

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

_____)	
IN RE HEALTHSOUTH CORP. ERISA)	
LITIGATION)	Consolidated File No.
_____)	
This Document Relates To: ALL ACTIONS)	CV-03-BE-1700-S
_____)	

ORDER APPROVING PLAN OF ALLOCATION

This matter came before the court on Plaintiffs’ Motion for Approval of Plan of Allocation (doc. 154). The court reviewed all submissions and held a hearing on the Motion on June 27, 2006. Neither the court nor lead counsel received any written objections, and no one voiced any objections at the hearing. The court finds that the Plan of Allocation is fair, reasonable, and an appropriate method for allocating the settlement funds.

The court, therefore, ORDERS that the following Plan of Allocation is hereby APPROVED in all respects:

Plan of Allocation

I. Definitions.

1. Capitalized terms used herein shall have the meanings ascribed to them in the *In re HealthSouth Corp. ERISA Litigation* Amended Class Action Settlement Agreement and First Addendum or in this Plan of Allocation.

2. “Member” means a person who is a member of the Settlement Class, provided that “Member” shall not include any of the Named Settling Defendants (HealthSouth Corporation, Brandon Hale, Philip Watkins, James P. Bennett, P. Daryl Brown, John S.

Chamberlin, Larry D. Striplin, Jr., Charles W. Newhall, III, George H. Strong, Richard F. Celeste, C. Sage Givens, Joel C. Gordon, Larry R. House, Anthony J. Tanner, Raymond J. Dunn, III, Allan R. Goldstein, Robert P. May, Jan L. Jones, Jon F. Hanson, Lee S. Hillman, Richard M. Scrushy, Aaron Beam, Jr., William T. Owens and Michael D. Martin), nor any individuals who have been convicted of any crimes pertaining to HealthSouth's business and accounting practices during the Class Period, including, but not limited to, Hannibal Sonny Crumpler, Kenneth Livesay, Weston Smith, Malcolm McVay, Emery Harris, Jason Brown, Angela C. Ayers, Cathy C. Edwards, Rebecca Kay Morgan, Virginia B. Valentine, Richard Botts, Will Hicks and Catherine Fowler, nor any individual settling defendants in the consolidated HealthSouth Corporation Securities Litigation (03-CV-1500), including, but not limited to, Malcolm E. McVay and Edward M. Crawford.

3. "Settlement Administrator" means the administrator of the Settlement Fund as determined by Lead Counsel.

II. Amount to Be Distributed.

The total amount to be distributed to the Members (the "Distribution Amount") shall be the Net Settlement Amount as defined in Section 5 of the Settlement Agreement.

III. Calculation of Each Member's Share of the Distribution Amount.

The Settlement Administrator shall calculate, for each Member, a Net Loss. The Net Loss for each Member shall be calculated as follows:

1. "Net Loss" will be, for each Member = $A + B - C - D$, provided that if $A + B - C - D$ is less than zero for a Member, such Member's Net Loss will be zero.

A = the dollar amount of the Member's Plan account balance invested in HealthSouth stock at the beginning of the Class Period (January 1, 1996).

B = the dollar amount added to the Member's Plan account balance invested in HealthSouth stock during the Class Period.

C = the dollar value of the Member's Plan account balance invested in the HealthSouth stock as of the end of the Class Period (June 3, 2005).

D = the dollar amount credited to the Member's Plan account balance resulting from dispositions of, or dividends on, HealthSouth stock during the Class Period.

2. To the extent data is not available to the Settlement Administrator to determine the account balances of Members at the beginning of the Class Period, the Settlement Administrator may perform the foregoing calculations using data as of the latest date prior to the beginning of the Class Period that is available.
3. The Net Losses of the Members as calculated in Section III above will be totaled to yield a loss to the Plan as a whole over the Class Period (the "Plan's Loss").
4. The Settlement Administrator shall calculate for each Member his or her "Preliminary Fractional Share" of the Plan's Loss, i.e., by dividing each Member's Net Loss by the Plan's Loss.
5. The Settlement Administrator shall then calculate for each Member his or her "Preliminary Dollar Recovery" of the Distribution Amount by multiplying the Member's Preliminary Fractional Share by the Distribution Amount.
6. The Settlement Administrator shall identify all Members whose Preliminary Dollar Recovery is greater than zero but less than twenty-five dollars (\$25.00). All such Members shall receive an allocation from the Distribution Amount of zero, and the Preliminary Dollar Recovery otherwise allocable to such Members shall be reallocated among the other Members proportionately in accordance with their Net Losses (the "Reallocation").

7. The Settlement Administrator shall then, taking into account the Reallocation (if applicable), recalculate the Preliminary Fractional Shares and the Preliminary Dollar Recoveries so as to arrive at the “Final Fractional Share” and the “Final Dollar Recovery” for each Member. If there is no Reallocation, the Preliminary Fractional Shares and the Preliminary Dollar Recoveries shall be the Final Fractional Shares and the Final Dollar Recoveries, respectively. The sum of the Final Dollar Recoveries must equal the Distribution Amount.
8. In the case of any Member’s account that has previously experienced a forfeiture of unvested shares of HealthSouth stock during the Class Period, pursuant to the Plan, a separate Net Loss shall be calculated for such Member’s account. The Net Loss calculated for the Match Account shall be multiplied by the percentage as to which such Member was vested at the time of forfeiture, the product shall be added to the Net Loss calculated for the Member’s account, and the sum shall constitute the Member’s Net Loss.
9. In light of the manner in which the data is kept, the historical nature of the data and the ease with which it can be manipulated, it may be appropriate for the Settlement Administrator, after notification and approval of the court, to make adjustments to reflect the availability of data for purposes of the calculation set forth above and to otherwise simplify some of the features of the calculations set forth in Section III. Provided, however, distribution shall be made on a pro rata basis relative to each Member’s Net Loss.

IV. Distribution of the Allocated Amounts.

As soon as practicable after deposit of the Net Settlement Amount into the Plan, the Settlement Administrator shall cause the following distributions from the Plan to occur with respect to current and former participants:

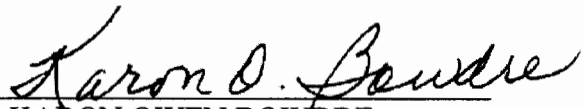
1. Members who are current Plan participants (“Current Members”). The Settlement Administrator shall cause to be deposited into each Current Member’s account his or her Distribution Amount as calculated above. The Distribution Amount may then be invested by the Member in the same or similar investment options available under the Plan or successors thereto pursuant to Section 5 of the Settlement Agreement.

2. Members who are former Plan participants or beneficiaries thereof (“Former Members”). The Plan shall invest each Former Member’s Final Dollar Recovery in a suitable short term investment vehicle, the primary purpose of which is the preservation of assets, pending distribution to the Former Member. The deposited amount, plus interest, shall then, as soon as is practical, be distributed to the Former Member as if the deposited amount had been part of his or her original distribution from the Plan, in the same manner as a qualified distribution from the Plan pursuant to ERISA and the Internal Revenue Code.

V. Continuing Jurisdiction

The court will retain jurisdiction over this Plan of Allocation to the extent necessary to ensure that the Plan of Allocation is fully and fairly implemented, including deciding and/or approving any issues or disputes that arise therewith.

DONE and ORDERED this 28th day of June 2006.



KARON OWEN BOWDRE
UNITED STATES DISTRICT JUDGE