

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ALABAMA
SOUTHERN DIVISION

In re HEALTHSOUTH CORPORATION SECURITIES LITIGATION)	Consolidated Case No.
)	CV-03-BE-1500-S
)	<u>CLASS ACTION</u>
<hr/>)	NOTICE OF PROPOSED SETTLEMENT OF CLASS
This Document Relates To:)	ACTION WITH UBS DEFENDANTS
<i>In re HealthSouth Corporation Stockholder Litigation,</i>)	
Consolidated Case No. CV-03-BE-1501-S)	
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TO: ALL PERSONS WHO PURCHASED OR OTHERWISE ACQUIRED THE STOCK OR OPTIONS OF HEALTHSOUTH CORPORATION (“HEALTHSOUTH” OR THE “COMPANY”) BETWEEN SEPTEMBER 20, 2000 AND MARCH 18, 2003 (“STOCKHOLDER CLASS PERIOD AGAINST UBS”) AND WERE DAMAGED THEREBY (“UBS STOCKHOLDER CLASS”)

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS MAY BE AFFECTED BY THE PROCEEDINGS IN *IN RE HEALTHSOUTH CORPORATION STOCKHOLDER LITIGATION*, NO. CV-03-BE-1501-S (“STOCKHOLDER ACTION”). PLEASE NOTE THAT IF YOU ARE A MEMBER OF THE UBS STOCKHOLDER CLASS, YOU MAY BE ENTITLED TO SHARE IN THE PROCEEDS OF THE SETTLEMENT DESCRIBED IN THIS NOTICE. TO CLAIM YOUR SHARE, YOU EITHER MUST HAVE PREVIOUSLY SUBMITTED A TIMELY, VALID PROOF OF CLAIM AND RELEASE FORM (“PROOF OF CLAIM”) IN CONNECTION WITH THE SETTLEMENT WITH HEALTHSOUTH OR THE SETTLEMENT WITH ERNST & YOUNG LLP, OR YOU MUST TIMELY **SUBMIT A VALID PROOF OF CLAIM POSTMARKED NO LATER THAN SEPTEMBER 29, 2010**, IN CONNECTION WITH THIS SETTLEMENT. THE PROOF OF CLAIM DOES **NOT** ACCOMPANY THIS NOTICE. YOU MAY REQUEST ONE FROM THE CLAIMS ADMINISTRATOR OR STOCKHOLDER PLAINTIFFS’ LEAD COUNSEL, AS EXPLAINED BELOW.

IF YOU **DO NOT** WISH TO BE INCLUDED IN THE UBS STOCKHOLDER CLASS AND YOU **DO NOT** WISH TO PARTICIPATE IN THE PROPOSED SETTLEMENT DESCRIBED IN THIS NOTICE, YOU MAY REQUEST TO BE EXCLUDED. TO DO SO, YOU MUST SUBMIT A WRITTEN REQUEST FOR EXCLUSION THAT MUST BE **POSTMARKED NO LATER THAN JULY 7, 2010**.

I. 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 of the proposed settlement of the Stockholder Action, as set forth in the Stipulation of Settlement With UBS Defendants (“Stipulation” or “Settlement”), and of the hearing to be held by the court to consider the fairness, reasonableness, and adequacy of the Settlement. 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 Stockholder Action or the merits of the claims or defenses asserted. This Notice describes the rights you may have in connection with the Settlement and what steps you may take in relation to the Settlement.

Statement of Plaintiffs’ Recovery – The proposed settlement with defendants UBS AG, UBS Warburg LLC, Howard Capek, Benjamin Lorello, and William McGahan (the “UBS Defendants”) creates a fund in the amount of \$117,000,000 in cash, which will include interest that accrues prior to distribution (the “Settlement Fund”). Your recovery from this fund will depend on a number of variables, including the number of shares of HealthSouth stock or options you purchased or otherwise acquired during the Stockholder Class Period against UBS and the timing of your purchases, acquisitions, and any sales. Based on the Stockholder Lead Plaintiffs’ estimate of the number of shares of stock that may have been damaged by the alleged fraud, and assuming that all those shares participate in the Settlement, Stockholder Lead Plaintiffs estimate that the average recovery would be approximately \$0.38 per share. This estimate is before deduction of any court-awarded expenses, such as attorneys’ fees and out-of-pocket expenses, the expenses of the Stockholder Lead Plaintiffs and the cost of sending this Notice and administering the distribution of the settlement proceeds.

Statement of Potential Outcome if the Claims Continued to Be Litigated – Stockholder Lead Plaintiffs and the UBS Defendants disagree on the potential liability of the UBS Defendants and they do not agree on the average amount of damages per share, if any, that would be recoverable if plaintiffs were to have prevailed at trial on each claim alleged. The UBS Defendants deny that they are liable in any respect or that the plaintiffs suffered any injury. The issues on which the parties disagree include: (1) whether any UBS Defendant engaged in any

conduct subject to the challenge under the federal securities laws; (2) the amount by which HealthSouth equity securities were allegedly artificially inflated (if at all) during the Stockholder Class Period against UBS; (3) the effect of various market forces influencing the trading price of HealthSouth equity securities at various times during the Stockholder Class Period against UBS; (4) the extent to which the various matters that Stockholder Lead Plaintiffs alleged were materially false or misleading influenced (if at all) the trading price of HealthSouth equity securities during the Stockholder Class Period against UBS; (5) the extent to which the various allegedly adverse material facts that Stockholder Lead Plaintiffs alleged were omitted influenced (if at all) the trading price of HealthSouth equity securities during the Stockholder Class Period against UBS; (6) whether the statements made or facts allegedly omitted were material, false, misleading or otherwise actionable under the securities laws; and (7) whether, even if liability could be proven, total damages would be greater than \$0.

Reasons for the Settlement – Stockholder Lead Plaintiffs believe that the proposed settlement with the UBS Defendants is an excellent recovery and is in the best interests of the UBS Stockholder Class. Because of the risks associated with continuing to litigate and proceeding to trial, there was a danger that the UBS Stockholder Class would not have prevailed on their claims against the UBS Defendants, in which case the UBS Stockholder Class would receive nothing from the UBS Defendants. The amount of damages recoverable by the UBS Stockholder Class was and is challenged by the UBS Defendants. Recoverable damages in this case are limited to losses caused by conduct actionable under applicable law and, had the Stockholder Action gone to trial, the UBS Defendants would have asserted that all or most of the losses of class members were caused by non-actionable market, industry or general economic factors. The UBS Defendants would also assert, among other things, that their conduct complied with all applicable standards and that they did not act with the required state of mind to be liable for any violations of the securities laws.

Statement of Attorneys' Fees and Costs Sought – Stockholder Plaintiffs' Lead Counsel have committed a substantial amount of time prosecuting claims against the UBS Defendants on behalf of the Stockholder Lead Plaintiffs and the UBS Stockholder Class. In addition, they have not been reimbursed for out-of-pocket expenses incurred after April 2009. If the Settlement is approved by the court, Stockholder Plaintiffs' Lead Counsel, on behalf of all plaintiffs' counsel who assisted in the case, will apply to the court for an award of attorneys' fees not to exceed 19.5% of the Settlement Fund and reimbursement of out-of-pocket expenses not to exceed \$550,000, to be paid from the Settlement Fund. This amount includes up to \$30,000 for the reasonable costs and expenses (including lost wages) relating to Stockholder Lead Plaintiffs' representation of the UBS Stockholder Class. If the amounts described above are requested and approved by the court, the average cost per share will be less than \$0.075 per share.

Further Information – You may contact a representative of Stockholder Plaintiffs' Lead Counsel for further information about the Settlement: James Johnson, Labaton Sucharow LLP, 140 Broadway, New York, NY 10005, Telephone: (212) 907-0700, www.labaton.com or Rick Nelson, Robbins Geller Rudman & Dowd LLP, 655 W. Broadway, Suite 1900, San Diego, CA 92101, Telephone: (619) 231-1058, www.rgrdlaw.com.

II. 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 O. Bowdre, United States District Judge, at the 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: (1) whether the Settlement consisting of \$117,000,000 in cash should be approved as fair, reasonable, and adequate and the proposed Judgment entered; and (2) whether the applications for attorneys' fees and/or expenses should be approved. The court may adjourn or continue the Settlement Hearing without further notice to the UBS Stockholder Class.

III. CERTAIN DEFINITIONS USED IN THIS NOTICE

1. "Authorized Claimant" means any UBS Stockholder Class Member whose claim for recovery has been allowed pursuant to the terms of the Stipulation.
2. "Bondholder Class" means the class certified by the District Court in its Order dated September 30, 2009.
3. "Defendants" means the UBS Defendants, the Non-Settling Defendant, and all other Persons that were named as defendants in the Stockholder Action.
4. "E&Y Settlement" means the previously announced settlement pursuant to the Corrected Stipulation of Settlement with Ernst & Young LLP dated as of March 26, 2009 and approved by the court on June 12, 2009.
5. "HealthSouth" means HealthSouth Corporation and its officers, directors, subsidiaries, divisions, affiliates, predecessors, and successors.

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

7. “Non-Settling Defendant” means Richard M. Scrushy.

8. “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, representatives, or assignees.

9. “Plan of Allocation” means the plan or formula of allocation of the Settlement Fund, previously approved by the court, whereby the Settlement Fund shall be distributed to Authorized Claimants after payment of expenses of notice and administration of the Settlement, Taxes and Tax Expenses, and such attorneys’ fees, costs, expenses, and interest as may be awarded by the court (“Net Settlement Fund”). The Plan of Allocation is not part of the Stipulation, and the UBS Defendants and their Related Parties shall have no responsibility therefore or liability with respect thereto.

10. “Related Parties” means, with respect to the UBS Defendants, the successors, assigns, present and former partners, 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 the UBS Defendants or in which the UBS Defendants have 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 the Non-Settling Defendant.

11. “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 Stockholder Lead Plaintiffs or any Member of the UBS Stockholder Class in the Stockholder Action asserted in the Complaint, or could have asserted against any of the UBS Defendants or their Related Parties, as a result of purchases, acquisitions, sales or exercises made during the Stockholder Class Period against UBS in stock or options 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 Stockholder 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 UBS Stockholder Class against the Non-Settling Defendant or any claims of the Bondholder Class. Released Claims shall not be construed as, and do not change or modify, the releases given in the HealthSouth Settlement and/or the E&Y Settlement.

12. “Released Persons” means the UBS Defendants and each and all of their Related Parties. Released Persons shall not include the Non-Settling Defendant.

13. “Released Persons’ 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 have been or could have been asserted in the Stockholder Action or any forum by the Released Persons or any of them or the successors and assigns of any of them against any of the Stockholder Lead Plaintiffs, Stockholder Named Plaintiffs, any other UBS Stockholder Class Member or their respective attorneys, including Stockholder Plaintiffs’ Lead Counsel, that arise out of or relate in any way to the institution, prosecution, assertion, settlement or resolution of the Stockholder Action (except for claims to enforce the Settlement).

14. “UBS Stockholder Class” means all persons and entities who, between September 20, 2000 and March 18, 2003, inclusive (the “Stockholder Class Period against UBS”), purchased or otherwise acquired the stock or options of HealthSouth and were damaged thereby. Excluded from the UBS Stockholder Class are current and former defendants, members of the immediate family of any current or former defendant, the directors, officers, subsidiaries and affiliates of HealthSouth, any person, firm, trust, corporation, officer, director or other individual or entity in which any current or former defendant has a controlling interest, and the legal representatives, affiliates, heirs, successors-in-interest, or assigns of any such excluded party. Also excluded from the UBS Stockholder Class are those persons and entities found by the court in the Judgment to have timely and validly requested exclusion from the UBS Stockholder Class in accordance with Section VIII of this Notice.

15. “UBS Stockholder Class Member” or “Member of the UBS Stockholder Class” mean a Person who falls within the definition of the UBS Stockholder Class as set forth in paragraph 14.

16. “Unknown Claims” means all claims, demands, rights, liabilities, and causes of action of every nature and description which the Stockholder Lead Plaintiffs or any UBS Stockholder 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, and any Released Persons' Claims that the UBS 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 Stockholder Lead Plaintiffs, Stockholder Named Plaintiffs, and other UBS Stockholder Class Members or their respective attorneys, including Stockholder Plaintiffs' Lead Counsel, which, if known by him, her or it, might have affected his, her or its settlement with and/or 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 and Released Persons' Claims, the Settling Parties stipulate and agree that, upon the Effective Date, the Stockholder Lead Plaintiffs and each of the Released Persons shall expressly waive, and each of the UBS Stockholder 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 Stockholder Lead Plaintiffs and each of the Released Persons shall expressly waive and each of the UBS Stockholder 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 Stockholder Lead Plaintiffs and UBS Stockholder 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, and the UBS 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 Released Persons' Claims, but the Stockholder Lead Plaintiffs and each of the Released Persons shall expressly fully, finally, and forever settle and release, and each UBS Stockholder 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 and Released Persons' Claims, as applicable, 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 Stockholder Lead Plaintiffs and each of the Released Persons acknowledge, and the UBS Stockholder 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.

IV. THE LITIGATION

Currently pending before the United States District Court for the Northern District of Alabama is a consolidated action on behalf of all persons who purchased or otherwise acquired the stock or options of HealthSouth Corporation during a defined period of time and a separate consolidated action on behalf of a bondholder class of all persons who purchased or otherwise acquired bonds, notes or other debt instruments issued by HealthSouth during a defined period of time.

The Stockholder Lead Plaintiffs are New Mexico State Investment Council and the Educational Retirement Board of New Mexico ("New Mexico"), Central States SE and SW Areas Pension, with other funds ("Central States"), and the Michigan Public School Employees' Retirement System, the State of Michigan Employees' Retirement System, the State Police Retirement System and the Judges Retirement System ("Michigan"), and Julius McQueen.

Lead counsel for the Stockholder Lead Plaintiffs are Robbins Geller Rudman & Dowd LLP ("Robbins Geller"), counsel for Central States, and Labaton Sucharow LLP ("Labaton Sucharow"), counsel for New Mexico and Michigan (collectively, "Stockholder Plaintiffs' Lead Counsel").

The operative complaints in the litigation are the Joint Third Amended Consolidated Class Action Complaint for Violations of the Federal Securities Laws [Factual Basis], filed April 30, 2007; and the Second Amended Consolidated Class Action Complaint for Violations of the Federal Securities Law [Legal Theories and Claims], filed April 30, 2007 (together, the "Complaint"). The Complaint alleges violations of §§10(b), 14(a), 20(a), and 20A of the Securities Exchange Act of 1934, and Rules 10b-5 and 14a-9 promulgated thereunder by the SEC. The Complaint names as defendants HealthSouth's founder and former Chief Executive Officer, Richard M. Scrushy, HealthSouth's former outside accountants, Ernst & Young LLP ("E&Y"), one of the Company's investment banks, UBS Warburg LLC (now d/b/a UBS Securities LLC), together with certain of its affiliated entities, specifically UBS AG and PaineWebber, Inc., now d/b/a UBS Financial Services, Inc. (collectively, "UBS"), and three individuals who were employees during the relevant time period, Howard Capek, William McGahan, and Benjamin Lorello (collectively, the "Individual UBS Defendants").

The Complaint alleges, among other things, 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.

On September 15, 2004, all non-stayed Defendants moved to dismiss the Complaint in its entirety. The Stockholder Lead Plaintiffs 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 certain of the motions were held on January 18, 2006, February 9, 2006, and June 28, 2006. Between March and June 2006, the court issued orders granting and denying Defendants' motions to dismiss.

In early 2006, Stockholder Lead Plaintiffs, together with the lead plaintiff representing the Bondholder Class, negotiated a settlement valued 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.

There has been extensive fact and expert discovery in the consolidated actions. During the course of the litigation, the UBS Defendants produced and made available to plaintiffs more than 810,000 pages of documents, and the total document production by parties and non-parties amounts to approximately 85 million pages. The parties have deposed approximately 132 different witnesses, including 18 witnesses associated with the UBS Defendants. In addition, to date, the parties have exchanged more than 10 expert reports and have taken 6 expert depositions.

In early 2009, Stockholder Lead Plaintiffs negotiated a \$109 million settlement with E&Y. A Stipulation of Settlement was filed with the court on March 26, 2009. On June 12, 2009, the court entered a Final Judgment and Order of Dismissal with Prejudice as to E&Y and approved the proposed settlement with E&Y.

On October 3, 2007, the Stockholder Lead Plaintiffs moved for class certification and appointment as class representatives. The motion was fully briefed and oral argument was held on March 27, 2009. On March 31, 2009, the court granted Stockholder Lead Plaintiffs' motion for class certification. The court appointed the Stockholder Lead Plaintiffs as class representatives and certified a class against the UBS Defendants.

On April 15, 2009, the UBS Defendants filed a petition for leave to appeal to the U.S. Court of Appeals for the Eleventh Circuit from the class certification order. On February 26, 2010, at the parties' request, those proceedings were stayed pending completion of this Settlement.

On or about February 10, 2010, after the substantial assistance of mediator Eric Green, the Settling Parties entered into an agreement-in-principle to settle the Stockholder Action on the terms set forth in the Stipulation. At or about the same time, the UBS Defendants reached a separate agreement-in-principle to settle the Bondholder Action.

V. CLAIMS OF THE STOCKHOLDER LEAD PLAINTIFFS AND BENEFITS OF SETTLEMENT

The Stockholder Lead Plaintiffs believe that the claims asserted in the Stockholder Action against the UBS Defendants have merit and that the evidence developed to date supports those claims. However, the Stockholder Lead Plaintiffs recognize and acknowledge the expense and length of continued proceedings necessary to prosecute the Stockholder Action against the UBS Defendants through trial and through appeals. The Stockholder Lead Plaintiffs also have taken into account the uncertain outcome and the risk of any litigation, especially in complex actions such as this Stockholder Action, as well as the difficulties and delays inherent in such litigation. The Stockholder Lead Plaintiffs also are mindful of the inherent difficulties of proof under and possible defenses to the securities law violations asserted in the Stockholder Action. The Stockholder Lead Plaintiffs believe that the Settlement set forth in the Stipulation confers substantial benefits upon the UBS Stockholder Class. Based on their evaluation, the Stockholder Lead Plaintiffs and Stockholder Plaintiffs' Lead Counsel have determined that the Settlement set forth in the Stipulation is in the best interests of the Stockholder Lead Plaintiffs and the UBS Stockholder Class.

VI. UBS DEFENDANTS' DENIALS OF WRONGDOING AND LIABILITY

The UBS Defendants expressly have 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 Stockholder Action. The UBS Defendants also continue to believe the claims asserted against them in the Complaint are without merit. Nonetheless, the UBS Defendants have agreed to enter into the Settlement solely to avoid the expense, distraction, and time associated with continuing the Stockholder Action.

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

VII. TERMS OF THE PROPOSED SETTLEMENT

UBS has paid, or caused to be paid, cash in the amount of \$117,000,000 into an escrow account, which will earn interest for the benefit of the UBS Stockholder Class, pursuant to the terms of the Stipulation. In exchange for such payment, the Released Claims will be released, discharged, and dismissed with prejudice as against each of the Released Persons. The Settlement does not release any claims of the UBS Stockholder Class against the Non-Settling Defendant or any claims of the Bondholder Class. The Settlement also does not change or modify any of the terms of the HealthSouth Settlement or the E&Y Settlement.

A portion of the Settlement Fund will be used for certain administrative expenses, including the costs of printing and mailing this Notice, the cost of publishing newspaper notices, payment of any taxes assessed against the Settlement Fund and costs associated with the processing of claims submitted. In addition, as explained herein, a portion of the Settlement Fund may be awarded by the court to reimburse Stockholder Lead Plaintiffs for their costs and expenses and to award counsel for the Stockholder Lead Plaintiffs attorneys' fees and expenses. The balance of the Settlement (the "Net Settlement Fund") will be distributed to Authorized Claimants according to the Plan of Allocation described below and previously approved by the court in connection with the E&Y Settlement.

VIII. THE RIGHTS OF CLASS MEMBERS

If you are a Member of the UBS Stockholder Class, you may receive the benefit of, and you will be bound by, the terms of the proposed settlement described in this Notice, upon approval of it by the court.

If you are a UBS Stockholder Class Member, you have the following options:

1. If you have **NOT** previously submitted a Proof of Claim in connection with the HealthSouth Settlement or the E&Y Settlement, you may file a Proof of Claim. If you submit (or have already submitted) a Proof of Claim, you will share in the proceeds of the proposed settlement if your claim is valid and if the proposed settlement is finally approved by the court. In addition, you will be bound by the Judgment and release described below.

2. If you **DO NOT** wish to be included in the UBS Stockholder Class and you **DO NOT** wish to participate in the proposed settlement described in this Notice, you must request to be excluded. You must request exclusion from this Settlement even if you previously excluded yourself from the HealthSouth Settlement and/or the E&Y Settlement. To do so, you must submit a written request for exclusion that must be **postmarked no later than July 7, 2010**. You must set forth: (a) your name, address, and telephone number; (b) the number and type of HealthSouth stock or options purchased or acquired and the number sold during the Stockholder Class Period against UBS and the dates and prices of such purchase(s), acquisition(s), and/or sale(s); and (c) that you wish to be excluded from the UBS Stockholder Class. The exclusion request must be addressed as follows:

HealthSouth UBS Stock Settlement
c/o Rust Consulting, Inc.
P.O. Box 2330
Faribault, MN 55021-9030

NO REQUEST FOR EXCLUSION WILL BE CONSIDERED VALID UNLESS ALL OF THE INFORMATION DESCRIBED ABOVE IS INCLUDED IN ANY SUCH REQUEST. If you timely and validly request exclusion from the UBS Stockholder Class: (a) you will be excluded from that class; (b) you will not share in the proceeds of the Settlement described herein; (c) you will not be bound by any judgment entered pursuant to the Settlement; and (d) you will not be precluded, by reason of your decision to request exclusion from the UBS Stockholder Class, from otherwise prosecuting an individual claim, if timely, against the UBS Defendants based on the matters complained of in the Stockholder Action.

If you do not request in writing to be excluded from the UBS Stockholder Class as set forth above, you will be bound by any and all determinations or judgments in the Stockholder Action in connection with the Settlement approved by the court, whether favorable or unfavorable, you will not be able to bring, or continue to pursue, an individual claim against the UBS Defendants based on the matters complained of in the Stockholder Action, and you shall be deemed to have, and by operation of the Judgment shall have fully released all of the Released Claims against the Released Persons, whether or not you submit a valid Proof of Claim.

3. You may object to the Settlement, unless you have sought to be excluded. (*See* Section XIV, below.) However, if your objection is rejected, you will be bound by the Settlement and the Judgment just as if you had not objected.

4. You may do nothing at all. If you choose this option, you will not share in the proceeds of the Settlement, but you will be bound by any judgment entered by the court in connection with the Settlement, and you shall be deemed to have, and by operation of the Judgment shall have, fully released all of the Released Claims against the Released Persons.

5. If you are a UBS Stockholder Class Member, you may, 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 Stockholder Plaintiffs' Lead Counsel: Robbins Geller Rudman & Dowd LLP, Patrick J. Coughlin, Joy Ann Bull, 655 West Broadway, Suite 1900, San Diego, CA 92101 and Labaton Sucharow LLP, Thomas A. Dubbs, James W. Johnson, Joseph A. Fonti, 140 Broadway, New York, NY 10005. You will not be charged personally for the services of Stockholder Plaintiffs' Lead Counsel.

IX. PLAN OF ALLOCATION

The Net Settlement Fund will be distributed to UBS Stockholder Class Members who submitted valid and timely Proofs of Claim in connection with the earlier HealthSouth Settlement or E&Y Settlement or who submit valid and timely Proofs of Claim in connection with this Settlement, and have an allowable loss under the Plan of Allocation described below. You will be eligible to participate in the distribution only to the extent you have a net loss on all your transactions in HealthSouth equity securities, after all profits from transactions in HealthSouth equity securities during the Stockholder Class Period against UBS are subtracted from all losses. However, the proceeds from sales of HealthSouth equity securities that have been matched against HealthSouth equity securities held at the beginning of the Stockholder Class Period against UBS will not be used in the calculation of such net loss. All purchases, acquisitions, and sales of HealthSouth equity securities shall be accounted for and matched using the first-in first-out ("FIFO") method of accounting. For all purposes, the transaction date and not the settlement date shall be used as the date for determining inflation per share and eligibility to file a claim. Gifts and transfers of securities are not eligible purchases. The covering purchase of a "short" sale is not an eligible purchase. No distributions will be made to Authorized Claimants who would otherwise receive a distribution of less than \$10.00.

For purposes of determining the amount an Authorized Claimant may recover under the Plan of Allocation, Stockholder Plaintiffs' Lead Counsel have consulted with their damages expert. The court may modify the Plan of Allocation without further notice to the UBS Stockholder Class. The court has also reserved jurisdiction to allow, disallow or adjust the claim of any UBS Stockholder 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 counsel for the UBS Stockholder Class, the Settling Parties or the Claims Administrator or other Person designated by counsel for the UBS Stockholder 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 UBS Stockholder Class Members who have failed to complete and file a valid and timely Proof of Claim in this Settlement, or in one or both of the earlier HealthSouth Settlement or E&Y Settlement shall be barred from participating in distributions from the Net 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.

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

Allocation for HealthSouth Common Stock

The allocation for HealthSouth common stock is based on the following market-adjusted price declines:

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 September 20, 2000 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.

2. For shares of HealthSouth common stock that were ***purchased or otherwise acquired 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 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) \$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.

3. For shares of HealthSouth common stock that were ***purchased or otherwise acquired 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.

4. For shares of HealthSouth common stock that were ***purchased or otherwise acquired from August 28, 2002 through March 18, 2003***, and:

- (a) sold prior to March 18, 2003, the claim per share is \$0;
- (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 HealthSouth Options

The settlement proceeds available to Persons who purchased HealthSouth options shall be limited to an amount equal to one percent of the Settlement Fund.

Call Options

1. For Call Options on HealthSouth common stock that were ***purchased during the period September 20, 2000 through March 18, 2003***, and

- (a) owned at the end of one of the following dates: 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: 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 September 20, 2000 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 September 20, 2000 through March 18, 2003*, and

- (a) owned at the end of one of the following dates: 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: August 26, 2002, August 27, 2002 or March 18, 2003, the claim per Put Option is \$0.

2. For Put Options on HealthSouth common stock that were *purchased during the period September 20, 2000 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.

X. PARTICIPATION IN THE SETTLEMENT

TO PARTICIPATE IN THE DISTRIBUTION OF THE NET SETTLEMENT FUND, YOU MUST **EITHER** (1) HAVE PREVIOUSLY SUBMITTED A TIMELY VALID PROOF OF CLAIM IN CONNECTION WITH THE HEALTHSOUTH SETTLEMENT OR THE E&Y SETTLEMENT; OR (2) TIMELY COMPLETE AND RETURN A VALID PROOF OF CLAIM IN CONNECTION WITH THIS SETTLEMENT.

If you already submitted a Proof of Claim in the earlier HealthSouth Settlement or E&Y Settlement, the trading information you already supplied will be used to determine your claim in this Settlement. DO NOT submit another Proof of Claim. However, if you have additional transactional information that you did not submit on your HealthSouth Settlement or E&Y Settlement Proof of Claim that you would like considered in the calculation of your claim in this Settlement, submit a Proof of Claim in this Settlement. (Your earlier HealthSouth Settlement and/or E&Y Settlement claim will not, however, be adjusted.)

A Proof of Claim is not being sent with this Notice. If you are a UBS Stockholder Class Member and need a Proof of Claim, copies may be requested by: telephoning the Claims Administrator at (877) 552-1285; or by downloading the form on the Internet at the websites for the Claims Administrator: www.healthsouthubsstock.com and Stockholder Plaintiffs' Lead Counsel: www.labaton.com or www.rgrdlaw.com.

The Proof of Claim, with all supporting documents (DO NOT SEND ORIGINALS), must be **postmarked no later than September 29, 2010**, and delivered to the Claims Administrator at the address below. DO NOT SEND a Proof of Claim to counsel for the Settling Parties or the court.

HealthSouth UBS Stock Settlement
c/o Rust Consulting, Inc.
P.O. Box 2330
Faribault, MN 55021-9030

Unless the court orders otherwise, if you do not timely submit a valid Proof of Claim, you will be barred from receiving any payment from the Net Settlement Fund, but will in all other respects be bound by the provisions of the Stipulation and the Judgment. The court may disallow or adjust the claim of any UBS Stockholder 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.

XI. DISMISSAL AND RELEASES

If the proposed settlement is approved, the court will enter a Final Judgment and Order of Dismissal with Prejudice as to UBS Defendants ("Judgment"). The Judgment will dismiss the Released Claims with prejudice as to the Released Persons. The Judgment will provide that all UBS Stockholder Class Members shall be deemed to have released and forever discharged all Released Claims against all Released Persons and that the Released Persons shall be deemed to have released and discharged all Released Persons' Claims against Stockholder Lead Plaintiffs, Stockholder Named Plaintiffs, Stockholder Plaintiffs' Lead Counsel, and UBS Stockholder Class Members.

The Judgment will also contain bar order provisions permanently precluding and enjoining any Person from being able to bring claims for indemnity or contribution or any other claim, however denominated, against the Released Persons where the injury to the Person bringing the claim is, or is measured by, that Person's liability and/or settlement payment to the Stockholder Lead Plaintiffs, the UBS Stockholder Class or any UBS Stockholder Class Member.

The Settlement does not release any claims of the UBS Stockholder Class against the Non-Settling Defendant or any claims of the Bondholder Class. The Settlement also does not change or modify any of the terms of the HealthSouth Settlement or the E&Y Settlement.

XII. APPLICATION FOR ATTORNEYS' FEES AND EXPENSES

At the Settlement Hearing, Stockholder Plaintiffs' Lead Counsel, on behalf of all plaintiffs' counsel, will request that the court award attorneys' fees in an amount not to exceed 19.5% of the Settlement Fund, plus their out-of-pocket expenses in an amount not to exceed \$550,000, which were incurred and not previously reimbursed in connection with prosecuting the claims in the Stockholder Action, plus interest. This amount includes up to \$30,000 for Stockholder Lead Plaintiffs' representation of the UBS Stockholder Class. Such sums as may be approved by the court will be paid from the Settlement Fund. UBS Stockholder Class Members are not personally liable for any such fees or expenses.

Stockholder Plaintiffs' Lead Counsel have committed a substantial amount of time prosecuting claims on behalf of the Stockholder Lead Plaintiffs and the UBS Stockholder Class. In addition, they have not been reimbursed for their out-of-pocket expenses incurred after April 2009. The amounts requested by Stockholder Plaintiffs' Lead Counsel will compensate counsel for their efforts in achieving the Settlement for the benefit of the UBS Stockholder Class, and for their risk in undertaking this representation on a wholly contingent basis. The amount to be requested is well within the range of fees awarded to plaintiffs' counsel under similar circumstances in other litigations of this type.

XIII. CONDITIONS FOR SETTLEMENT

The Settlement is conditioned upon the occurrence of certain events described in the Stipulation. Those events include, among other things: (1) entry of the Judgment by the court, as provided for in the Stipulation; 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 Stipulation is not met or the Stipulation otherwise does not become effective or, under certain specified conditions, the Stipulation is terminated and, thereby, becomes null and void, the parties to the Stipulation will be restored to their respective positions as of April 12, 2010.

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

Any UBS Stockholder Class Member, who has not excluded himself, herself or itself from that class, can object to the Settlement or any part of it, the application for expenses by the Stockholder Lead Plaintiffs, and the application by Stockholder Plaintiffs' Lead Counsel for attorneys' fees and expenses. To object, any such Person must submit a written objection and copies of any papers and briefs so they are **received on or before July 7, 2010**, by each of the following:

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

ROBBINS GELLER RUDMAN & DOWD LLP
JOY ANN BULL
655 West Broadway, Suite 1900
San Diego, CA 92101

LABATON SUCHAROW LLP
THOMAS A. DUBBS
JAMES W. JOHNSON
140 Broadway
New York, NY 10005

Lead Counsel for Stockholder Lead Plaintiffs and UBS Stockholder Class

SULLIVAN & CROMWELL LLP
ROBERT J. GIUFFRA, JR.
125 Broad Street
New York, NY 10004-2498

Counsel for UBS Defendants

Any written objection must demonstrate the objecting Person's membership in the UBS Stockholder Class, including the amount of HealthSouth stock or options purchased, acquired, and sold during the Stockholder Class Period against UBS and held at the end of the class period, and contain a statement of the reasons for objection. Only Members of the UBS Stockholder Class who have submitted written objections in this manner will be entitled to be heard at the Settlement Hearing, unless the court orders otherwise. Persons who intend to object to the Settlement 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 so that it is **received on or before July 7, 2010.**

XV. SPECIAL NOTICE TO NOMINEES

If you hold any HealthSouth stock or options purchased during the Stockholder Class Period against UBS 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; or (2) provide a list of the names and addresses of such Persons to the Claims Administrator:

HealthSouth UBS Stock Settlement
c/o Rust Consulting, Inc.
P.O. Box 2330
Faribault, MN 55021-9030
Telephone: (877) 552-1285
Email: info@healthsouthubsstock.com
Website: www.healthsouthubsstock.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 these documents 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.

XVI. EXAMINATION OF PAPERS

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

If you have any questions about the Settlement, you may contact the Claims Administrator at (877) 552-1285 or Stockholder Lead Plaintiffs' Counsel by writing:

ROBBINS GELLER RUDMAN & DOWD LLP
JOY ANN BULL
655 W. Broadway, Suite 1900
San Diego, CA 92101
www.rgrdlaw.com

LABATON SUCHAROW LLP
THOMAS A. DUBBS
JAMES W. JOHNSON
140 Broadway
New York, NY 10005
www.labaton.com

DO NOT TELEPHONE THE COURT OR THE UBS DEFENDANTS REGARDING THIS NOTICE.

DATED: May 12, 2010

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

HEALTHSOUTH UBS STOCK SETTLEMENT
C/O RUST CONSULTING, INC.
P.O. BOX 2333
FARIBAULT, MN 55021-9033

PRESORTED
FIRST-CLASS MAIL
U.S. POSTAGE
PAID
Rust Consulting, Inc.

IMPORTANT COURT DOCUMENT