

WHEREAS, the Settling Parties having made application, pursuant to Federal Rule of Civil Procedure 23(e), for an order preliminarily approving the settlement of the Litigation in accordance with the Stipulation which, together with its Exhibits, sets forth the terms and conditions for a proposed settlement of the Litigation as to the Settling Defendant and for dismissal of the Litigation as to the Settling Defendant with prejudice upon the terms and conditions contained in the Stipulation; and the court having read and considered the Stipulation and its Exhibits; and

WHEREAS, all defined terms contained herein shall have the same meanings as set forth in the Stipulation;

NOW, THEREFORE, the court ORDERS as follows:

1. The court hereby certifies the following class, pursuant to Rule 23 of the Federal Rules of Civil Procedure, for settlement purposes only:

(a) “Stockholder Settlement Class” means all Persons who, between March 30, 2000 and March 18, 2003, inclusive (the “Settlement Class Period”), purchased or otherwise acquired the stock or options of HealthSouth Corporation (“HealthSouth”) and were damaged thereby. Excluded from the Stockholder Settlement Class are current and former defendants; members of the immediate family of any current or former defendants; the directors and officers of HealthSouth during the Settlement Class Period; any person determined to have violated the securities laws in connection with the Litigation; 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 Stockholder Settlement Class are those Persons who timely and validly request exclusion from the Stockholder Settlement Class pursuant to the Notice of Proposed Settlement of Class Action With Ernst & Young LLP (“Notice”) to be disseminated to the Stockholder Settlement Class.

2. With respect to the Stockholder Settlement Class only, this court finds, for settlement purposes only, that: (a) the members of the class are so numerous that joinder of all class members in the class action is impracticable; (b) questions of law and fact common to the class predominate over any individual question; (c) the claims of the Stockholder Lead Plaintiffs are typical of the claims of the class; (d) the Stockholder Lead Plaintiffs and the Stockholder Plaintiffs' Lead Counsel have fairly and adequately represented and protected the interests of the members of the class; and (e) a class action is superior to other available methods for the fair and efficient adjudication of the controversy after considering: (i) the interests of the members of the class in individually controlling the prosecution of the Litigation; (ii) the extent and nature of any litigation concerning the controversy already commenced by members of the class; (iii) the desirability or undesirability of concentrating the

litigation of these claims in this particular forum; and (iv) the difficulties likely to be encountered in the management of the class action.

3. Pursuant to Rule 23 of the Federal Rules of Civil Procedure, and for the purposes of settlement only, the court certifies New Mexico State Investment Council; the Educational Retirement Board of New Mexico; Central States SE and SW Areas Pension, with other funds; 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 as Class Representatives for the Stockholder Settlement Class, and the court appoints Stockholder Plaintiffs' Lead Counsel as Stockholder Settlement Class Counsel.

4. The court does hereby preliminarily approve the Stipulation and the settlement described in it, subject to further consideration at the Settlement Hearing described below.

5. A hearing (the "Settlement Hearing") shall be held before this court on **June 11, 2009, at 10:00 a.m.**, in Courtroom 5A of the Hugo L. Black United States Courthouse, 1729 Fifth Avenue North, Birmingham, Alabama to determine: whether the proposed settlement of the Litigation on the terms and conditions provided for in the Stipulation is fair, reasonable and adequate to the Stockholder Settlement Class and should be approved by the court; whether a Judgment as provided in ¶1.14 of the

Stipulation should be entered; whether the Stockholder Settlement Class should be certified; whether the proposed Plan of Allocation should be approved; 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 Stockholder Settlement Class.

6. The court approves, as to form and content, the Notice of Proposed Settlement of Class Action With Ernst & Young LLP (the “Notice”) and Summary Notice for publication, annexed as Exhibits 1 and 2, 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 ¶7 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 thereto.

7. The court appoints the firm of Rust Consulting, Inc. (“Claims Administrator”) 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 needed, in making its transfer records and shareholder information available to the Claims Administrator

no later than seven (7) days following entry of this Order for the purpose of identifying and giving notice to the Stockholder Settlement Class.

(b) Stockholder Plaintiffs' Lead Counsel shall make reasonable efforts to identify all Persons who are potential Members of the Stockholder Settlement Class and, not later than **April 13, 2009** (the "Notice Date"), Lead Plaintiffs' Counsel shall cause a copy of the Notice substantially in the form annexed as Exhibit 1 hereto, to be mailed by first class mail to all potential Stockholder Settlement Class Members who can be identified with reasonable effort;

(c) Not later than **April 27, 2009**, Stockholder Plaintiffs' Lead Counsel shall cause the Summary Notice to be published in *Investor's Business Daily* and once over the *PR Newswire*; and

(d) At least twenty-one (21) calendar days prior to the Settlement Hearing, Stockholder Plaintiffs' Lead Counsel shall cause to be served on the Settling Defendant's counsel and filed with the court proof, by affidavit or declaration, of such mailing and publishing.

8. Nominees who purchased the common stock or options of HealthSouth for the beneficial ownership of Stockholder Settlement Class Members during the Settlement Class Period shall send the Notice to all beneficial owners of such HealthSouth securities within ten (10) days after receipt thereof, or send a list of the

names and addresses of such beneficial owners to the Claims Administrator within ten (10) days of receipt thereof, in which event the Claims Administrator shall promptly mail the Notice to such beneficial owners. If requested, the Claims Administrator shall reimburse banks, brokerage houses or other nominees solely for their reasonable out-of-pocket expenses incurred in providing notice to beneficial owners who are class members from 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.

9. All Members of the Stockholder Settlement Class shall be bound by all determinations and the Judgment in the Litigation concerning the settlement, whether favorable or unfavorable, except those Members who opt out.

10. Pending final determination of whether the Stipulation should be approved, Stockholder Plaintiffs' Lead Counsel, Stockholder Lead Plaintiffs, the Settling Defendant, and any Stockholder Settlement Class Member are barred and enjoined from commencing or prosecuting any action asserting any Released Claims against any Released Parties.

11. Stockholder Settlement Class Members who do not timely and validly effect their exclusion from the Stockholder Settlement Class (i.e. "opt out") may complete and submit Proof of Claim and Release forms in accordance with the instructions contained therein and in the Notice. However, Stockholder Settlement

Class Members who have already submitted Proof of Claim and Release forms in connection with the previously announced partial settlement with HealthSouth, and related defendants (the “HealthSouth 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 (120) days from the Notice Date. Any class member who does not submit a Proof of Claim and Release form, and has not previously submitted such a form in connection with the HealthSouth Settlement, within the time provided for shall be barred from sharing in the distribution of the proceeds of the 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.

12. Any Member of the Stockholder Settlement Class may enter an appearance in the Litigation, 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 the Settling Defendant's counsel a notice of such appearance. If they do not enter an appearance through counsel, the Stockholder Settlement Class Members will be represented by Stockholder Plaintiffs' Lead Counsel.

13. All papers in support of the settlement, plan of allocation, request for attorneys' fees and reimbursement of expenses shall be filed and served no later than twenty-one (21) 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 (7) calendar days prior to the Settlement Hearing.

14. Any Person falling within the definition of the Stockholder Settlement Class may, upon request, be excluded from that class (i.e., "opt out"). Any such Person must submit to the Claims Administrator a request for exclusion ("Request for Exclusion"), received no later than **May 28, 2009**. 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 Settlement Class Period, 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 Stockholder Settlement Class. All Persons who submit valid and timely Requests for Exclusion in the manner set forth in this paragraph 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 in the Litigation.

15. Any Person, including any member of the Stockholder Settlement Class, may appear and show cause, if he, she or it has any, why the proposed settlement with E&Y should not be approved as fair, reasonable and adequate, or why a judgment should not be entered thereon; provided, however, that no 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 **May 28, 2009** by:

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

COUGHLIN STOIA GELLER
RUDMAN & ROBBINS LLP
KEITH F. PARK
JOY A. BULL
655 West Broadway, Suite 1900
San Diego, CA 92101

***Lead Counsel for Stockholder Lead Plaintiffs and
Stockholder Settlement Class***

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

Counsel to Ernst & Young LLP

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 34203-2000

on or before **May 28, 2009**. 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.

16. 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.

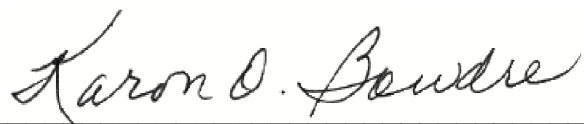
17. Neither the Settling Defendant nor its Related Parties nor the Settling Defendant's counsel shall have any responsibility for any Plan of Allocation or any application for attorneys' fees or reimbursement of expenses submitted by Stockholder Plaintiffs' Lead Counsel or the Stockholder Lead Plaintiffs, and such matters will be considered separately from the fairness, reasonableness and adequacy of the settlement.

18. 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.

19. 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 Settling Defendant of the truth of any of the allegations in the Litigation, or of any liability, fault, or wrongdoing of any kind.

20. The court reserves the right to adjourn the date of the Settlement Hearing without further notice to the members of the Stockholder Settlement 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 Stockholder Settlement Class.

DONE and ORDERED this 27th day of March, 2009.



KARON OWEN BOWDRE
UNITED STATES DISTRICT JUDGE