If you wish to attend the Settlement Hearing in person and speak to the court, you must ask the court for permission. To do so, you must submit a written statement noting your intention to appear at the Settlement Hearing to the persons noted above in this section so that it is **received on or before July 7, 2010**.

XVI. SPECIAL NOTICE TO NOMINEES

If you hold any HealthSouth Bonds purchased during the period beginning July 30, 1999 through and including March 18, 2003 as nominee for a beneficial owner, then, within ten (10) days after you receive this Notice, you must either: (1) send a copy of this Notice by first class mail to all such persons and entities; or (2) provide a list of the names and addresses of such persons and entities to the Claims Administrator:

*HealthSouth Corporation Securities Litigation
E&Y/UBS Bondholder Settlements*

c/o Rust Consulting, Inc.

P.O. Box 2332

Faribault, MN 55021-9032

Telephone: (877) 788-4959

Email: info@HealthSouthBondholderActionSettlements-EY-UBS.com

Website: www.HealthSouthBondholderActionSettlements-EY-UBS.com

If you choose to mail the Notice yourself, you may obtain from the Claims Administrator (without cost to you) as many additional copies of the document as you will need to complete the mailing.

Regardless of whether you choose to complete the mailing yourself or elect to have the mailing performed for you, you may obtain reimbursement for or advancement of reasonable administrative costs actually incurred in connection with forwarding the Notice, which would not have been incurred but for the obligation to forward the Notice, upon submission of appropriate documentation to the Claims Administrator.

XVII. EXAMINATION OF PAPERS

This Notice is a summary and does not describe all of the details of the Stipulations. For full details of the matters discussed in this Notice, you may review the Stipulations filed with the court, which may be inspected during business hours, at the office of the Clerk of the Court, United States Courthouse, Northern District of Alabama, Hugo L. Black United States Courthouse, 1729 Fifth Avenue North, Birmingham, Alabama or at www.HealthSouthBondholderActionSettlements-EY-UBS.com, www.blblaw.com or www.cunninghambounds.com.

If you have any questions about the Settlements, you may contact the Claims Administrator at (877) 788-4959 or Bondholder Plaintiffs' Lead Counsel by writing:

BERNSTEIN LITOWITZ BERGER & GROSSMANN LLP
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ROBERT T. CUNNINGHAM, JR.
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Mobile, AL 36604
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If you have any questions about the Bondholder Action, you may contact Bondholder Plaintiffs' Lead Counsel.

DO NOT TELEPHONE THE COURT REGARDING THIS NOTICE.

DATED: May 12, 2010

BY ORDER OF THE COURT
UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ALABAMA
SOUTHERN DIVISION