

Francis E. McGovern
Court Appointed Fund Administrator
HealthSouth Securities Settlement
P.O. Box 1906
201 South Lyndale Ave., Suite S-3
Faribault, MN 55021-7161

November 1, 2007

Dear Madam or Sir:

Your purchases and acquisitions of HealthSouth stocks, bonds and/or options between August 14, 1996 and March 18, 2003 may qualify you for a payment from the HealthSouth Securities Settlement Funds. The Funds were created by the settlement of separate cases brought by the U.S. Securities and Exchange Commission and plaintiffs in class actions in U.S. District Court. The settlements are administered by two U.S. District Court judges.

To submit a claim for payment from both of the HealthSouth Securities Settlement Funds, please follow the simple instructions printed on the enclosed claim form. Simply fill out the form, sign it, include copies of required documents, and return the claim form and documents in the enclosed envelope.

There is a deadline to submit a claim for payment from these funds. The deadline is February 28, 2008.

For further information about the settlements, please read the Notice enclosed with the claim form. There will be a hearing in the U.S. District Court on the fairness of the proposed method for allocating the settlement funds and the applications for attorneys' fees and expenses in the class action cases. Any objections must be filed by December 15, 2007.

If you need assistance to complete the claim form, or if you have any questions about the settlements, we would be happy to help you. Our toll-free number is 1-888-952-9108, or you can send an e-mail to mail@HLSSettlement.com, or, if you are a member of one of the classes, you may contact Lead Counsel in the class actions as identified in question 14 of the Notice. You can also obtain information by visiting our Internet site, www.HLSSettlement.com.

Thank you for your attention to this request.

Very truly yours,



Francis E. McGovern
Court Appointed Fund Administrator

Enclosure

HEALTHSOUTH SECURITIES SETTLEMENT FUNDS

Questions & Answers

What are the HealthSouth Securities Settlement Funds?

The HealthSouth Securities Settlement Funds were created by the settlement of a case brought by the U.S. Securities and Exchange Commission and the partial settlement of private class action cases. The Funds are administered by two U.S. District Court judges.

Who is eligible for payment from the Funds?

Investors are eligible for payment based on losses from purchase or other acquisition of HealthSouth stocks, bonds and/or options during specified time periods. Qualifying time periods of purchase or acquisition are listed below.

For more information about eligibility, you can call toll free 1-888-952-9108, send an email to mail@HLSSettlement.com, or visit our Internet site www.HLSSettlement.com. Members of the Stockholder Class and the Bondholder Class also may contact Lead Counsel as identified in the Notice.

How do I apply for payment?

You can apply for payment by completing the enclosed claim form and providing any documentation required. If additional information is needed, you will be contacted by the Claims Administrator.

What is the deadline for submitting a claim?

The deadline for submitting a claim is February 28, 2008.

What payments are possible?

Payments are calculated through Court-approved Plans of Allocation. Further information about payment calculation is available in the enclosed Notice, by calling toll free 1-888-952-9108, by sending an email to mail@HLSSettlement.com, or by visiting our website www.HLSSettlement.com and selecting the link called "Plans of Allocation." Members of the Stockholder Class and the Bondholder Class also may contact Lead Counsel as identified in the Notice.

When will payments be made?

It is anticipated that payments will be sent on approximately June 30, 2008. However, appeals or other circumstances may delay payment in the class action cases.

Additional questions?

Please call 1-888-952-9108; visit www.HLSSettlement.com; send an email to mail@HLSSettlement.com; or write to HealthSouth Securities Settlement Fund, P.O. Box 1906, Faribault, MN 55021-7161. Members of the Stockholder Class and the Bondholder Class also may contact Lead Counsel as identified in the Notice.

Qualifying Time Periods of Purchase or Acquisition

You may be entitled to receive money or benefits from the SEC Settlement or the class actions, or both.

You can file a claim and receive cash from the SEC Settlement if you are an "Injured Customer." An Injured Customer is a person or entity that purchased or otherwise acquired HealthSouth securities (common stock, bonds or options) on or after August 14, 1996, and held those securities on August 27, 2002 and/or March 19, 2003. (In addition, securities held on September 28, 1998, September 29, 1998 and/or September 30, 1998 may be included in the SEC Plan of Allocation on or before the Court hearing on February 7, 2008.)

You may be entitled to receive cash, stocks and warrants from the settlement in the class actions if you are a member of the Court-approved Stockholder Class and/or the Bondholder Class, and did not request exclusion.

You are a member of the Stockholder Class in the class actions if you purchased or otherwise acquired the stock or options of HealthSouth between April 24, 1997 and March 18, 2003, including HealthSouth securities received in exchange for the stock or options of certain companies that were acquired by HealthSouth.

You are a member of the Bondholder Class in the class actions if you purchased or otherwise acquired HealthSouth bonds, notes or other debt instruments between March 31, 1998 and March 18, 2003.

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ALABAMA – SOUTHERN DIVISION

NOTICE REGARDING PLANS OF ALLOCATION OF SETTLEMENT PROCEEDS AND APPLICATIONS FOR ATTORNEYS' FEES AND EXPENSES, AND DISTRIBUTION OF FAIR FUND BY THE U.S. SECURITIES AND EXCHANGE COMMISSION

**If you purchased or acquired HealthSouth stock or bonds
after August 14, 1996,
you may be entitled to benefits from the
settlements of SEC and class action lawsuits.**

The Federal Court authorized this Notice. This is not a solicitation from a lawyer.

- Several separate lawsuits filed by private parties and the United States Securities and Exchange Commission (“SEC”) claim that HealthSouth Corporation (“HealthSouth”) and others provided investors with false and misleading information in violation of federal securities laws.
- The SEC has entered into a \$100 million settlement with HealthSouth (the “SEC Settlement”) for investors who purchased or otherwise acquired HealthSouth stock, bonds or options on or after August 14, 1996 and held those securities on August 27, 2002 and/or March 19, 2003. (In addition, securities held on September 28, 1998, September 29, 1998 and/or September 30, 1998 may be included in the SEC Plan of Allocation on or before the Court hearing on February 7, 2008.) The private parties also partially settled their claims against HealthSouth and other settling defendants on behalf of a “Class” or group of HealthSouth stockholders, who purchased or otherwise acquired the stock or options of HealthSouth stock between April 24, 1997 and March 18, 2003, and on behalf of a Class of HealthSouth bondholders, who purchased or otherwise acquired HealthSouth bonds, notes or other debt instruments between March 31, 1998 and March 18, 2003 (the “class actions”). The class actions settlement was valued at the time it was reached at approximately \$445 million (in cash and securities). Due to subsequent fluctuations in HealthSouth’s stock price, the settlement’s value may increase or decrease by the time it is distributed. Under the terms of the settlement, HealthSouth paid \$230 million in cash and will issue after adjustment for HealthSouth’s one-for-five reverse stock split, 5,023,732 shares of HealthSouth common stock and 8,151,265 warrants.
- Benefits from both of the settlements will be distributed to eligible HealthSouth investors who file claims. In addition, investors who are Class Members in the class action cases have choices to make before the Court decides whether to approve the Plan of Allocation of the settlement benefits and requested attorneys’ fees. Your rights are affected whether you act or don’t act, so ***please read this Notice carefully.***
- Your recovery from the class actions Settlement Fund will depend on a number of variables, including the number of shares of HealthSouth common stock, options or bonds, notes or other debt instruments (“Notes”) you purchased during the relevant time periods and the timing of your purchases and any sales. Available information concerning the trading of Notes does not permit a useful estimate to be provided concerning the number of affected Notes or the estimated payment per Note on these transactions. Based on information currently available to counsel for the Stockholder Class, it is assumed that the Bondholder Class damages are no more than 30% of the total damages. Assuming that the Bondholder Class damages are 30% or less of the total damages, and if claims are submitted for 100% of the eligible shares of HealthSouth common stock (which is not expected to occur), the average distribution per share of HealthSouth common stock would be approximately \$0.275 in cash, plus (after adjustment for HealthSouth’s one-for-five reverse stock split) .6% shares of HealthSouth common stock and .9% warrants, before deduction of court-approved attorneys’ fees and expenses. Finally, this is a partial settlement and, although no assurances can be given, the claims asserted in the class actions against the Non-Settling Defendants will continue to be prosecuted and may result in additional recoveries.
- To date, counsel representing the Bondholder Class and the Stockholder Class have not received any payment for their services in conducting the class actions, nor have they been paid for their expenses. As set forth in the Plan of Allocation for the class actions described below and in Appendix I, the amount of the Settlement Fund to be divided between the Stockholder Class and the Bondholder Class will not be known until all claims are filed with and evaluated by the Claims Administrator and approved by the Court. For purposes of providing to members of the Stockholder and Bondholder Classes notice of their fee requests, Lead Counsel will provide two estimates. In the first estimate, which Lead Plaintiffs’ Counsel believe is the most realistic, it is assumed that 30% of the Settlement Fund will be

Questions? Call toll free 1-888-952-9108, or visit HLSSettlement.com

allocated to the Bondholder Class, with the remaining 70% of the Settlement Fund allocated to the Stockholder Class. In the second estimate, Lead Plaintiffs' Counsel have assumed that each Class will receive 100% of the Net Settlement Fund. Although neither Class will receive 100% (which would require the other Class to receive 0%) of the Settlement Fund, Lead Counsel is including this second estimate solely to provide the members of both Classes with the maximum amount of fees theoretically possible. Plaintiffs' Counsel will apply for attorneys' fees as follows:

Counsel for the Stockholder Class: Stockholder Plaintiffs' Lead Counsel intends to apply for an award of attorneys' fees in an amount not to exceed 17.5% of the Settlement Fund allocated to the Stockholder Class, plus reimbursement of expenses not to exceed \$5,100,000. Assuming that the Stockholder Class claims comprise 70% of the total claims, the average cost per share of HealthSouth common stock for attorneys' fees and expenses of counsel for the Stockholder Class will be \$0.057 in cash, plus (after adjustment for HealthSouth's one-for-five reverse stock split) .1% shares of HealthSouth common stock and .15% warrants. Assuming that the Stockholder Class claims comprise 100% of the total claims, the average cost per share of HealthSouth common stock for attorneys' fees and expenses of counsel for the Stockholder Class will be \$0.077 in cash, plus (after adjustment for HealthSouth's one-for-five reverse stock split) .15% shares of HealthSouth common stock and .2% warrants. In addition, counsel appointed separately for the merger subclasses will request (i) a portion of the 17.5% fee described above (which would not change the per share calculations) and/or (ii) a fee up to an additional 4% of the Settlement Fund allocated to the Stockholder Class (which, if awarded over and above the 17.5% fee, would change the per share calculations proportionally), plus expenses not to exceed \$85,000.

Counsel for the Bondholder Class: Bondholder Plaintiff's Lead Counsel intends to apply for an award of attorneys' fees in an amount not to exceed 10% of the Settlement Fund allocated to the Bondholder Class, plus reimbursement of expenses not to exceed \$1,500,000. Assuming that the Bondholder Class claims comprise 30% of the total claims, the amount for attorneys' fees and expenses for counsel for the Bondholder Class will be \$8,400,000 in cash, plus (after adjustment for HealthSouth's one-for-five reverse stock split) 150,711 shares of HealthSouth common stock and 244,537 warrants. Assuming that the Bondholder Class claims comprise 100% of the total claims, the amount of attorneys' fees and expenses for counsel for the Bondholder Class will be \$24,400,000 in cash, plus (after adjustment for HealthSouth's one-for-five reverse stock split) 502,373 shares of HealthSouth common stock and 815,126 warrants. Application also will be made for reimbursement to the lead plaintiff and class representatives in the Bondholder Action for a total amount not to exceed \$60,000 for reimbursement of their reasonable costs and expenses (including lost wages) directly relating to their representation of the Bondholder Class.

YOUR RIGHTS AND CHOICES:

You may:	Summary	Deadline	Read more
File a claim form	This is the <u>only</u> way to receive benefits from the settlements. A claim form is included with this Notice.	<i>Postmarked by February 28, 2008</i>	Page 5
Object	If you didn't previously exclude yourself from the Class, you can write to the Court about why you don't like the proposed Plan of Allocation in the class actions or the proposed attorneys' fees. You can also ask to speak in Court about your objections.	<i>Received and filed by December 15, 2007</i>	Page 6
Appear in the class actions	You can, but do not have to, hire your own lawyer and make an appearance in the class actions.	<i>Filed by December 15, 2007</i>	Pages 7-8
Do nothing	If you do not file a claim form as set forth herein, you will not receive benefits from the settlements, but will be bound by the Judgment entered in the class actions as defined below.	<i>All claim forms must be received by February 28, 2008</i>	Page 7

- Please read on. Your rights and choices are further explained in this Notice.

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BASIC INFORMATION

1. Why did I get this Notice?

You or someone in your family may have purchased securities of HealthSouth on or after August 14, 1996. The Court sent you this Notice because you have the right to know about a plan to distribute benefits from court-approved settlements of lawsuits filed against HealthSouth and others that can affect you. You have legal rights and choices to make before the Court decides whether to approve the Plans of Allocation and pay attorneys' fees and expenses.

This Notice explains:

- What the lawsuits are about.
- Who is included in the settlements.
- How the settlements may benefit you.
- What your legal rights are.
- How to get settlement benefits.

2. What are the lawsuits about?

A lawsuit against HealthSouth was filed in the United States District Court for the Northern District of Alabama, Southern Division by the United States Securities and Exchange Commission ("SEC"). The name of that lawsuit is *Securities and Exchange Commission v HealthSouth Corporation and Richard M. Scrushy*, Civil Action No. CV-03-J-0615-S (the "**SEC case**").

Several other lawsuits have been filed as class actions against HealthSouth and other individuals asking for money damages on behalf of certain purchasers of HealthSouth securities. The lawsuits claim that HealthSouth and others provided investors with false and misleading financial information that artificially inflated the value of HealthSouth securities. The class action lawsuits were consolidated into two cases in the same Court. The name of the consolidated lawsuits are *In re HealthSouth Stockholder Litigation*, Master File No. CV-03-BE-1501-S and *In re HealthSouth Bondholder Litigation*, Master File No. CV-03-BE-1502-S. These consolidated lawsuits are called the "**class actions**" in this Notice.

3. What are the terms of the HealthSouth Settlements?

A \$100 million settlement of the SEC case has already been approved by the Court (the "**SEC Settlement**").

On behalf of the two classes of HealthSouth investors in the class actions, the Court has approved a settlement valued at the time it was reached at approximately \$445 million (in cash and securities). Due to subsequent fluctuations in HealthSouth's stock price, the settlement's value may increase or decrease by the time it is distributed. Under the terms of the class actions settlement, HealthSouth has paid \$230 million in cash, and, after adjustment for HealthSouth's one-for-five reverse stock split, will issue 5,023,732 shares of HealthSouth common stock and 8,151,265 warrants. The parties in the class actions now are asking the Court to approve a plan for allocating and distributing the settlement proceeds to eligible investors (the "Plan of Allocation"), after approval and payment of attorneys' fees and litigation expenses.

Both the SEC Settlement and the settlement in the class actions together are called the "**HealthSouth Settlements**" in this Notice.

Please read further to determine if you are entitled to benefits under the HealthSouth Settlements.

WHO IS IN THE SETTLEMENTS

To see if you will get benefits from the HealthSouth Settlements, you need to make sure you are a Class Member in one or both of the class actions, or an Injured Customer in the SEC Settlement.

4. How do I know if I'm entitled to benefits from the HealthSouth Settlements?

You may be entitled to receive money or benefits from the SEC Settlement or the class actions, or both.

You can file a claim and receive cash from the SEC Settlement if you are an "Injured Customer." An Injured Customer is a person or entity that purchased or otherwise acquired HealthSouth securities (common stocks, bonds or options) on or after August 14, 1996, and held those securities on August 27, 2002 and/or March 19, 2003. (In addition, securities held on September 28, 1998, September 29, 1998 and/or September 30, 1998 may be included in the SEC Plan of Allocation on or before the Court hearing on February 7, 2008.)

You may be entitled to receive cash, stocks and warrants from the settlement in the class actions if you are a member of the Court-approved Stockholder Class and/or the Bondholder Class.

You are a member of the Stockholder Class in the class actions if you purchased or otherwise acquired the stock or options of HealthSouth between April 24, 1997 and March 18, 2003, including HealthSouth securities received in exchange for the stock or options of certain companies that were acquired by HealthSouth, and you did not request exclusion.

You are a member of the Bondholder Class in the class actions if you purchased or otherwise acquired HealthSouth bonds, notes or other debt instruments between March 31, 1998 and March 18, 2003, and you did not request exclusion.

DISTRIBUTION OF SETTLEMENT BENEFITS

5. How will the benefits in the class actions be allocated?

Counsel for the Stockholder and Bondholder Classes in the class actions have proposed a Plan of Allocation that must be approved by the Court. That Plan provides that a portion of the Settlement Fund (less Court-awarded attorneys' fees and costs) will be allocated to the Bondholder Class by multiplying the fund by a percentage equal to: (a) the total dollar value of all eligible Bondholder Class claims divided by the total dollar value of all eligible Bondholder and Stockholder Class claims, plus (b) 500 basis points.

The remainder will be allocated to the Stockholder Class, of which (i) \$4.45 million will be allocated to claims related solely to claims relating to HealthSouth options, (ii) \$22.5 million will be allocated solely to claims for the acquisition of HealthSouth stock and/or options in HealthSouth's mergers with Horizon/CMS, The Company Doctor, or National Surgery Centers (the "merger subclasses"), and (iii) the balance will be allocated pro-rata among all claimants who purchased or otherwise acquired HealthSouth stock, including the merger subclasses.

Payment amounts to Class Members will be determined based on a formula that considers various factors, including the numbers of shares or bonds purchased, and the timing of the purchases and sales. You can read the entire Plan of Allocation in Appendix I to this Notice.

However, please remember that you'll be eligible to receive benefits only if you had a net loss, after all profits from transactions in HealthSouth securities are subtracted from all losses on your HealthSouth transactions.

6. How will the money from the SEC Settlement be allocated?

The Court will approve a Plan of Allocation for the \$100 million SEC Settlement Fund to eligible investors in the SEC Settlement. If you're eligible, the amount of your payment will be calculated through a formula that applies a baseline compensation amount to each HealthSouth stock or bond you purchased on or after August 14, 1996 that you still held on August 27, 2002 and/or March 19, 2003. (In addition, securities held on September 28, 1998, September 29, 1998 and/or September 30, 1998 may be included in the SEC Plan of Allocation on or before the Court hearing on February 7, 2008.) The baseline compensation amounts vary, depending on when you purchased and sold or held the securities. You can review the baseline compensation calculations by reading the SEC Settlement Plan of Allocation in Appendix II to this Notice. The Plan of Allocation in the SEC Settlement is different from the Plan of Allocation in the class actions settlement because the two settlements are based on different allegations of violations under the securities law.

However, please remember that the maximum amount you can receive from the SEC Settlement is your actual loss on the securities. Your actual loss on securities purchased on or after August 14, 1996 and held on August 27, 2002 and/or March 19, 2003 is the difference between the purchase price and the sale price of that unit. In addition, securities held on September 28, 1998, September 29, 1998 and/or September 30, 1998 may be included in the SEC Plan of Allocation on or before the Court hearing on February 7, 2008.) In addition, no payments will be made to investors whose allowed amounts are less than \$10.00.

HOW TO OBTAIN SETTLEMENT BENEFITS

7. How do I get benefits from the HealthSouth Settlements?

You must file a claim form in order to receive benefits from the HealthSouth Settlements. A claim form is included with this Notice. Please remember that you only need to submit one claim form for both settlements.

8. Is there a deadline for sending in my claim form?

Yes. Your completed claim form must be mailed, **postmarked by February 28, 2008** to the following address:

HealthSouth Securities Settlement
201 S. Lyndale Avenue, Suite S-3
P.O. Box 1906
Faribault, MN 55021-7161

9. Can I receive benefits from both settlements?

Yes. If you're an eligible Injured Customer and an eligible Stockholder or Bondholder Class Member, you'll receive benefits from both Settlements. But you still need to complete only one claim form.

10. How much will I receive in the settlements?

If you are eligible, you will receive two payments, one from the SEC Settlement and one from the class actions. You may or may not receive your cash payments in one check. Your payments will be calculated based on the Plans of Allocation approved by the Courts and attached as Appendix I and Appendix II.

The two plans cover the same securities and are generally similar in calculation methodology.

The Plan of Allocation in the SEC Settlement is different from the Plan of Allocation in the class actions settlement because the two settlements are based on different allegations of violations under the securities law. The primary differences are:

- 1) The periods that you purchased or otherwise acquired HealthSouth securities are different for the SEC Settlement and the class actions;
- 2) The class actions provide an additional payment factor to bonds, notes or other debt instruments and merger subclasses that are not included in the SEC Settlement; and
- 3) The SEC distribution is in cash and the class actions distribute stock and warrants in addition to cash.

11. When will I receive my settlement benefits?

You will receive your payments after the Courts have approved the distribution of payments, which will occur after all claims are processed. It is anticipated that payments could be mailed to you by June 30, 2008 but the actual mail date will depend on when the Courts approve each distribution for mailing. Objections and/or appeals could delay the Court's approval of the class actions distribution.

You should periodically check the Internet site, www.HLSSettlement.com, for updates about the timing of the distribution of settlement benefits.

12. Should I keep my records of HealthSouth securities purchases and sales?

Yes. You may need your transaction records in order to verify your claim. However, if you need to provide records for your claim, be sure to send copies, not your original records.

YOUR RIGHTS – OBJECTING TO THE PLAN OF ALLOCATION OR ATTORNEYS' FEES REQUEST

You can tell the Court if you don't like the Plan of Allocation or applications for attorneys' fees in the class actions. This is called objecting.

13. Can I tell the Court I don't like the Plan of Allocation or the request for attorneys' fees?

Yes. If you're a member of the Bondholder or Stockholder Class in the class actions, you may tell the Court you don't like the Plan of Allocation or some part of it. You may also object to the amount of the fees that Plaintiffs' Counsel are asking the Court to approve. The Court will consider your views. You may also object to the plan to distribute the funds obtained in the SEC Settlement.

14. How do I object to the Plan of Allocation or attorneys' fees?

To object, you must send a written statement that contains all of the following:

- The name of the lawsuit, *In re HealthSouth Stockholder Litigation*, Master File No. CV-03-BE-1501-S or *In re HealthSouth Bondholder Litigation*, Master File No. CV-03-BE-1502-S, or *Securities and Exchange Commission v HealthSouth Corporation and Richard M. Scrushy*, Civil Action No. CV-03-J-0615-S;
- Information sufficient to show you are a member of the Stockholder or Bondholder Class, or an Injured Customer, as applicable, including the amount and type of HealthSouth securities purchased and sold during the eligible time periods and held at the end of the eligible time periods;
- A statement of the reasons for your objections;
- Copies of any evidence or documents you want the Court to consider; and if you (or your lawyer) want to appear and speak at the Court's hearing on the Plan of Allocation or attorneys' fee request (see Question 21 below) you must provide a statement that you wish to appear and speak, the identity of any witnesses you want to call to testify, and copies of exhibits you intend to introduce at the hearing.

You must mail your objection to all of the following:

The Court	Counsel to HealthSouth	Counsel to HealthSouth
Clerk of the Court United States District Court 140 Hugo L. Black United States Courthouse 1729 Fifth Avenue North Birmingham, AL 34203-2000	HealthSouth Corporation One HealthSouth Parkway Birmingham, AL 35243 Attn: John Whittington	Bradley Arant Rose & White LLP Julia Boaz Cooper One Federal Plaza 1819 Fifth Avenue North Birmingham, AL 35203

and

Lead Counsel for Stockholder Lead Plaintiffs and Class:	Lead Counsel for Bondholder Lead Plaintiff and Class:	Counsel for Merger Subclasses:
Coughlin Stoia Geller Rudman & Robbins LLP Keith F. Park Joy Ann Bull 655 W. Broadway, Suite 1900 San Diego, CA 92101	Bernstein Litowitz Berger & Grossmann LLP John P. Coffey Jeffrey N. Leibell 1285 Avenue of the Americas, 38 th Floor New York, NY 10019	Schatz Nobel Izard, P.C. Andrew M. Schatz One Corporate Center 20 Church Street, Suite 1700 Hartford, CT 06103
Labaton Sucharow LLP Thomas A. Dubbs James W. Johnson 140 Broadway, 34 th Floor New York, NY 10005	Cunningham, Bounds, Crowder Brown & Breedlove, LLC Robert T. Cunningham, Jr. 1601 Dauphin Street, P.O. Box 66705 Mobile, AL 36660	

Please remember that your objection must be received by all of the foregoing no later than December 15, 2007.

YOUR RIGHTS – APPEARING IN THE CLASS ACTIONS

15. Can I appear in the class actions through my own lawyer?

Yes. You may (but do not have to) have your own lawyer participate and speak for you in the class actions. This is called making an appearance. If you do this, you'll have to pay for the lawyer yourself.

16. How do I make an appearance in the class actions?

If you want your own lawyer instead of the lawyers for the Classes to participate or speak for you in the class actions, your lawyer must give the Court a paper that is called a "Notice of Appearance." The Notice of Appearance should be filed with the Court, and copies sent to the lawyers listed in paragraph 14 above.

17. Can I get out of the HealthSouth Settlements or the Classes in the class actions?

No. The Court in the class actions has already approved certification of the Bondholder and Stockholder Classes for purposes of the settlement of the class actions. Notice of that certification and the partial settlement was given nationwide, with a deadline of December 8, 2006 for Class Members to exclude themselves.

There's no need to exclude yourself from the SEC Settlement because participation in the SEC Settlement does not affect any of your legal rights to sue HealthSouth.

IF YOU DO NOTHING

18. What happens if I do nothing at all?

If you do nothing, you won't receive any money or benefits from the HealthSouth Settlements or the SEC Settlement. Please remember, in order to receive benefits, you must file a claim form by February 28, 2008.

THE LAWYERS REPRESENTING YOU

19. Do I have a lawyer in the HealthSouth Settlements?

In the class actions, the Court has appointed lawyers to represent you and all Class Members. These lawyers are called Lead Plaintiffs' Counsel, and all of their names and addresses are listed in Question number 14 above. You will not be charged for these lawyers.

In addition, lawyers for the SEC represent the government in the SEC Settlement. As in all government enforcement actions, you won't be charged any attorneys' fees.

20. How much will the lawyers be paid, and how will they be paid?

At the hearing, Stockholder Plaintiffs' Lead Counsel will request the Court to award attorneys' fees of up to 17.5% of the Settlement Fund allocated to the Stockholder Class, plus expenses not to exceed \$5,100,000, and counsel for the merger subclasses will request attorneys' fees of up to 4% of the Settlement Fund allocated to the Stockholder Class and/or some portion of the 17.5% fee described above, plus expenses not to exceed \$85,000. Counsel in the Bondholder Action will request the Court to award attorneys' fees of up to 10% of the Settlement Fund allocated to the Bondholder Class, plus expenses not to exceed \$1,500,000. Application also will be made for reimbursement to the lead plaintiff and class representatives in the Bondholder Action for a total amount not to exceed \$60,000 for reimbursement of their reasonable costs and expenses (including lost wages) directly relating to their representation of the Bondholder Class. Such sums as may be approved by the Court will be paid from the Settlement Fund in the class actions. Class Members are not personally liable for any such fees or expenses.

Counsel for the Stockholder and Bondholder Classes have committed a significant amount of time to the lawsuits. Counsel for the Stockholder Class filed their initial lawsuit in 1998, have litigated extensively since that time on behalf of the Stockholder Class, and believe their fee request

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is fair and reasonable based on the complexity and length of the Stockholder Class litigation. Counsel for the Bondholder Class have diligently prosecuted claims on behalf of the Bondholder Class since the Bondholder Action was commenced in 2003, and believe that their fee represents fair and reasonable compensation based on the high complexity of the Bondholder Action and their substantial prosecution effort. To date, counsel have not received any payment for their services, nor have they been reimbursed any of their costs of litigation. Counsel believe the fees requested will fairly pay them for their efforts and their risk in bringing the class actions on a contingent basis, and that the fees are within the ranges of fees paid in similar cases.

No attorneys' fees or expenses will be paid out of the \$100 million settlement in the SEC case.

THE COURT HEARING ON THE PLAN OF ALLOCATION AND ATTORNEYS' FEES

The Court will hold a hearing to consider everyone's views and to decide whether to approve the Plans of Allocation and attorneys' fees and expenses in the class actions. You may attend and you may ask to speak, but you don't have to.

21. When and where will the Court decide whether to approve the Plans of Allocation and attorneys' fees?

The Federal District Judges will hold a hearing on the Plans of Allocation and class action attorneys' fees at 1:30 p.m. on **February 7, 2008**. The Court is located at 140 Hugo L. Black United States Courthouse, 1729 Fifth Avenue North, Birmingham, Alabama. The Court may adjourn the hearing without sending further notice to you. If you plan to attend the hearing, you should check the website (www.HLSSettlement.com) for more information, or you also send an email to mail@HLSSettlement.com, write to HealthSouth Securities Settlement, 201 S. Lyndale Avenue, Suite S-3, PO Box 1906, Faribault, MN 55021-7161, or, if you are a member of one or both of the classes, you may contact lead counsel identified in question 14 of this notice.

At the hearing, the Court will consider any objections, and listen to people who have asked to speak at the hearing. At or after the hearing, the Court will decide: (1) whether to approve the Plan of Allocation in the class actions as fair and reasonable; and (2) whether to approve the applications for attorneys' fees and expenses. The Court in the SEC case will allow claimants an opportunity to object to the plan to distribute the SEC Settlement.

The Federal District Judges may approve the Plans of Allocation with modifications without further notification to the Class.

22. Do I have to come to the hearing?

You don't have to come to the hearing. The lawyers for the Classes will answer questions the Court has. But you or your lawyer are welcome to come at your own expense. If you send an objection, you don't have to come to the hearing for the Court to consider it.

23. Can I speak at the hearing?

If you send a valid objection, you may ask to speak about it at the hearing. To do so, your objection must say that you want to speak at the hearing. (See Question 14 above.)

GETTING MORE INFORMATION

24. Are more details about the lawsuits and the HealthSouth Settlements available?

Yes. If you have additional questions, please call 1-888-952-9108; visit www.HLSSettlement.com; send an email to mail@HLSSettlement.com, or write to HealthSouth Securities Settlement, 201 S. Lyndale Avenue, Suite S-3, P.O. Box 1906, Faribault, MN 55021-7161.

In addition, you may read the documents filed with the Court in the class actions and SEC case during business hours at the Office of the Clerk of Court, 140 Hugo L. Black United States Courthouse, 1729 Fifth Avenue North, Birmingham, Alabama. If you need assistance to complete the claim form, or if you have any questions about the settlements, you may call the toll-free number at 1-888-952-9108, or you can send an e-mail to mail@HLSSettlement.com, or, if you are a member of one of the classes, you may contact Lead Counsel in the class actions as identified in question 14 of the notice. You can also obtain information by visiting the Internet site, www.HLSSettlement.com.

Please do not contact the Clerk or the Court, as they cannot answer any questions you have about the lawsuits or the HealthSouth Settlements.

*****SPECIAL NOTICE TO NOMINEES*****

By order of the Court and pursuant to the Plan of Allocation in the SEC Settlement, if you are a nominee or broker that holds or held HealthSouth securities purchased or otherwise acquired between August 14, 1996 and March 19, 2003, as nominees for beneficial owners, you must provide, within 10 days, to the Fund Administrator appointed by the Court in the SEC Settlement:

- (1) The names and addresses of the identified beneficial owners; and
- (2) All transactional data of purchases, acquisition, sales, transfers, exchanges and holdings of HealthSouth securities for the relevant dates for each beneficial owner.

For more information about this requirement, please visit www.HLSSettlement.com, or call 1-888-952-9108. You will be reimbursed by HealthSouth for all reasonable administration costs you incur in connection with the provision of such data.

Questions? Call toll free 1-888-952-9108, or visit HLSSettlement.com

APPENDIX I: CLASS ACTIONS PLAN OF ALLOCATION FOR STOCKHOLDER CLASS AND BONDHOLDER CLASS

The Settlement Fund will be distributed to Class Members who submit valid, timely Proof of Claim and Release forms under the Plan of Allocation described below. Under the Plan of Allocation, the date of purchase or sale is the “contract” or “trade” date as distinguished from the “settlement” date.

For Class Members who held HealthSouth securities at the beginning of the Stockholder Class Period or the Bondholder Class Period or made multiple purchases or other acquisitions or sales during the Stockholder Class Period or the Bondholder Class Period, the first-in, first-out (“FIFO”) method will be applied to such holdings, purchases and sales for purposes of calculating a claim. Under the FIFO method, sales of securities during the Stockholder Class Period and the Bondholder Class Period will be matched, in chronological order, first against securities held at the beginning of the Stockholder Class Period and the Bondholder Class Period. The remaining sales of securities during the Stockholder Class Period and the Bondholder Class Period will then be matched, in chronological order, against shares purchased during the Stockholder Class Period and the Bondholder Class Period.

A Class Member will be eligible to receive a distribution from the settlement proceeds in the Federal Actions only if a Class Member has a net loss, after all profits from transactions in HealthSouth securities during the Stockholder Class Period and the Bondholder Class Period are subtracted from all losses. However, the proceeds from sales of securities which have been matched against securities held at the beginning of the Stockholder Class Period and the Bondholder Class Period will not be used in the calculation of such net loss. No distributions will be made to Authorized Claimants who would otherwise receive a distribution of less than \$10.00.

The Court has reserved jurisdiction to allow, disallow or adjust the claim of any Class Member on equitable grounds.

Payment pursuant to the Plan of Allocation set forth above shall be conclusive against all Authorized Claimants. No Person shall have any claim against counsel for the Stockholder Class and counsel for the Bondholder Class or any claims administrator or other Person designated by counsel for the Stockholder Class and counsel for the Bondholder Class based on distributions made substantially in accordance with the Stipulation and the settlement contained therein, the Plan of Allocation, or further orders of the Court. All Class Members who fail to complete and file a valid and timely Proof of Claim and Release form shall be barred from participating in distributions from the Settlement Fund (unless otherwise ordered by the Court), but otherwise shall be bound by all of the terms of the Stipulation, including the terms of the Judgment entered and the releases given.

Bondholder Class

The portion of the Settlement Fund allocated to the Bondholder Class shall be calculated by multiplying the Settlement Fund by a percentage equal to: (a) the total dollar value of all eligible Bondholder Class claims divided by the total dollar value of all eligible Bondholder Class claims and all eligible Stockholder Class claims; plus (b) 500 basis points. In addition, for the purpose of calculating total dollar value of the Stockholder claims, the aggregate claims for the option holders shall not exceed one percent of the total claims of the Bondholders and Common Stock Shareholders. Each Bondholder claim shall be calculated based on the Bondholder Allocation below. The Bondholder Class consists of persons who purchased the following HealthSouth debt securities:

- (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

Bondholder Allocation

For HealthSouth Notes and Debentures purchased from March 31, 1998 through March 18, 2003, 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.

Stockholder Class

The remaining portion of the Settlement Fund not allocated to the Bondholder Class shall be allocated to the Stockholder Class.

Merger Class Allocation

In addition to participating in either the Option Class Allocation or the Common Stock Allocation described below, the Merger Class will be allocated \$22.25 million from of the Stockholders’ Settlement Proceeds, allocated based on the Common Stock Allocation below, and an option allocation that provides a claim of: (a) \$0 if the option was exercised or expired prior to September 28, 1998; (b) \$0.79 per option if the option was exercised or expired on September 28, 1998; (c) \$2.67 per option if the option was exercised or expired on September 29, 1998; and (d) \$4.51 per option if the option was retained at the end of September 29, 1998. The Merger Class consists of plaintiffs who received HealthSouth common stock and/or options in the following mergers:

- (a) Horizon/CMS
- (b) The Company Doctor
- (c) National Surgery Centers

Stockholder Allocation

The remaining settlement proceeds will be allocated to the Stockholder Class only based on the Common Stock and Option Allocations below.

Allocation for The Common Stock

The allocation for the Common Stock is based on the following market adjusted price declines:

September 28, 1998:	\$1.57 per share
September 29, 1998:	\$3.76 per share
September 30, 1998:	\$3.68 per share
August 27, 2002:	\$5.09 per share
August 28, 2002:	\$0.92 per share (mitigated for the partial rebound through September 3, 2002)
Following March 18, 2003:	\$3.65 per share (March 18, 2003 closing price of \$3.91 per share less 90-day average of \$0.26 per share)

1. For shares of HealthSouth common stock that were purchased or otherwise acquired from April 24, 1997 through September 27, 1998, and
 - (a) sold prior to September 28, 1998, the claim per share is \$0;
 - (b) sold on September 28, 1998, the claim per share is \$1.57 per share;
 - (c) sold on September 29, 1998, the claim per share is \$5.33 per share;
 - (d) sold from September 30, 1998 through August 26, 2002, the claim per share is \$9.01 per share;
 - (e) sold on August 27, 2002, the claim per share is \$11.56 per share;
 - (f) sold from August 28, 2002 to March 18, 2003, the claim per share is \$12.02 per share;
 - (g) retained at the close of trading on March 18, 2003, the claim per share is \$13.85 per share.
2. For shares of HealthSouth common stock that were purchased on September 28, 1998, and
 - (a) sold on September 28, 1998, the claim per share is \$0;
 - (b) sold on September 29, 1998, the claim per share is \$3.76 per share;
 - (c) sold from September 30, 1998 through August 26, 2002, the claim per share is \$7.44 per share;
 - (d) sold on August 27, 2002, the claim per share is \$9.99 per share;
 - (e) sold from August 28, 2002 to March 18, 2003, the claim per share is \$10.45 per share;
 - (f) retained at the close of trading on March 18, 2003, the claim per share is \$12.28 per share.
3. For shares of HealthSouth common stock that were purchased on September 29, 1998, and
 - (a) sold on September 29, 1998, the claim per share is \$0;
 - (b) sold from September 30, 1998 through August 26, 2002, the claim per share is \$3.68 per share;
 - (c) sold on August 27, 2002, the claim per share is \$6.23 per share;
 - (d) sold from August 28, 2002 to March 18, 2003, the claim per share is \$6.69 per share;
 - (e) retained at the close of trading on March 18, 2003, the claim per share is \$8.52 per share.
4. For shares of HealthSouth common stock that were purchased from September 30, 1998 through October 4, 2000, and
 - (a) sold prior to August 27, 2002, the claim per share is \$0;
 - (b) sold on August 27, 2002, the claim per share is 50% of the lesser of: (i) the purchase price per share less the sales price per share; or (ii) \$5.09 per share;
 - (c) sold from August 28, 2002 to March 18, 2003, the claim per share is 50% of the lesser of: (i) the purchase price per share less the sales price per share; or (ii) \$6.01 per share;
 - (d) retained at the close of trading on March 18, 2003, the claim per share is 50% of the lesser of: (i) the purchase price per share less \$0.26 per share; or (ii) \$9.66 per share.
5. For shares of HealthSouth common stock that were purchased from October 5, 2000 through August 26, 2002, and
 - (a) sold prior to August 27, 2002, the claim per share is \$0;
 - (b) sold on August 27, 2002, the claim per share is the lesser of: (i) the purchase price per share less the sales price per share; or (ii) \$5.09 per share;
 - (c) sold from 8/28/2002 to 3/18/2003, the claim per share is the lesser of: (i) the purchase price per share less the sales price per share; or (ii) \$6.01 per share;
 - (d) retained at the close of trading on March 18, 2003, the claim per share is the lesser of: (i) the purchase price per share less \$0.26 per share; or (ii) \$9.66 per share.
6. For shares of HealthSouth common stock that were purchased on August 27, 2002, and
 - (a) sold on August 27, 2002, the claim per share is \$0;
 - (b) sold from August 28, 2002 to March 18, 2003, the claim per share is the lesser of: (i) the purchase price per share less the sales price per share; or (ii) \$0.92 per share;
 - (c) retained at the close of trading on March 18, 2003, the claim per share is the lesser of: (i) the purchase price per share less \$0.26 per share; or (ii) \$4.57 per share.

7. For shares of HealthSouth common stock that were purchased from 8/28/2002 through 3/18/2003, and
 - (a) sold prior to March 18, 2003, the claim per share is \$0 per share;
 - (b) retained at the close of trading on March 18, 2003, the claim per share is the lesser of: (i) the purchase price per share less \$0.26 per share; or (ii) \$3.65 per share.

Allocation for the Options

The settlement proceeds available to the Options Class shall be limited to an amount equal to one percent of the Settlement Fund (approximately \$4.45 million at the time of settlement).

Call Options

1. For Call Options on HealthSouth common stock that were purchased during the period April 24, 1997 through March 18, 2003, and
 - (a) owned at the end of one of the following dates: September 27, 1998, September 28, 1998, September 29, 1998, August 26, 2002, August 27, 2002 or March 18, 2003, the claim per Call Option is the difference between the price paid for the Call Option less the proceeds received upon the settlement of the Call Option contract;
 - (b) not owned at the end of one of the following dates: September 27, 1998, September 28, 1998, September 29, 1998, August 26, 2002, August 27, 2002 or March 18, 2003, the claim per Call Option is \$0.
2. For Call Options on HealthSouth common stock that were written during the period April 24, 1997 through March 18, 2003, the claim per Call Option is \$0.

Put Options

1. For Put Options on HealthSouth common stock that were written during the period April 24, 1997 through March 18, 2003, and
 - (a) owned at the end of one of the following dates: September 27, 1998, September 28, 1998, September 29, 1998, August 26, 2002, August 27, 2002 or March 18, 2003, the claim per Put Option is the difference between the amount paid upon settlement of the Put Option contract less the initial proceeds received upon the sale of the Put Option contract.
 - (b) not owned at the end of one of the following dates: September 27, 1998, September 28, 1998, September 29, 1998, August 26, 2002, August 27, 2002 or March 18, 2003, the claim per Put Option is \$0.

For Put Options on HealthSouth common stock that were purchased during the period April 24, 1997 through March 18, 2003, the claim per Put Option is \$0.

Note: In the case the option was exercised for HealthSouth common stock, the amount paid, or proceeds received, upon the settlement of the option contract equals the intrinsic value of the option using HealthSouth common stock's closing price on the date the option was exercised.

Acquired Options

Stock options on HealthSouth's common stock received in the Horizon/CMS, The Company Doctor or National Surgery Centers mergers will be entitled to receive a recovery per the stock option plan. The purchase price for these options will be the difference between HealthSouth's closing price at the time of the respective mergers (\$25.50 per share for Horizon/CMS, \$27.38 per share for The Company Doctor and \$28.13 per share for National Surgery Centers) and the exercise price of the option.

APPENDIX II: SEC PLAN OF ALLOCATION

Injured Customers are eligible for compensation as described below. An Injured Customer's Distribution Amount is based on the relative changes in the prices of the securities following the Disclosure Dates or the Injured Customer's actual losses.¹ The relative change is determined by adjusting the change in the price of the HealthSouth securities following the Disclosure Dates by accounting for the overall market return; such a methodology ensures that the return on HealthSouth securities captures what cannot be explained by the broader market return.² This approach gives the market-adjusted price changes, which constitute the *baseline compensation* per unit of security held.

An Injured Customer's eligibility for compensation is capped by the Injured Customer's actual loss on a security. That is, the maximum eligible loss on a unit held on a Disclosure Date is the difference between the purchase price and the sale price of that unit.³

No Distribution Amount less than \$10.00 will be paid. The Fund Administrator may aggregate accounts held by any Injured Customer for purposes of meeting the \$10.00 floor on distributions.

If the funds are insufficient to compensate the Injured Customers for their maximum eligible losses, a common proportional discount factor will be applied to the baseline compensation of all securities.

The draft distribution fund plan allocates \$1 million to compensate Injured Customers who suffered losses on derivatives of HealthSouth securities. These Injured Customers are eligible for compensation up to their actual losses provided they held Call or Put Options on HealthSouth common stock that were purchased between August 14, 1996 and March 18, 2003, and owned at the end of one of the following dates: August 26, 2002 or March 18, 2003. If the total actual losses on derivatives of HealthSouth securities exceed \$1 million, a common proportional discount factor will be applied to the Injured Customers' full losses.

¹ Specifically, compensation depends on the relative change in the security price during the *adjustment period*. The *adjustment period* is the time it takes the security price to return to a period (one day) of "normal" returns following a disclosure, and it is determined using statistical techniques: this period begins on the Disclosure Date and ends on the last consecutive day in which the daily return was statistically different from the market return. An investor who sold the security during the *adjustment period* is only entitled to compensation up to the relative change in the price of the security between the Disclosure Date and the day of the sale.

² The S&P 500 index is used as the benchmark for the HealthSouth stock and the Vanguard Total Bond Index is used as the benchmark for the HealthSouth bonds.

³ The purchase price and the sale price are determined by matching buys and sells ("round trips") using a FIFO (First In First Out) principle. Profits on one unit are not netted against losses incurred on other units by the same investor.

For a fully copy of the SEC Plan of Allocation that has been approved by the Court, go to www.HLSSettlement.com.

HealthSouth Stock⁴

Baseline compensation for HealthSouth common stock:⁵

1. Stocks purchased between 8/14/1996 and 8/26/2002 and sold on or before 3/18/2003:
 - a. \$5.09 if sold on 8/27/2002
 - b. \$6.63 if sold on 8/28/2002
 - c. \$6.01 if sold on 8/29/2002
 - d. \$6.31 if sold on 8/30/2002
 - e. \$6.01 if sold on or after 9/3/2002 and on or before 3/18/2003.
2. Stocks purchased on or after 8/27/2002 and on or before 3/18/2003 and sold on or after 3/20/2003: \$3.80. Any stocks held as of the close of trading 3/20/2003 will be treated as liquidated on 3/20/2003.
3. Stocks purchased between 8/14/1996 and 8/26/2002 and sold on or after 3/20/2003: \$9.81. Any stocks held as of the close of trading 3/20/2003 will be treated as liquidated on 3/20/2003.

HealthSouth Bonds⁶

Baseline compensation per bond with a par value of \$1,000. Any bonds held as of the close of trading on 3/31/2003 will be treated as liquidated on 3/31/2003.⁷

1. Bonds purchased between 3/20/1998 and 8/26/2002 and sold on or before 3/18/2003:

Date of Sale	7% Senior Notes Due 6/15/2008	7.625% Senior Notes Due 6/1/2012	10.75% Senior Notes Due 10/1/2008	8.5% Senior Notes Due 2/1/2008	7.375% Senior Notes Due 10/1/2006	8.375% Senior Notes Due 10/1/2011	6.875% Senior Notes Due 6/15/2005	3.25% Convertible Debentures Due 4/1/2003
8/27/2002	\$117.70	\$122.70	\$95.00	\$132.60	\$112.70	\$137.60	\$114.60	\$15.20
8/28/2002	\$159.70	\$164.10	\$172.30	\$174.70	\$164.70	\$164.70	\$151.40	\$33.70
8/29/2002 or after	\$180.70	\$192.70	\$172.30	\$174.70	\$164.70	\$164.70	\$181.00	\$33.70

2. Bonds purchased between 8/27/2002 and 3/18/2003 and sold on or after 3/20/2003:

Date of Sale	7% Senior Notes Due 6/15/2008	7.625% Senior Notes Due 6/1/2012	10.75% Senior Notes Due 10/1/2008	8.5% Senior Notes Due 2/1/2008	7.375% Senior Notes Due 10/1/2006	8.375% Senior Notes Due 10/1/2011	6.875% Senior Notes Due 6/15/2005	3.25% Convertible Debentures Due 4/1/2003
3/20/2003	\$379.50	\$377.10	\$619.50	\$431.90	\$401.90	\$392.00	\$416.80	\$606.60
3/21/2003	\$407.90	\$410.40	\$728.70	\$460.20	\$445.20	\$435.30	\$475.00	\$822.80
3/24/2003	\$407.90	\$395.00	\$714.30	\$452.30	\$445.20	\$417.30	\$457.10	\$788.50
3/25/2003	\$407.90	\$377.50	\$704.30	\$432.30	\$445.20	\$402.30	\$427.10	\$783.50
3/26/2003	\$407.90	\$413.00	\$764.50	\$467.80	\$445.20	\$437.90	\$472.70	\$868.80
3/27/2003	\$407.90	\$413.00	\$759.60	\$467.80	\$445.20	\$425.90	\$472.70	\$883.90
3/28/2003	\$407.90	\$413.00	\$734.70	\$467.80	\$445.20	\$398.90	\$472.70	\$859.00
3/31/2003 or after	\$407.90	\$413.00	\$734.70	\$467.80	\$445.20	\$427.80	\$472.70	\$870.10

3. Bonds purchased between 3/20/1998 and 8/26/2002 and sold on or after 3/20/2003:

Date of Sale	7% Senior Notes Due 6/15/2008	7.625% Senior Notes Due 6/1/2012	10.75% Senior Notes Due 10/1/2008	8.5% Senior Notes Due 2/1/2008	7.375% Senior Notes Due 10/1/2006	8.375% Senior Notes Due 10/1/2011	6.875% Senior Notes Due 6/15/2005	3.25% Convertible Debentures Due 4/1/2003
3/20/2003	\$560.20	\$569.70	\$791.80	\$606.60	\$566.60	\$556.60	\$597.80	\$640.30
3/21/2003	\$588.60	\$603.10	\$901.00	\$634.90	\$609.90	\$600.00	\$656.00	\$856.40
3/24/2003	\$588.60	\$587.60	\$886.60	\$627.00	\$609.90	\$582.00	\$638.10	\$822.20
3/25/2003	\$588.60	\$570.10	\$876.60	\$607.00	\$609.90	\$567.00	\$608.10	\$817.20
3/26/2003	\$588.60	\$605.70	\$936.80	\$642.50	\$609.90	\$602.60	\$653.70	\$902.40
3/27/2003	\$588.60	\$605.70	\$931.90	\$642.50	\$609.90	\$590.60	\$653.70	\$917.60
3/28/2003	\$588.60	\$605.70	\$907.00	\$642.50	\$609.90	\$563.60	\$653.70	\$892.70
3/31/2003 or after	\$588.60	\$605.70	\$907.00	\$642.50	\$609.90	\$592.50	\$653.70	\$903.80

⁴ HealthSouth stock was not traded on 3/19/2003.

⁵ In addition, HealthSouth common stock held on September 28, 1998, September 29, 1998 and/or September 30, 1998 may be included in the SEC Plan of Allocation on or before the Court hearing on February 7, 2008. If these dates are included, the Baseline Compensation for them would be calculated using the same methodology.

⁶ HealthSouth bonds were not traded on 3/19/2003.

⁷ In addition, HealthSouth bonds held on September 28, 1998, September 29, 1998 and/or September 30, 1998 may be included in the SEC Plan of Allocation on or before the Court hearing on February 7, 2008. If these dates are included, the Baseline Compensation for them would be calculated using the same methodology.



RESPONSE DEADLINE
Postmarked By
FEBRUARY 28, 2008



HEALTHSOUTH SETTLEMENT
CLAIM FORM

Please print clearly in black ink.

Official Use Only

Name of Beneficial Owner (First, Middle, Last) or Entity Name if Beneficial Owner is an Entity

Name of Joint Beneficial Owner, if any (First, Middle, Last)

Representative Name (if different than Beneficial Owner, attach documentation for your authority to act on behalf of the Beneficial Owner)

Street Address

City

State

Zip Code

Country

Email Address

Account Number/Fund Number (not necessary for individual filers)

Step 1 – Provide HealthSouth Common Stock Trading/Acquisition History from August 14, 1996 to March 18, 2003.
If no stocks traded or acquired, skip this step.

Number of shares of HealthSouth common stock owned at the close of trading on **August 13, 1996**: _____
 (If none, write “zero” or “0”; if other than zero, must be documented.)

List each individual purchase, sale or acquisition by merger of HealthSouth common stock from **August 14, 1996 to March 18, 2003**, inclusive, as follows: (a) the trade/merger date; (b) the type of transaction by letter code; (c) the number of shares traded; and (d) the total transaction amount. If you require additional space, attach extra sheets in the same format as below.

(a) Trade/Merger Date (List in chronological order)	(b) Transaction Type Buy (B), Sell (S), Merger (M)	(c) Number of Shares	(d) Total Transaction Amount (not necessary for merger)
_____/_____/_____ Month/Day/Year	_____	_____	\$ _____
_____/_____/_____ Month/Day/Year	_____	_____	\$ _____
_____/_____/_____ Month/Day/Year	_____	_____	\$ _____
_____/_____/_____ Month/Day/Year	_____	_____	\$ _____

List each **sale** that occurred from **March 19, 2003 through June 22, 2005**, inclusive, as follows: (a) the date of the sale; (b) transaction type; (c) number of shares sold; and (d) total transaction amount.

(a) Sale Date (List in chronological order)	(b) Transaction Type	(c) Number of Shares	(d) Total Transaction Amount
_____/_____/_____ Month/Day/Year	S	_____	\$ _____
_____/_____/_____ Month/Day/Year	S	_____	\$ _____
_____/_____/_____ Month/Day/Year	S	_____	\$ _____
_____/_____/_____ Month/Day/Year	S	_____	\$ _____





**Step 2 – Provide HealthSouth Bond Trading History from March 20, 1998 to June 22, 2005.
If no bonds traded, skip this step.**

List each individual purchase and sale of HealthSouth Bonds¹ listed in the box below from **March 20, 1998 to March 18, 2003**, inclusive, as follows: (a) the trade date; (b) the bond issue code¹; (c) the type of transaction; (d) the principal amount (face value or par value); and (e) the total amount paid (including commissions, taxes and fees) or the total amount received (net of commissions, taxes and fees). If you require additional space, attach extra sheets in the same format as below.

(a) Trade Date (List in chronological order)	(b) Bond Issue Traded ¹ (See code list below)	(c) Transaction Type Buy (B) Sell (S)	(d) Principal Amount (Face value or par value)	(e) Total Transaction Amount
_____/_____/_____ Month/Day/Year	_____	_____	\$ _____	\$ _____
_____/_____/_____ Month/Day/Year	_____	_____	\$ _____	\$ _____
_____/_____/_____ Month/Day/Year	_____	_____	\$ _____	\$ _____
_____/_____/_____ Month/Day/Year	_____	_____	\$ _____	\$ _____
_____/_____/_____ Month/Day/Year	_____	_____	\$ _____	\$ _____

List each **sale** that occurred from **March 19, 2003 through June 22, 2005**, inclusive, as follows:

(a) Sale Date (List in chronological order)	(b) Bond Issue Traded ¹ (See code list below)	(c) Transaction Type	(d) Principal Amount (Face value or par value)	(e) Total Transaction Amount (net of commissions, taxes and fees)
_____/_____/_____ Month/Day/Year	_____	S	\$ _____	\$ _____
_____/_____/_____ Month/Day/Year	_____	S	\$ _____	\$ _____
_____/_____/_____ Month/Day/Year	_____	S	\$ _____	\$ _____
_____/_____/_____ Month/Day/Year	_____	S	\$ _____	\$ _____
_____/_____/_____ Month/Day/Year	_____	S	\$ _____	\$ _____

¹ The HealthSouth Bonds consist of eight debt instruments. Each was first issued pursuant to Rule 144A of the Securities Act of 1933, and was later exchanged for registered debt with the same terms. Those eight debt instruments are as follows:

Bond Issue Code	Bond Issue Description	144A Issuance Date	144A CUSIP Number	Registered CUSIP Number
A	3 1/4% Convert. Sub. Debentures due 4/1/03	03/20/1998	421924AD3	421924AF8
B	6 7/8% Senior Notes due 6/15/05	06/22/1998	421924AG6	421924AJ0
C	7% Senior Notes due 6/15/08	06/22/1998	421924AK7	421924AM3
D	10 3/4% Senior Sub. Notes due 10/1/08	09/25/2000	421924AN1	421924AP6
E	8 1/2% Senior Notes due 2/1/08	02/01/2001	421924AQ4	421924AR2
F	8 3/8% Senior Notes due 10/1/11	09/28/2001	421924AV3	421924AX9
G	7 3/8% Senior Notes due 10/1/06	09/28/2001	421924AS0	421924AU5
H	7 5/8% Senior Notes due 6/1/12	05/22/2002	421924AY7	421924AZ4



Step 3 – Provide HealthSouth Call and Put Option Contract Trading History. If no option contracts traded, skip this step.

BEGINNING HOLDINGS:

For calls or puts list (a) the number of contracts purchased; (b) the expiration date (month/year); and (c) the exercise price that you held at the close of trading on **August 13, 1996**:

Type of Contract	(a) Number of Contracts	(b) Expiration Date	(c) Exercise Price
<u>Calls</u>	_____	_____/_____ Month/Year	\$ _____
<u>Puts</u>	_____	_____/_____ Month/Year	\$ _____

PURCHASES, SALES AND ACQUISITIONS:

List each individual transaction of HealthSouth call and put options from **August 14, 1996 to June 22, 2005**, inclusive, as follows: (a) the trade/merger date; (b) the type of transaction by letter code; (c) call or put; (d) the number of contracts; (e) the price per contract; (f) the date of expiration; (g) the exercise price; (h) the transaction amount; and (i) an indication if the option was assigned, was exercised or expired. If you require additional space, attach extra sheets in the same format as below.

(a) Trade/Merger Date	(b) Transaction Type: Buy (B), Sell (S), Merger (M)	(c) Call (C) Or Put (P)	(d) Number of Contracts	(e) Price Per Contract (not required for merger)	(f) Expiration month/year (not required for merger)	(g) Exercise Price	(h) Transaction Amount (not required for merger)	(i) Assigned, Exercised, Expired OR Closed Out
____/____/____ Month/Day/Year	_____	_____	_____	\$ _____	____/____/____ Month/Day/Year	\$ _____	\$ _____	_____
____/____/____ Month/Day/Year	_____	_____	_____	\$ _____	____/____/____ Month/Day/Year	\$ _____	\$ _____	_____
____/____/____ Month/Day/Year	_____	_____	_____	\$ _____	____/____/____ Month/Day/Year	\$ _____	\$ _____	_____
____/____/____ Month/Day/Year	_____	_____	_____	\$ _____	____/____/____ Month/Day/Year	\$ _____	\$ _____	_____

Step 4 – Please submit supporting documentation for your claim.

You must submit documentation for your trading history. Acceptable documentation may include: (a) monthly stock brokerage or other investment account statements; (b) trade confirmation slips; (c) a signed letter from your broker on firm letterhead verifying the information you are providing; (d) a Deposit or Escrow Receipt showing your holdings; or (e) other equivalent proof of your transactions. If you have questions please call 1-888-952-9108.

Step 5 – Please review the release for the class actions and sign below.

- I hereby acknowledge full and complete satisfaction of, and do hereby fully, finally and forever settle, release, relinquish and discharge, all of the Released Claims against each and all of the Settling Defendants and each and all of their "Related Parties," defined as each of a Settling Defendant's immediate family members, heirs, executors, administrators, successors, assigns, present and former employees, officers, directors, attorneys, legal representatives, and agents of each of them, and any person or entity which is or was related to or affiliated with any Settling Defendant or in which any Settling Defendant has or had a controlling interest and the present and former parents, subsidiaries, divisions, affiliates, predecessors, successors, employees, officers, directors, attorneys, assigns, and agents of each of them. The Related Parties shall also include the Settling Insurers. Notwithstanding anything in this paragraph, Related Parties shall not include any Non-Settling Defendant or any Non-Settling Insurer.
- "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 Lead Plaintiffs or any member of the Bondholder Class or Stockholder Class in the Class actions asserted in the Complaint, or could have asserted as a result of purchases, acquisitions, sales, or exercises made during the Bondholder Class Period or the Stockholder Class Period in securities 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 Litigation), based upon or arising out of any facts, allegations or claims set forth in the Complaint. In addition, with respect to the Settling Insurers and the present and former parents, subsidiaries, divisions, affiliates, predecessors, successors, employees, officers, directors, attorneys, assigns, and agents of each of them, Released Claims means all claims 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 are based upon, in consequence of, arise out of or relate in any way, whether in whole or in part, to (i) the Insurance Policies, (ii) the Coverage Litigation, (iii) the class actions, (iv) the litigation, defense, and settlement of the Coverage Litigation and the class actions, and/or (v) any of the facts, circumstances, and situations underlying or alleged in the Coverage Litigation and the class actions.

3. "Unknown Claims" means all claims, demands, rights, liabilities, and causes of action of every nature and description which the Lead Plaintiffs or any Class Member do not know or suspect to exist in his, her or its favor at the time of the release of the Released Persons which, if known by him, her or it, might have affected his, her or its settlement with and release of the Released Persons, or might have affected his, her or its decision not to object to this settlement. With respect to any and all Released Claims, the Settling Parties stipulate and agree that, upon the Effective Date, the Lead Plaintiffs shall expressly waive, and each of the Class Members shall be deemed to have waived, and by operation of the 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.

The Lead Plaintiffs shall expressly waive and each of the Class Members shall be deemed to have waived, and by operation of the 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. The Lead Plaintiffs and 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 Released Claims, but the Lead Plaintiffs shall expressly fully, finally and forever settle and release, and each Class Member, upon the Effective Date, shall be deemed to have, and by operation of the Judgment shall have, fully, finally, and forever settled and released, any and all Released 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. The Lead Plaintiffs acknowledge, and the Class Members shall be deemed by operation of the 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.

4. I (We) hereby warrant and represent that I (we) have not assigned or transferred or purported to assign or transfer, voluntarily or involuntarily, any matter released pursuant to this release or any other part or portion thereof.
5. I (We) hereby warrant and represent to the best of my (our) knowledge that I (we) have included information about all of my (our) transactions in HealthSouth common stock, options, bonds, notes and debentures that occurred during the Class Period as well as the number and type of HealthSouth stock options, held by me (us) at the close of trading on April 23, 1997

I declare under penalty of perjury under the laws of the United States of America that the foregoing information supplied by the undersigned is true and correct.

_____/_____/_____
Month/Day/Year

_____/_____/_____
Month/Day/Year

Signature of Claimant

Signature of Joint Claimant (if any)

(Type or Print Your Name Here)

(Type or Print Your Name Here)

Last 4 digits of your SSN or EIN

Last 4 digits of your SSN or EIN

(Capacity of person(s) signing, e.g. beneficial purchaser(s), executor, administrator, trustee, etc.)

Please submit your Claim Form and the required documentation POSTMARKED NO LATER THAN FEBRUARY 28, 2008 TO: HealthSouth Settlement Claims Administrator, c/o Rust Consulting, P.O. Box 1906, Faribault, MN 55021-7161.

