

## PLAN OF ALLOCATION

The Net Settlement Fund will be distributed to Stockholder Settlement Class Members who submitted valid and timely Proofs of Claim in connection with the earlier HealthSouth Settlement or who submit valid and timely Proofs of Claim in connection with this Settlement, and have an allowable recognized 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 Settlement Class Period are subtracted from all losses. However, the proceeds from sales of HealthSouth equity securities which have been matched against HealthSouth equity securities held at the beginning of the Settlement Class Period will not be used in the calculation of such net loss. All purchases 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 Stockholder Settlement Class. The court has also reserved jurisdiction to allow, disallow or adjust the claim of any Stockholder Settlement 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 Stockholder Settlement Class or the Claims Administrator or any other Person designated by counsel for the Stockholder Settlement 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 Stockholder Settlement Class Members who have failed to complete and file a valid and timely Proof of Claim in this Settlement or the earlier HealthSouth 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 recognized loss, as defined below. If, however, the Net Settlement Fund is not sufficient to permit payment of the total of all recognized losses, then each Authorized Claimant shall be paid the percentage of the Net Settlement Fund that each Authorized Claimant’s recognized losses 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 from March 30, 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 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 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 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 or acquired 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 March 30, 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 March 30, 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 March 30, 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 March 30, 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.