

**IN THE UNITED STATES DISTRICT COURT  
 FOR THE NORTHERN DISTRICT OF ALABAMA  
 SOUTHERN DIVISION**

<b>In re HEALTHSOUTH</b>		<b>Consolidated Case No.</b>
<b>CORPORATION SECURITIES</b>		<b>CV-03-BE-1500-S</b>
<b>LITIGATION</b>		
		<b><u>CLASS ACTION</u></b>
<b>This Document Relates To:</b>		
<i><b>In re HealthSouth Corporation</b></i>		
<i><b>Stockholder Litigation, Consolidated</b></i>		
<b>Case No. CV-03-BE-1501-S</b>		

**ORDER PRELIMINARILY APPROVING SETTLEMENT  
 WITH UBS DEFENDANTS AND PROVIDING FOR NOTICE**

This class action comes before the court on the “Stockholder Lead Plaintiffs’ Motion for Preliminary Approval of Proposed Class Settlement with UBS Defendants” (doc. 1666); and on Stipulation of Settlement with UBS Defendants dated as of April 12, 2010 (doc. 1663) (the “Stipulation”), that has been entered into by the Stockholder Lead Plaintiffs and the UBS Defendants (collectively, the “Settling Parties”). The court has reviewed the motion and the Stipulation with its attached exhibits, and finds that the motion is due to be granted.

The Settling Parties have applied, pursuant to Federal Rule of Civil Procedure 23(e), for an order preliminarily approving the settlement of the Stockholder Action in accordance with the Stipulation which, together with its exhibits, sets forth the terms and conditions for a proposed settlement of and for dismissal of the Stockholder Action as to the UBS Defendants with prejudice upon the terms and conditions of the Stipulation. The court has read and considered the Stipulation and its exhibits and finds that the application for preliminary approval is well taken.

All defined terms used in this Order shall have the same meanings as set forth in the Stipulation.

NOW, THEREFORE, the court hereby ORDERS:

1. The court does hereby preliminarily approve the Stipulation and the Settlement, subject to further consideration at the Settlement Hearing described below. Therefore, it GRANTS the Stockholders' motion for preliminary approval of the proposed class settlement with UBS Defendants.

2. A hearing (the "Settlement Hearing") shall be held before this court on **Thursday, July 22, 2010 at 10:00 a.m.**, at the Hugo L. Black United States Courthouse, 1729 Fifth Avenue North, Birmingham, Alabama to determine: whether the proposed settlement of the Stockholder Action on the terms and conditions provided for in the Stipulation is fair, reasonable and adequate to the UBS Stockholder Class and should be approved by the court; whether a Judgment as provided in ¶1.12 of the Stipulation should be entered and whether any applications for attorneys' fees or expenses should be approved. The court may adjourn the Settlement Hearing without further notice to Members of the UBS Stockholder Class.

3. The court approves, as to form and content, the Notice of Proposed Settlement of Class Action with UBS Defendants (the "Notice"), Summary Notice for publication and the Proof of Claim Form and Release annexed as Exhibits A-1 to A-3 hereto, and finds that the mailing and distribution of the Notice and publishing of the Summary Notice substantially in the manner and form set forth in ¶4 of this Order meet the requirements of Federal Rule of Civil Procedure 23, the Securities Exchange Act of 1934, 15 U.S.C. §78u-4(a)(7), as amended, including by the Private Securities Litigation Reform Act of 1995, and due process, and is the

best notice practicable under the circumstances and shall constitute due and sufficient notice to all Persons entitled to notice.

4. The firm of Rust Consulting, Inc. (“Claims Administrator”) is hereby appointed to supervise and administer the notice procedure as well as the processing of claims as more fully set forth below:

(a) HealthSouth shall cooperate, to the extent necessary, in making its transfer records and shareholder information available to the Claims Administrator for the purpose of identifying and giving notice to the UBS Stockholder Class;

(b) Stockholder Plaintiffs’ Lead Counsel shall make reasonable efforts to identify all persons and entities who are potential Members of the UBS Stockholder Class and, not later than **June 1, 2010** (the “Notice Date”), Stockholder Plaintiffs’ Lead Counsel shall cause a copy of the Notice substantially in the form annexed as Exhibit A-1 to be mailed by first class mail to all potential UBS Stockholder Class Members who can be identified with reasonable effort;

(c) Not later than **June 3, 2010**, Stockholder Plaintiffs’ Lead Counsel shall cause the Summary Notice in the form annexed as Exhibit A-2 to be published once in *Investor’s Business Daily* and once over the *PR Newswire*; and

(d) At least twenty-one calendar days prior to the Settlement Hearing, Stockholder Plaintiffs’ Lead Counsel shall cause to be served on counsel for the UBS Defendants and filed with the court proof, by affidavit or declaration, of such mailing and publishing.

5. Nominees who purchased or otherwise acquired the common stock or options of HealthSouth for the beneficial ownership of UBS Stockholder Class Members during the

Stockholder Class Period against UBS shall send the Notice to all beneficial owners of such HealthSouth securities within ten days after receipt thereof, or send a list of the names and addresses of such beneficial owners to the Claims Administrator within ten days of receipt thereof, in which event the Claims Administrator shall promptly mail the Notice to such beneficial owners. The Claims Administrator shall, if requested, reimburse banks, brokerage houses or other nominees solely for their reasonable out-of-pocket expenses incurred in providing notice to beneficial owners who are potential UBS Stockholder Class Members out of the Settlement Fund, which expenses would not have been incurred except for the sending of such Notice, subject to further order of this court with respect to any dispute concerning such compensation.

6. All Members of the UBS Stockholder Class shall be bound by all determinations in the Stockholder Action concerning the Settlement, whether favorable or unfavorable.

7. Pending final determination of whether the Stipulation should be approved, Stockholder Plaintiffs' Lead Counsel, Stockholder Lead Plaintiffs, and UBS Stockholder Class Members are barred and enjoined from commencing or prosecuting any action asserting any Released Claims against any Released Persons.

8. UBS Stockholder Class Members who do not timely and validly request exclusion from the UBS Stockholder Class may complete and submit Proof of Claim and Release forms in accordance with the instructions contained therein and in the Notice. However, UBS Stockholder Class Members who have already submitted Proof of Claim and Release forms in connection with the previously announced settlements with HealthSouth and related defendants (the "HealthSouth Settlement") and Ernst & Young LLP ("E&Y Settlement") are not required to

submit another Proof of Claim and Release form. Unless the court orders otherwise, all Proof of Claim and Release forms, if required, must be postmarked no later than one hundred-twenty days from the Notice Date. Any UBS Stockholder Class Member who does not submit a Proof of Claim and Release form, or who has not previously submitted such a form in connection with the HealthSouth Settlement and/or the E&Y Settlement, within the time provided for, shall be barred from sharing in the distribution of the proceeds of the Net Settlement Fund, unless otherwise ordered by the court. Notwithstanding the foregoing, Stockholder Plaintiffs' Lead Counsel shall have discretion to accept late-submitted claims for processing by the Claims Administrator so long as the distribution of the Net Settlement Fund is not materially delayed thereby.

9. Any Member of the UBS Stockholder Class may enter an appearance in the Stockholder Action, at their own expense, individually or through counsel of their own choice, in which case such counsel must file with the Clerk of the Court and deliver to Stockholder Plaintiffs' Lead Counsel and counsel for the UBS Defendants a notice of such appearance. If they do not enter an appearance, they will be represented by Stockholder Plaintiffs' Lead Counsel.

10. All papers in support of the settlement and request for attorneys' fees and expenses shall be filed and served no later than twenty-one calendar days prior to the Settlement Hearing. Any reply papers in further support of the above-noted motions shall be served and filed no later than seven calendar days prior to the Settlement Hearing.

11. Any Person falling within the definition of the UBS Stockholder Class may, upon request, be excluded from that class. Any such Person must submit to the Claims Administrator a request for exclusion ("Request for Exclusion"), postmarked no later than **July 7, 2010**. A

Request for Exclusion must state: (a) the name, address, and telephone number of the Person requesting exclusion; (b) each of the Person's purchases and sales of HealthSouth stock or options made during the Stockholder Class Period against UBS, including the dates of purchase or sale, the number and type of securities purchased and/or sold, and the price paid or received for each such purchase or sale; and (c) that the Person wishes to be excluded from the UBS Stockholder Class. Only those Persons who are found by this court to have submitted a timely and valid Request for Exclusion shall be excluded from the UBS Stockholder Class. All Persons found by this court to have validly and timely excluded themselves from the UBS Stockholder Class shall have no rights under the Stipulation, shall not share in the distribution of the Net Settlement Fund, and shall not be bound by the Stipulation or the Judgment entered as to the UBS Defendants in the Stockholder Action.

12. Any Person, including any Member of the UBS Stockholder Class, may appear and show cause, if he, she or it has any, why the proposed settlement with the UBS Defendants should not be approved as fair, reasonable and adequate, or why a judgment should not be entered thereon; provided, however, that no UBS Stockholder Class Member or any other Person shall be heard or entitled to contest such matters, unless that class member or other Person has delivered by hand or sent by first class mail written objections and copies of any papers and briefs such that they are received on or before **July 7, 2010** by

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and filed said objections, papers and briefs with the Clerk of the United States District Court for the Northern District of Alabama, Southern Division, Hugo L. Black United States Courthouse, 1729 Fifth Avenue North, Birmingham, AL 35203, on or before **July 7, 2010**. Any Person who does not make his, her or its objection in the manner provided in the Notice shall be deemed to have waived such objection and shall forever be foreclosed from making any objection to the fairness or adequacy of the proposed settlement as set forth in the Stipulation, unless otherwise ordered by the court.

13. All funds held by the Escrow Agent shall be deemed and considered to be in *custodia legis* of the court, and shall remain subject to the jurisdiction of the court, until such time as such funds shall be distributed pursuant to the Stipulation and/or further order(s) of the court.

14. Neither the UBS Defendants nor their Related Parties nor counsel for the UBS Defendants shall have any responsibility for the Plan of Allocation or any application for Attorneys' fees or expenses submitted by Stockholder Plaintiffs' Lead Counsel or the

Stockholder Lead Plaintiffs, and such matters will be considered separately from the fairness, reasonableness and adequacy of the Settlement.

15. For purposes of this Settlement, the court approves use of the Plan of Allocation approved by the court in its order of June 12, 2009 (Document No. 1615), to the extent it applies to UBS Stockholder Class claims.

16. All reasonable expenses incurred in identifying and notifying class members, as well as administering the Settlement Fund, shall be paid as set forth in the Stipulation. In the event the Settlement is not approved by the court, or otherwise fails to become effective, neither the Stockholder Lead Plaintiffs nor any of their counsel shall have any obligation to repay any amounts incurred or properly disbursed pursuant to ¶¶2.3-2.4, or 2.6-2.7 of the Stipulation.

17. Neither the Stipulation, nor any of its terms or provisions, nor any of the negotiations or proceedings connected with it, shall be construed as an admission or concession by the UBS Defendants of the truth of any of the allegations in the Stockholder Action, or of any liability, fault, or wrongdoing of any kind.

18. The court reserves the right to adjourn the date of the Settlement Hearing without further notice to the Members of the UBS Stockholder Class, and retains jurisdiction to consider all further applications arising out of or connected with the proposed settlement. The court may approve the Settlement, with such modifications as may be agreed to by the Settling Parties, if appropriate, without further notice to the UBS Stockholder Class.

DONE and ORDERED this 12<sup>th</sup> day of May 2010.

  
KARON OWEN BOWDRE  
UNITED STATES DISTRICT JUDGE