CONSOLIDATED CLASS ACTION COMPLAINT
FOR VIOLATIONS OF THE FEDERAL SECURITIES LAWS

BONDHOLDER PLAINTIFFS’ LEGAL THEORIES AND CLAIMS

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CONsolidated class Action complaint
for Violations of the federal Securities laws

bondholder plaintiffs’ legal theories and claims

Pursuant to this Court’s Orders entered June 24, 2003 and December 9, 2003, Lead Plaintiff in the HealthSouth Bondholder Litigation, The Retirement Systems of Alabama, and the other plaintiffs in the HealthSouth Bondholder Litigation, Houston Firefighters’ Relief and Retirement Fund, and State Universities Retirement System of Illinois (collectively, “Bondholder Plaintiffs”), together with Plaintiffs in the HealthSouth Stockholder Litigation (CV-03-BE-1501-S), have filed simultaneously herewith a Joint Amended Consolidated Securities Class Action Complaint for Violations of the Federal Securities Laws (the “Joint Amended Consolidated Securities Complaint”) that sets forth the factual bases for all claims in the HealthSouth Securities Litigation. Also pursuant to this Court’s June 24, 2003 and December 9, 2003 Orders, Bondholder Plaintiffs separately are filing this consolidated class action complaint to set forth our legal theories and claims. As explicitly set forth in each of the claims for relief, Bondholder Plaintiffs incorporate by reference allegations set forth in the Joint Amended Consolidated Securities Complaint, and, except as may be set forth in each Count, adopt the definitions used in the Joint Amended Consolidated Securities Complaint.
APPLICABILITY OF PRESUMPTION OF RELIANCE:
THE FRAUD ON THE MARKET DOCTRINE

1. At all relevant times, the market for HealthSouth’s Notes was an efficient market for the following reasons, among others:

   a. HealthSouth’s Notes were actively traded on the Over the Counter Market, and on PORTAL (a NASDAQ-type system developed by the National Association of Securities Dealers, Inc. for the trading of unregistered securities of major foreign and domestic issuers), both highly efficient markets;

   b. HealthSouth’s Notes were rated by Moody’s and Standard & Poor’s;

   c. HealthSouth was followed by several securities analysts who wrote reports that were published, distributed and entered the public marketplace. Indeed, there was extensive securities analyst coverage of HealthSouth through March 2003. For example, from June 1998 through February 2003, there were, on a monthly basis, eight to fifteen analysts included in FirstCall’s consensus EPS estimates, with an average of twelve analysts during that period, estimating current year EPS for HealthSouth. Thomson Research’s database lists 818 available reports from June 1998 through March 2003, and Multinex.net lists 742 reports from fifty-four contributors for the same period;

   d. As a regulated issuer, HealthSouth filed periodic public reports with the SEC;

   e. HealthSouth regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the national circuits of major newswire services and through other wide ranging public disclosures, such as communications with the financial press and other similar reporting services;

   f. HealthSouth met the SEC’s requirements to register debt securities filed on Form S-3, and, in fact, filed a Form S-3 to register the March 1998 Registered Notes;

   g. There is substantial and regular pricing available for HealthSouth’s Registered Notes; Bloomberg lists up to thirty-three current pricing providers for those Notes;

   h. The market for HealthSouth’s Notes reacted efficiently to information about the Company. For example, on August 27, 2002, September 19, 2002 and March 19, 2003, dates after there were disclosures concerning the SEC
investigation, analyst downgrades and profit warnings, the market prices for a majority of the Notes had economically material movements;

i. There were substantial institutional purchasers of the Unregistered Notes and the Registered Notes. According to CDA Spectrum-Prism for Research, institutional holdings accounted for 8.5% to 59.2% of the total outstanding Registered Notes. Prism lists between twenty-two and eighty-eight institutional holders for the various Registered Notes. The Registered Notes were widely held; indeed, a March 21, 2003 report carried over Bloomberg News, entitled “HealthSouth Bonds Fall as Trading Resumes after Halt (Update 6),” quoted the SEC as stating that “it was unusual to suspend trading in a company with such widely held bonds”; and

j. The autocorrelation between daily returns, which measures the predictability of market price movements based on historical prices — the less predictable the market price change, the more efficient the market for that security — for the Registered Notes is generally very small, which indicates that the Notes meet the statistical standard for market efficiency.

2. As a result of the foregoing, the market for HealthSouth’s Unregistered Notes and Registered Notes promptly digested current information regarding HealthSouth from all publicly available sources and reflected such information in the price of HealthSouth’s securities. Under these circumstances, all persons who purchased or acquired HealthSouth’s Unregistered Notes and Registered Notes during the Bondholder Class Period suffered similar injury through their purchase of the aforementioned Notes at artificially inflated prices and a presumption of reliance applies.

**NO SAFE HARBOR**

3. The statutory safe harbor provided for forward looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in the Joint Amended Consolidated Securities Complaint. Many of the specific statements pleaded herein were not identified as “forward looking statements” when made. To the extent there were any forward looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those described in such purportedly forward
looking statements. Alternatively, to the extent that the statutory safe harbor does apply to any forward looking statements pleaded herein, defendants nonetheless are liable for those false forward looking statements because, at the time each of those forward looking statements was made, the particular speaker knew that the particular forward looking statement was false, and/or the forward looking statement was authorized and/or approved by an executive officer of HealthSouth who knew that those statements were false when made.

**CLASS ACTION ALLEGATIONS RELATING TO THE BONDHOLDER CLASS**

4. Lead Plaintiff RSA and the other Bondholder Plaintiffs bring this action on their own behalf and as a class action, pursuant to Rules 23(a) and (b)(3) of the Federal Rules of Civil Procedure, on behalf of a class (the "Bondholder Class") consisting of: all persons and entities who purchased or otherwise acquired debt securities of HealthSouth during the period beginning March 31, 1998 through and including March 18, 2003 (the "Bondholder Class Period"), including all persons or entities who purchased or otherwise acquired debt securities of HealthSouth pursuant or traceable to the Integrated Public Offerings or in the secondary market. Excluded from the Bondholder Class are (a) Defendants, (b) any officer or director during the Bondholder Class Period of HealthSouth or any of its subsidiaries or affiliates, (c) members of the immediate families of any of the Individual Defendants, (d) any entity in which any Defendant has or has had a controlling interest, and (e) the legal representatives, heirs, successors or assigns of any such excluded party.

5. Throughout the Bondholder Class Period, HealthSouth Unregistered Notes and Registered Notes traded in an open and efficient market.
6. The members of the Bondholder Class (the “Bondholder Class Members”) are so numerous and geographically diverse that joinder of all Bondholder Class Members is impracticable. While the exact number of Bondholder Class Members may be determined only through appropriate discovery, Bondholder Plaintiffs believe that there are hundreds or thousands of members in the proposed Bondholder Class, located in every state in the nation. During the Bondholder Class Period, HealthSouth had approximately $3.4 billion of debt securities outstanding, all of which were traded on efficient public markets.

7. Common questions of law and fact exist as to members of the Bondholder Class, and predominate over questions solely affecting individual Bondholder Class Members. Among the common questions are the following:

   a. Whether the federal securities laws were violated by defendants’ acts as alleged herein;

   b. Whether the Offering Memoranda, Registration Statements, Prospectuses, and the financial statements and other materials incorporated by reference therein, contained material misstatements or omitted to state material information;

   c. Whether HealthSouth’s financial results during the Bondholder Class Period were materially misstated;

   d. Whether HealthSouth’s descriptions of its business and operations were materially misstated during the Bondholder Class Period;

   e. Whether Defendant E&Y’s unqualified auditor’s reports issued in connection with their audits of HealthSouth’s consolidated annual financial statements issued during the Bondholder Class Period materially misstated that E&Y’s audits thereon were conducted in accordance with GAAS and/or in accordance with standards established by the American Institute of Certified Public Accountants (“AICPA”);

   f. With respect to claims arising under Section 10(b) of the Exchange Act, and Rule 10b-5 thereunder, whether defendants acted with scienter;
g. Whether the Underwriter Defendants are to be considered "underwriters," as defined in Section 2(11) of the Securities Act and, therefore, whether they have liability under Section 11 of the Securities Act with respect to the Registered Notes, and/or as "sellers" under Section 12(a)(2) of the Securities Act with respect to the Unregistered Notes and the Registered Notes;

h. Whether the market prices of HealthSouth debt securities purchased or otherwise acquired during the Bondholder Class Period were artificially inflated due to the material omissions and representations complained of herein; and

i. Whether the members of the Bondholder Class have sustained damages as a result, and, if so, the proper measure thereof.

8. Bondholder Plaintiffs' claims are typical of the claims of the members of the Bondholder Class. Like other Bondholder Class Members, Bondholder Plaintiffs acquired their HealthSouth debt securities either pursuant to the Integrated Public Offerings or in the secondary market, and sustained damages as a result of defendants' wrongful conduct complained of herein.

9. Bondholder Plaintiffs will fairly and adequately protect the interests of the members of the Bondholder Class, and have retained counsel competent and experienced in class action securities litigation.

10. A class action is superior to other available methods for the fair and efficient adjudication of this controversy because joinder of all members is impracticable. Because the damages suffered by individual Bondholder Class members may be relatively small, the expense and burden of individual litigation make it impracticable for individual Bondholder Class members to seek redress for the wrongful conduct alleged herein.

11. Bondholder Plaintiffs know of no difficulty that will be encountered in managing this action that would preclude its maintenance as a class action.
12. The names and addresses of the record owners and other members of the Bondholder Class may be identified from records maintained by HealthSouth, its transfer agent, and/or by the Underwriter Defendants. Notice may be provided to such record owners via first class mail using techniques and a form of notice similar to those customarily used in class actions.

CLAIMS FOR RELIEF

COUNT I

Against HealthSouth
For Violations of Section 12(a)(2) of the Securities Act
in Connection with the March 1998 Integrated Public Offering

13. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint. This Count I involves deceit, manipulation or contrivance on the part of HealthSouth and others, as alleged in the Joint Amended Consolidated Securities Complaint and herein.

14. This Count I is brought against HealthSouth on behalf of all persons who purchased or otherwise acquired March 1998 Registered Notes pursuant to the March 1998 Prospectus for violations of Section 12(a)(2) of the Securities Act.

15. By means of the March 1998 Prospectus, which was distributed using the means and instrumentalities of interstate commerce and the U.S. mails, HealthSouth was a seller, offeror and/or solicitor of sales of the March 1998 Registered Notes in connection with the March 1998 Integrated Public Offering.
16. The March 1998 Prospectus included materially false and misleading statements, and omitted facts necessary to make the statements made therein not materially misleading, as alleged in the Joint Amended Consolidated Securities Complaint. The actions and solicitations of HealthSouth included participating in the preparation of the materially false and misleading March 1998 Prospectus. HealthSouth has admitted that all of its financial statements filed with the SEC or disseminated to the investing public during the Bondholder Class Period were materially false and misleading. This admission by itself proves HealthSouth’s violation of Section 12(a)(2) of the Securities Act.

17. HealthSouth owed a duty to persons who purchased or otherwise acquired the March 1998 Registered Notes, including members of the Bondholder Class, to make a reasonable and diligent investigation of the statements contained in the March 1998 Prospectus to ensure that such statements were true, and that there were no omissions of material fact necessary in order to make those statements made, in light of the circumstances under which they were made, not misleading. HealthSouth knew of, or, in the exercise of reasonable care, should have known of, the materially false and misleading statements contained in, and material omissions from, the March 1998 Prospectus.

18. Members of the Bondholder Class purchased or otherwise acquired the March 1998 Registered Notes by means of the materially false and misleading March 1998 Prospectus. Members of the Bondholder Class did not know, or, in the exercise of reasonable diligence, could not have known, of the untruths contained in, or incorporated into, or omitted from, the March 1998 Prospectus.
19. By virtue of the conduct alleged herein and in the Joint Amended Consolidated Securities Complaint, HealthSouth violated, and/or controlled a person who violated, Section 12(a)(2) of the Securities Act. Accordingly, members of the Bondholder Class who purchased or otherwise acquired HealthSouth’s March 1998 Registered Notes have the right to rescind and recover the consideration paid for their March 1998 Registered Notes, and hereby elect to rescind and tender their March 1998 Registered Notes to HealthSouth.

20. Members of the Bondholder Class who have sold their March 1998 Registered Notes are entitled to rescissory damages.

21. This action is commenced within the period for bringing claims for violations of Section 12(a)(2) of the Securities Act, as set forth in Section 804 of the Sarbanes-Oxley Act of 2002, 28 U.S.C. § 1658, for private actions that, like this Count I, involve a claim of deceit, manipulation or contrivance in contravention of the securities laws.

COUNT II

Against HealthSouth
For Violations of Section 12(a)(2) of the Securities Act in Connection with the June 1998 Integrated Public Offering

22. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint. This Count II involves deceit, manipulation or contrivance on the part of HealthSouth and others, as alleged in the Joint Amended Consolidated Securities Complaint and herein.
23. This Count II is brought against HealthSouth on behalf of all persons who purchased or otherwise acquired June 1998 Unregistered Notes pursuant to the June 1998 Offering Memoranda, and of all persons who purchased or otherwise acquired June 1998 Registered Notes pursuant to the June 1998 Prospectus for violations of Section 12(a)(2) of the Securities Act.

24. By the June 1998 Offering Memorandum, which was distributed using the means and instrumentalities of interstate commerce and the U.S. mail, HealthSouth was a seller, offeror and/or solicitor of sales of the June 1998 Unregistered Notes, and, by means of the June 1998 Prospectus, which also was distributed using the means and instrumentalities of interstate commerce and the U.S. mails, HealthSouth was a seller, offeror and/or solicitor of sales of the June 1998 Registered Notes, each in connection with the June 1998 Integrated Public Offering.

25. The June 1998 Offering Memorandum and the June 1998 Prospectus included materially false and misleading statements, and omitted facts necessary to make the statements made therein not materially misleading, as alleged in the Joint Amended Consolidated Securities Complaint. The actions and solicitations of HealthSouth included participating in the preparation of the materially false and misleading June 1998 Offering Memorandum and the materially false and misleading June 1998 Prospectus. HealthSouth has admitted that all of its financial statements filed with the SEC or disseminated to the investing public during the Bondholder Class Period were materially false and misleading. This admission by itself proves HealthSouth's violation of Section 12(a)(2) of the Securities Act.

26. HealthSouth owed a duty to persons who purchased or otherwise acquired the June 1998 Unregistered Notes and to persons who purchased or otherwise acquired the June 1998 Registered Notes, including Bondholder Plaintiffs and other members of the Bondholder Class, to
make a reasonable and diligent investigation of the statements contained in the June 1998 Offering Memorandum and the June 1998 Prospectus to ensure that such statements were true, and that there were no omissions of material fact necessary in order to make those statements made, in light of the circumstances under which they were made, not misleading. HealthSouth knew of, or, in the exercise of reasonable care, should have known of, the materially false and misleading statements contained in, and material omissions from, the June 1998 Offering Memorandum and the June 1998 Prospectus.

27. Bondholder Plaintiffs and other members of the Bondholder Class purchased or otherwise acquired the June 1998 Unregistered Notes and/or purchased or otherwise acquired the June 1998 Registered Notes by means of the materially false and misleading June 1998 Offering Memorandum and the materially false and misleading June 1998 Prospectus. Bondholder Plaintiffs and other members of the Bondholder Class did not know, or, in the exercise of reasonable diligence, could not have known, of the untruths contained in, or incorporated into, or omitted from, the June 1998 Offering Memorandum and/or the June 1998 Prospectus.

28. By virtue of the conduct alleged herein and in the Joint Amended Consolidated Securities Complaint, HealthSouth violated, and/or controlled a person who violated, Section 12(a)(2) of the Securities Act. Accordingly, Bondholder Plaintiffs and other members of the Bondholder Class who purchased or otherwise acquired HealthSouth’s June 1998 Unregistered Notes and/or June 1998 Registered Notes have the right to rescind and recover the consideration paid for their June 1998 Unregistered Notes and/or June 1998 Registered Notes, and hereby elect to rescind and tender their June 1998 Unregistered Notes and June 1998 Registered Notes to HealthSouth.
29. Members of the Bondholder Class who have sold their June 1998 Unregistered Notes and/or their June 1998 Registered Notes are entitled to rescissory damages.

30. This action is commenced within the period for bringing claims for violations of Section 12(a)(2) of the Securities Act, as set forth in Section 804 of the Sarbanes-Oxley Act of 2002, 28 U.S.C. § 1658, for private actions that, like this Count II, involve a claim of deceit, manipulation or contrivance in contravention of the securities laws.

COUNT III

Against HealthSouth
For Violations of Section 12(a)(2) of the Securities Act in Connection with the September 2000 Integrated Public Offering

31. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint, except, however, any and all allegations of fraud, deceit, manipulation or contrivance. This Count III asserts only a claim of strict liability.

32. This Count III is brought against HealthSouth on behalf of all persons who purchased or otherwise acquired September 2000 Unregistered Notes by means of the September 2000 Offering Memorandum, and of all persons who purchased or otherwise acquired September 2000 Registered Notes by means of the September 2000 Prospectus for violations of Section 12(a)(2) of the Securities Act.

33. By the September 2000 Offering Memorandum, which was distributed using the means and instrumentalities of interstate commerce and the U.S. mail, HealthSouth was a seller, offeror and/or solicitor of sales of the September 2000 Unregistered Notes, and, by means of the
September 2000 Prospectus, which also was distributed using the means and instrumentalities of interstate commerce and the U.S. mails, HealthSouth was a seller, offeror and/or solicitor of sales of the September 2000 Registered Notes, each in connection with the September 2000 Integrated Public Offering.

34. The September 2000 Offering Memorandum and the September 2000 Prospectus included materially false and misleading statements, and omitted facts necessary to make the statements made therein not materially misleading, as alleged in the Joint Amended Consolidated Securities Complaint. The actions and solicitations of HealthSouth included participating in the preparation of the materially false and misleading September 2000 Offering Memorandum and the materially false and misleading September 2000 Prospectus. HealthSouth has admitted that all of its financial statements filed with the SEC or disseminated to the investing public during the Bondholder Class Period were materially false and misleading. This admission by itself proves HealthSouth’s violation of Section 12(a)(2) of the Securities Act.

35. HealthSouth owed a duty to persons who purchased or otherwise acquired the September 2000 Unregistered Notes and to persons who purchased or otherwise acquired the September 2000 Registered Notes, including Bondholder Plaintiffs and other members of the Bondholder Class, to make a reasonable and diligent investigation of the statements contained in the September 2000 Offering Memorandum and the September 2000 Prospectus to ensure that such statements were true, and that there were no omissions of material fact necessary in order to make those statements made, in light of the circumstances under which they were made, not misleading. HealthSouth knew of, or, in the exercise of reasonable care, should have known of, the materially
false and misleading statements contained in, and material omissions from, the September 2000 Offering Memorandum and/or the September 2000 Prospectus.

36. Bondholder Plaintiffs and other members of the Bondholder Class purchased or otherwise acquired the September 2000 Unregistered Notes and/or purchased or otherwise acquired the September 2000 Registered Notes by means of the materially false and misleading September 2000 Offering Memorandum and/or the materially false and misleading September 2000 Prospectus. Bondholder Plaintiffs and other members of the Bondholder Class did not know, or, in the exercise of reasonable diligence, could not have known, of the untruths contained in, or incorporated into, or omitted from, the September 2000 Offering Memorandum and/or the September 2000 Prospectus.

37. By virtue of the conduct alleged herein and in the Joint Amended Consolidated Securities Complaint, HealthSouth violated, and/or controlled a person who violated, Section 12(a)(2) of the Securities Act. Accordingly, Bondholder Plaintiffs and other members of the Bondholder Class who purchased or otherwise acquired HealthSouth’s September 2000 Unregistered Notes and/or who purchased or otherwise acquired the September 2000 Registered Notes have the right to rescind and recover the consideration paid for their September 2000 Unregistered Notes and/or September 2000 Registered Notes, and hereby elect to rescind and tender their September 2000 Unregistered Notes and/or September 2000 Registered Notes to HealthSouth.

38. Members of the Bondholder Class who have sold their September 2000 Unregistered Notes and/or their September 2000 Registered Notes are entitled to rescissory damages.

39. This action is commenced within the period for bringing claims for violations of Section 12(a)(2) of the Securities Act.
COUNT IV

Against HealthSouth
For Violations of Section 12(a)(2) of the Securities Act
in Connection with the February 2001 Integrated Public Offering

40. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint, except, however, any and all allegations of fraud, deceit, manipulation or contrivance. This Count IV asserts only a claim of strict liability.

41. This Count IV is brought against HealthSouth on behalf of all persons who purchased or otherwise acquired February 2001 Unregistered Notes by means of the February 2001 Offering Memorandum, and of all persons who purchased or otherwise acquired February 2001 Registered Notes by means of the February 2001 Prospectus for violations of Section 12(a)(2) of the Securities Act.

42. By the February 2001 Offering Memorandum, which was distributed using the means and instrumentalities of interstate commerce and the U.S. mail, HealthSouth was a seller, offeror and/or solicitor of sales of the February 2001 Unregistered Notes, and, by means of the February 2001 Prospectus, which also was distributed using the means and instrumentalities of interstate commerce and the U.S. mails, HealthSouth was a seller, offeror and/or solicitor of sales of the February 2001 Registered Notes, each in connection with the February 2001 Integrated Public Offering.

43. The February 2001 Offering Memorandum and the February 2001 Prospectus included materially false and misleading statements, and omitted facts necessary to make the statements made therein not materially misleading, as alleged in the Joint Amended Consolidated
Securities Complaint. The actions and solicitations of HealthSouth included participating in the preparation of the materially false and misleading February 2001 Offering Memorandum and the materially false and misleading February 2001 Prospectus. HealthSouth has admitted that all of its financial statements filed with the SEC or disseminated to the investing public during the Bondholder Class Period were materially false and misleading. This admission by itself proves HealthSouth's violation of Section 12(a)(2) of the Securities Act.

44. HealthSouth owed a duty to persons who purchased or otherwise acquired the February 2001 Unregistered Notes and to persons who purchased or otherwise acquired the February 2001 Registered Notes, including Bondholder Plaintiffs and other members of the Bondholder Class, to make a reasonable and diligent investigation of the statements contained in the February 2001 Offering Memorandum and the February 2001 Prospectus to ensure that such statements were true, and that there were no omissions of material fact necessary in order to make those statements made, in light of the circumstances under which they were made, not misleading. HealthSouth knew of, or, in the exercise of reasonable care, should have known of, the materially false and misleading statements contained in, and material omissions from, the February 2001 Offering Memorandum and/or the February 2001 Prospectus.

45. Bondholder Plaintiffs and other members of the Bondholder Class purchased or otherwise acquired the February 2001 Unregistered Notes and/or purchased or otherwise acquired the February 2001 Registered Notes by means of the materially false and misleading February 2001 Offering Memorandum and/or the materially false and misleading February 2001 Prospectus. Bondholder Plaintiffs and other members of the Bondholder Class did not know, or, in the exercise
of reasonable diligence, could not have known, of the untruths contained in, or incorporated into, or
omitted from, the February 2001 Offering Memorandum and/or the February 2001 Prospectus.

46. By virtue of the conduct alleged herein and in the Joint Amended Consolidated
Securities Complaint, HealthSouth violated, and/or controlled a person who violated, Section
12(a)(2) of the Securities Act. Accordingly, Bondholder Plaintiffs and other members of the
Bondholder Class who purchased or otherwise acquired HealthSouth’s February 2001 Unregistered
Notes and/or who purchased or otherwise acquired the February 2001 Registered Notes have the
right to rescind and recover the consideration paid for their February 2001 Unregistered Notes and/or
February 2001 Registered Notes, and hereby elect to rescind and tender their February 2001
Unregistered Notes and/or February 2001 Registered Notes to HealthSouth.

47. Members of the Bondholder Class who have sold their February 2001 Unregistered
Notes and/or their February 2001 Registered Notes are entitled to rescissory damages.

48. This action is commenced within the period for bringing claims for violations of
Section 12(a)(2) of the Securities Act.

COUNT V

Against HealthSouth
For Violations of Section 12(a)(2) of the Securities Act
in Connection with the September 2001 Integrated Public Offering

49. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the
Joint Amended Consolidated Securities Complaint, except, however, any and all allegations of fraud,
deceit, manipulation or contrivance. This Count V asserts only a claim of strict liability.
50. This Count V is brought against HealthSouth on behalf of all persons who purchased or otherwise acquired September 2001 Unregistered Notes by means of the September 2001 Offering Memorandum, and of all persons who purchased or otherwise acquired September 2001 Registered Notes by means of the September 2001 Prospectus for violations of Section 12(a)(2) of the Securities Act.

51. By the September 2001 Offering Memorandum, which was distributed using the means and instrumentalities of interstate commerce and the U.S. mail, HealthSouth was a seller, offeror and/or solicitor of sales of the September 2001 Unregistered Notes, and, by means of the September 2001 Prospectus, which also was distributed using the means and instrumentalities of interstate commerce and the U.S. mails, HealthSouth was a seller, offeror and/or solicitor of sales of the September 2001 Registered Notes, each in connection with the September 2001 Integrated Public Offering.

52. The September 2001 Offering Memorandum and the September 2001 Prospectus included materially false and misleading statements, and omitted facts necessary to make the statements made therein not materially misleading, as alleged in the Joint Amended Consolidated Securities Complaint. The actions and solicitations of HealthSouth included participating in the preparation of the materially false and misleading September 2001 Offering Memorandum and the materially false and misleading September 2001 Prospectus. HealthSouth has admitted that all of its financial statements filed with the SEC or disseminated to the investing public during the Bondholder Class Period were materially false and misleading. This admission by itself proves HealthSouth’s violation of Section 12(a)(2) of the Securities Act.
53. HealthSouth owed a duty to persons who purchased or otherwise acquired the September 2001 Unregistered Notes and to persons who purchased or otherwise acquired the September 2001 Registered Notes, including members of the Bondholder Class, to make a reasonable and diligent investigation of the statements contained in the September 2001 Offering Memorandum and the September 2001 Prospectus to ensure that such statements were true, and that there were no omissions of material fact necessary in order to make those statements made, in light of the circumstances under which they were made, not misleading. HealthSouth knew of, or, in the exercise of reasonable care, should have known of, the materially false and misleading statements contained in, and material omissions from, the September 2001 Offering Memorandum and/or the September 2001 Prospectus.

54. Members of the Bondholder Class purchased or otherwise acquired the September 2001 Unregistered Notes and/or purchased or otherwise acquired the September 2001 Registered Notes by means of the materially false and misleading September 2001 Offering Memorandum and/or the materially false and misleading September 2001 Prospectus. Members of the Bondholder Class did not know, or, in the exercise of reasonable diligence, could not have known, of the untruths contained in, or incorporated into, or omitted from, the September 2001 Offering Memorandum and/or the September 2001 Prospectus.

55. By virtue of the conduct alleged herein and in the Joint Amended Consolidated Securities Complaint, HealthSouth violated, and/or controlled a person who violated, Section 12(a)(2) of the Securities Act. Accordingly, members of the Bondholder Class who purchased or otherwise acquired HealthSouth’s September 2001 Unregistered Notes and/or who purchased or otherwise acquired the September 2001 Registered Notes have the right to rescind and recover the
consideration paid for their September 2001 Unregistered Notes and/or September 2001 Registered Notes, and hereby elect to rescind and tender their September 2001 Unregistered Notes and/or September 2001 Registered Notes to HealthSouth.

56. Members of the Bondholder Class who have sold their September 2001 Unregistered Notes and/or their September 2001 Registered Notes are entitled to rescissory damages.

57. This action is commenced within the period for bringing claims for violations of Section 12(a)(2) of the Securities Act.

COUNT VI

Against HealthSouth
For Violations of Section 12(a)(2) of the Securities Act
In Connection with the May 2002 Integrated Public Offering

58. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint, except, however, any and all allegations of fraud, deceit, manipulation or contrivance. This Count VI asserts only a claim of strict liability.

59. This Count VI is brought against HealthSouth on behalf of all persons who purchased or otherwise acquired May 2002 Unregistered Notes by means of the May 2002 Offering Memorandum, and of all persons who purchased or otherwise acquired May 2002 Registered Notes by means of the May 2002 Prospectus for violations of Section 12(a)(2) of the Securities Act.

60. By the May 2002 Offering Memorandum, which was distributed using the means and instrumentalities of interstate commerce and the U.S. mail, HealthSouth was a seller, offeror and/or solicitor of sales of the May 2002 Unregistered Notes, and, by means of the May 2002 Prospectus,
which also was distributed using the means and instrumentalities of interstate commerce and the U.S. mails, HealthSouth was a seller, offeror and/or solicitor of sales of the May 2002 Registered Notes, each in connection with the May 2002 Integrated Public Offering.

61. The May 2002 Offering Memorandum and the May 2002 Prospectus included materially false and misleading statements, and omitted facts necessary to make the statements made therein not materially misleading, as alleged in the Joint Amended Consolidated Securities Complaint. The actions and solicitations of HealthSouth included participating in the preparation of the materially false and misleading May 2002 Offering Memorandum and the materially false and misleading May 2002 Prospectus. HealthSouth has admitted that all of its financial statements filed with the SEC or disseminated to the investing public during the Bondholder Class Period were materially false and misleading. This admission by itself proves HealthSouth's violation of Section 12(a)(2) of the Securities Act.

62. HealthSouth owed a duty to persons who purchased or otherwise acquired the May 2002 Unregistered Notes and to persons who purchased or otherwise acquired the May 2002 Registered Notes, including Bondholder Plaintiffs and other members of the Bondholder Class, to make a reasonable and diligent investigation of the statements contained in the May 2002 Offering Memorandum and the May 2002 Prospectus to ensure that such statements were true, and that there were no omissions of material fact necessary in order to make those statements made, in light of the circumstances under which they were made, not misleading. HealthSouth knew of, or, in the exercise of reasonable care, should have known of, the materially false and misleading statements contained in, and material omissions from, the May 2002 Offering Memorandum and/or the May 2002 Prospectus.
63. Bondholder Plaintiffs and other members of the Bondholder Class purchased or otherwise acquired the May 2002 Unregistered Notes and/or purchased or otherwise acquired the May 2002 Registered Notes by means of the materially false and misleading May 2002 Offering Memorandum and/or the materially false and misleading May 2002 Prospectus. Bondholder Plaintiffs and other members of the Bondholder Class did not know, or, in the exercise of reasonable diligence, could not have known, of the untruths contained in, or incorporated into, or omitted from, the May 2002 Offering Memorandum and/or the May 2002 Prospectus.

64. By virtue of the conduct alleged herein and in the Joint Amended Consolidated Securities Complaint, HealthSouth violated, and/or controlled a person who violated, Section 12(a)(2) of the Securities Act. Accordingly, Bondholder Plaintiffs and other members of the Bondholder Class who purchased or otherwise acquired HealthSouth’s May 2002 Unregistered Notes and/or who purchased or otherwise acquired the May 2002 Registered Notes have the right to rescind and recover the consideration paid for their May 2002 Unregistered Notes and/or May 2002 Registered Notes, and hereby elect to rescind and tender their May 2002 Unregistered Notes and/or May 2002 Registered Notes to HealthSouth.

65. Members of the Bondholder Class who have sold their May 2002 Unregistered Notes and/or their May 2002 Registered Notes are entitled to rescissory damages.

66. This action is commenced within the period for bringing claims for violations of Section 12(a)(2) of the Securities Act.
COUNT VII

Against the March 1998 Underwriter Defendants
For Violations of Section 12(a)(2) of the Securities Act
In Connection With the March 1998 Integrated Public Offering

67. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint. This Count VII involves deceit, manipulation or contrivance on the part of the March 1998 Underwriter Defendants and others, as alleged in the Joint Amended Consolidated Securities Complaint and herein.

68. This Count VII is brought against the March 1998 Underwriter Defendants for violations of Section 12(a)(2) of the Securities Act on behalf of all persons who purchased or otherwise acquired the March 1998 Registered Notes by means of the March 1998 Prospectus.

69. The March 1998 Underwriter Defendants, together with other defendants, as alleged herein and in the Joint Amended Consolidated Securities Complaint, falsely purported to have structured the sale of the March 1998 Unregistered Notes and the subsequent exchange of the March 1998 Unregistered Notes for the March 1998 Registered Notes in compliance with SEC Rule 144A. However, that structure was intended to, and in fact did, operate as a fraud both on the SEC and on Bondholder Plaintiffs and Bondholder Class Members. The March 1998 Underwriter Defendants did not use that two-step transaction for any proper purpose, but instead employed that structure as an artifice (i) to avoid the statutorily required "due diligence" investigations that would have been required of the March 1998 Underwriter Defendants in connection with a registered public offering of the March 1998 Unregistered Notes; (ii) to avoid filing with the SEC the registration statement that would have been necessary for the sale of the March 1998 Unregistered Notes had those debt securities been registered; (iii) to shield the March 1998 Underwriter Defendants from Securities Act
liability for their knowing involvement in HealthSouth’s frauds, and (iv) thereby, to deliberately conceal from the SEC, the investing public, Bondholder Plaintiffs and members of the Bondholder Class the nature and extent of HealthSouth’s frauds. Because the two-step transaction used to sell the March 1998 Unregistered Notes and to exchange those Notes for the March 1998 Registered Notes was conducted for the purpose of avoiding the registration requirements of the Securities Act and, therefore, in a deliberate effort to avoid liability under the Securities Act for known violations thereof, Rule 144A and the two-step structure addressed in the SEC’s Exxon Capital series of No-Action letters were inapplicable to the sale of the March 1998 Unregistered Notes and the subsequent exchange for the March 1998 Registered Notes, as set forth in Preliminary Note 3 to the Rule. Accordingly, the sale of the March 1998 Unregistered Notes was not exempt from the registration requirements of the Securities Act and, therefore, that sale and the subsequent exchange of the March 1998 Unregistered Notes for the March 1998 Registered Notes should be considered together as an integrated public offering. As a result, by means of the March 1998 Prospectus, distributed using the means and instrumentalities of interstate commerce and the U.S. mails, the March 1998 Underwriter Defendants were sellers, offerors and/or solicitors of sales of the March 1998 Registered Notes in connection with the March 1998 Integrated Public Offering.

70. The March 1998 Prospectus included materially false and misleading statements, and omitted facts necessary to make the statements made therein not materially misleading, as alleged in the Joint Amended Consolidated Securities Complaint. The actions and solicitations of the March 1998 Underwriter Defendants included participating in the preparation of the materially false and misleading March 1998 Prospectus.
71. The March 1998 Underwriter Defendants owed a duty to persons who purchased or otherwise acquired the March 1998 Registered Notes, including members of the Bondholder Class, to make a reasonable and diligent investigation of the statements contained in the March 1998 Prospectus to ensure that such statements were true, and that there were no omissions of material fact necessary in order to make those statements made, in light of the circumstances under which they were made, not misleading. The March 1998 Underwriter Defendants knew of or, in the exercise of reasonable care, should have known of the materially false and misleading statements contained in, and material omissions from, the March 1998 Prospectus.

72. Members of the Bondholder Class purchased or otherwise acquired the March 1998 Registered Notes by means of the materially false and misleading March 1998 Prospectus. Members of the Bondholder Class did not know, or, in the exercise of reasonable diligence, could not have known, of the untruths contained in, or incorporated into, or omitted from, the March 1998 Prospectus.

73. By virtue of the conduct alleged herein and in the Joint Amended Consolidated Securities Complaint, the March 1998 Underwriter Defendants violated, and/or controlled a person who violated, Section 12(a)(2) of the Securities Act. Accordingly, members of the Bondholder Class who purchased or otherwise acquired the March 1998 Registered Notes have the right to rescind and recover the consideration paid for their March 1998 Registered Notes, and hereby elect to rescind and tender their March 1998 Registered Notes to the March 1998 Underwriter Defendants.

74. Members of the Bondholder Class who have sold their March 1998 Registered Notes are entitled to rescissory damages.
75. This action is commenced within the period for bringing claims for violations of Section 12(a)(2) of the Securities Act, as set forth in Section 804 of the Sarbanes-Oxley Act of 2002, 28 U.S.C. § 1658, for private actions that, like this Count VII, involve a claim of deceit, manipulation or contrivance in contravention of the securities laws.

COUNT VIII

Against the June 1998 Underwriter Defendants
For Violations of Section 12(a)(2) of the Securities Act
In Connection With the June 1998 Integrated Public Offering

76. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint. This Count VIII involves deceit, manipulation or contrivance on the part of the June 1998 Underwriter Defendants and others, as alleged in the Joint Amended Consolidated Securities Complaint and herein.

77. This Count VIII is brought against the June 1998 Underwriter Defendants for violations of Section 12(a)(2) of the Securities Act on behalf of all persons who purchased or otherwise acquired the June 1998 Unregistered Notes by means of the June 1998 Offering Memorandum, and/or all persons who purchased or otherwise acquired the June 1998 Registered Notes by means of the June 1998 Prospectus.

78. The June 1998 Underwriter Defendants, together with other defendants, as alleged herein and in the Joint Amended Consolidated Securities Complaint, falsely purported to have structured the sale of the June 1998 Unregistered Notes and the subsequent exchange of the June 1998 Unregistered Notes for the June 1998 Registered Notes in compliance with SEC Rule 144A. However, that structure was intended to, and in fact did, operate as a fraud both on the SEC and on
Bondholder Plaintiffs and Bondholder Class Members. The June 1998 Underwriter Defendants did not use that two-step transaction for any proper purpose, but instead employed that structure as an artifice (i) to avoid the statutorily required "due diligence" investigations that would have been required of the June 1998 Underwriter Defendants in connection with a registered public offering of the June 1998 Unregistered Notes; (ii) to avoid filing with the SEC the registration statement that would have been necessary for the sale of the June 1998 Unregistered Notes had those debt securities been registered; (iii) to shield the June 1998 Underwriter Defendants from Securities Act liability for their knowing involvement in HealthSouth's frauds, and (iv) thereby, to deliberately conceal from the SEC, the investing public, Bondholder Plaintiffs and members of the Bondholder Class the nature and extent of HealthSouth's frauds. Because the two-step transaction used to sell the June 1998 Unregistered Notes and to exchange those Notes for the June 1998 Registered Notes was conducted for the purpose of avoiding the registration requirements of the Securities Act and, therefore, in a deliberate effort to avoid liability under the Securities Act for known violations thereof, Rule 144A and the two-step structure addressed in the SEC's Exxon Capital series of No-Action letters were inapplicable to the sale of the June 1998 Unregistered Notes and the subsequent exchange for the June 1998 Registered Notes, as set forth in Preliminary Note 3 to the Rule. Accordingly, the sale of the June 1998 Unregistered Notes was not exempt from the registration requirements of the Securities Act and, therefore, that sale and the subsequent exchange of the June 1998 Unregistered Notes for the June 1998 Registered Notes should be considered together as an integrated public offering. As a result, by the June 1998 Offering Memorandum, which was distributed using the means and instrumentalities of interstate commerce and the U.S. mail, the June 1998 Underwriter Defendants were sellers, offerors and/or solicitors of sales of the June 1998 Unregistered Notes, and, by means of the June 1998 Prospectus, distributed using the means and
instrumentalities of interstate commerce and the U.S. mails, the June 1998 Underwriter Defendants were sellers, offerors and/or solicitors of sales of the June 1998 Registered Notes, each in connection with the June 1998 Integrated Public Offering.

79. The June 1998 Offering Memorandum and the June 1998 Prospectus included materially false and misleading statements, and omitted facts necessary to make the statements made therein not materially misleading, as alleged in the Joint Amended Consolidated Securities Complaint. The actions and solicitations of the June 1998 Underwriter Defendants included participating in the preparation of the materially false and misleading June 1998 Offering Memorandum, which was substantially identical to the materially false and misleading June 1998 Prospectus.

80. The June 1998 Underwriter Defendants owed a duty to persons who purchased or otherwise acquired the June 1998 Registered Notes and to persons who purchased or otherwise acquired the June 1998 Unregistered Notes, including Bondholder Plaintiffs and other members of the Bondholder Class, to make a reasonable and diligent investigation of the statements contained in the June 1998 Offering Memorandum and the June 1998 Prospectus to ensure that such statements were true, and that there were no omissions of material fact necessary in order to make those statements made, in light of the circumstances under which they were made, not misleading. The June 1998 Underwriter Defendants knew of or, in the exercise of reasonable care, should have known of the materially false and misleading statements contained in, and material omissions from, the June 1998 Offering Memorandum and the June 1998 Prospectus.

81. Bondholder Plaintiffs and other members of the Bondholder Class purchased or otherwise acquired the June 1998 Unregistered Notes and/or purchased or otherwise acquired the
June 1998 Registered Notes by means of the materially false and misleading June 1998 Offering Memorandum and/or the materially false and misleading June 1998 Prospectus. Bondholder Plaintiffs and other members of the Bondholder Class did not know, or, in the exercise of reasonable diligence, could not have known, of the untruths contained in, or incorporated into, or omitted from, the June 1998 Offering Memorandum and/or the June 1998 Prospectus.

82. By virtue of the conduct alleged herein and in the Joint Amended Consolidated Securities Complaint, the June 1998 Underwriter Defendants violated, and/or controlled a person who violated, Section 12(a)(2) of the Securities Act. Accordingly, Bondholder Plaintiffs and other members of the Bondholder Class who purchased or otherwise acquired the June 1998 Unregistered Notes and/or who purchased or otherwise acquired the June 1998 Registered Notes have the right to rescind and recover the consideration paid for their June 1998 Unregistered Notes and/or June 1998 Registered Notes, and hereby elect to rescind and tender their June 1998 Unregistered Notes and/or June 1998 Registered Notes to the June 1998 Underwriter Defendants.

83. Members of the Bondholder Class who have sold their June 1998 Unregistered Notes and/or their June 1998 Registered Notes are entitled to rescissory damages.

84. This action is commenced within the period for bringing claims for violations of Section 12(a)(2) of the Securities Act, as set forth in Section 804 of the Sarbanes-Oxley Act of 2002, 28 U.S.C. § 1658, for private actions that, like this Count VIII, involve a claim of deceit, manipulation or contrivance in contravention of the securities laws.
COUNT IX

Against the September 2000 Underwriter Defendants
For Violations of Section 12(a)(2) of the Securities Act
In Connection With the September 2000 Integrated Public Offering

85. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint. This Count IX involves deceit, manipulation or contrivance on the part of the September 2000 Underwriter Defendants and others, as alleged in the Joint Amended Consolidated Securities Complaint and herein.

86. This Count IX is brought against the September 2000 Underwriter Defendants for violations of Section 12(a)(2) of the Securities Act on behalf of all persons who purchased or otherwise acquired the September 2000 Unregistered Notes by means of the September 2000 Offering Memorandum, and/or all persons who purchased or otherwise acquired September 2000 Registered Notes by means of the September 2000 Prospectus.

87. The September 2000 Underwriter Defendants, together with other defendants, as alleged herein and in the Joint Amended Consolidated Securities Complaint, falsely purported to have structured the sale of the September 2000 Unregistered Notes and the subsequent exchange of the September 2000 Unregistered Notes for the September 2000 Registered Notes in compliance with SEC Rule 144A. However, that structure was intended to, and in fact did, operate as a fraud both on the SEC and on Bondholder Plaintiffs and Bondholder Class Members. The September 2000 Underwriter Defendants did not use that two-step transaction for any proper purpose, but instead employed that structure as an artifice (i) to avoid the statutorily required “due diligence” investigations that would have been required of the September 2000 Underwriter Defendants in connection with a registered public offering of the September 2000 Unregistered Notes; (ii) to avoid
filing with the SEC the registration statement that would have been necessary for the sale of the September 2000 Unregistered Notes had those debt securities been registered; (iii) to shield the September 2000 Underwriter Defendants from Securities Act liability for their knowing involvement in HealthSouth’s frauds, and (iv) thereby, to deliberately conceal from the SEC, the investing public, Bondholder Plaintiffs and members of the Bondholder Class the nature and extent of HealthSouth’s frauds. Because the two-step transaction used to sell the September 2000 Unregistered Notes and to exchange those Notes for the September 2000 Registered Notes was conducted for the purpose of avoiding the registration requirements of the Securities Act and, therefore, in a deliberate effort to avoid liability under the Securities Act for known violations thereof, Rule 144A and the two-step structure addressed in the SEC’s Exxon Capital series of No-Action letters were inapplicable to the sale of the September 2000 Registered Notes and the subsequent exchange for the September 2000 Registered Notes, as set forth in Preliminary Note 3 to the Rule. Accordingly, the sale of the September 2000 Registered Notes was not exempt from the registration requirements of the Securities Act, and, therefore, that sale and the subsequent exchange of the September 2000 Unregistered Notes for the September 2000 Registered Notes should be considered together as an integrated public offering. As a result, by the September 2000 Offering Memorandum, which was distributed using the means and instrumentalities of interstate commerce and the U.S. mail, the September 2000 Underwriter Defendants were sellers, offerors and/or solicitors of sales of the September 2000 Unregistered Notes, and, by means of the September 2000 Prospectus, which also was distributed using the means and instrumentalities of interstate commerce and the U.S. mails, the September 2000 Underwriter Defendants were sellers, offerors and/or solicitors of sales of September 2000 Registered Notes, each in connection with the September 2000 Integrated Public Offering.
88. The September 2000 Offering Memorandum and the September 2000 Prospectus included materially false and misleading statements, and omitted facts necessary to make the statements made therein not materially misleading, as alleged in the Joint Amended Consolidated Securities Complaint. The actions and solicitations of the September 2000 Underwriter Defendants included participating in the preparation of the materially false and misleading September 2000 Offering Memorandum, which was substantially identical to the materially false and misleading September 2000 Prospectus.

89. The September 2000 Underwriter Defendants owed a duty to persons who purchased or otherwise acquired the September 2000 Registered Notes and to persons who purchased or otherwise acquired the September 2000 Unregistered Notes, including Bondholder Plaintiffs and other members of the Bondholder Class, to make a reasonable and diligent investigation of the statements contained in the September 2000 Offering Memorandum and the September 2000 Prospectus to ensure that such statements were true, and that there were no omissions of material fact necessary in order to make those statements made, in light of the circumstances under which they were made, not misleading. The September 2000 Underwriter Defendants knew of or, in the exercise of reasonable care, should have known of the materially false and misleading statements contained in, and material omissions from, the September 2000 Offering Memorandum and the September 2000 Prospectus.

90. Bondholder Plaintiffs and other members of the Bondholder Class purchased or otherwise acquired the September 2000 Unregistered Notes and/or purchased or otherwise acquired the September 2000 Registered Notes by means of the materially false and misleading September 2000 Offering Memorandum and/or the materially false and misleading September 2000 Prospectus.
Bondholder Plaintiffs and other members of the Bondholder Class did not know, or, in the exercise of reasonable diligence, could not have known, of the untruths contained in, or incorporated into, or omitted from, the September 2000 Offering Memorandum and/or the September 2000 Prospectus.

91. By virtue of the conduct alleged herein and in the Joint Amended Consolidated Securities Complaint, the September 2000 Underwriter Defendants violated, and/or controlled a person who violated, Section 12(a)(2) of the Securities Act. Accordingly, Bondholder Plaintiffs and other members of the Bondholder Class who purchased or otherwise acquired the September 2000 Unregistered Notes and/or who purchased or otherwise acquired the September 2000 Registered Notes have the right to rescind and recover the consideration paid for their September 2000 Unregistered Notes and/or September 2000 Registered Notes, and hereby elect to rescind and tender their September 2000 Unregistered Notes and/or September 2000 Registered Notes to the September 2000 Underwriter Defendants.

92. Members of the Bondholder Class who have sold their September 2000 Unregistered Notes and/or their September 2000 Registered Notes are entitled to rescissory damages.

93. This action is commenced within the period for bringing claims for violations of Section 12(a)(2) of the Securities Act.
COUNT X

Against the February 2001 Underwriter Defendants
For Violations of Section 12(a)(2) of the Securities Act
In Connection With the February 2001 Integrated Public Offering

94. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint. This Count X involves deceit, manipulation or contrivance on the part of the February 2001 Underwriter Defendants and others, as alleged in the Joint Amended Consolidated Securities Complaint and herein.

95. This Count X is brought against the February 2001 Underwriter Defendants for violations of Section 12(a)(2) of the Securities Act on behalf of all persons who purchased or otherwise acquired the February 2001 Unregistered Notes by means of the February 2001 Offering Memorandum, and/or all persons who purchased or otherwise acquired the February 2001 Registered Notes by means of the February 2001 Prospectus.

96. The February 2001 Underwriter Defendants, together with other defendants, as alleged herein and in the Joint Amended Consolidated Securities Complaint, falsely purported to have structured the sale of the February 2001 Unregistered Notes and the subsequent exchange of the Unregistered February 2001 Notes for the February 2001 Registered Notes in compliance with SEC Rule 144A. However, that structure was intended to, and in fact did, operate as a fraud both on the SEC and on Bondholder Plaintiffs and Bondholder Class Members. The February 2001 Underwriter Defendants did not use that two-step transaction for any proper purpose, but instead employed that structure as an artifice (i) to avoid the statutorily required “due diligence” investigations that would have been required of the February 2001 Underwriter Defendants in connection with a registered public offering of the February 2001 Unregistered Notes; (ii) to avoid filing with the SEC the
registration statement that would have been necessary for the sale of the February 2001 Unregistered Notes had those debt securities been registered; (iii) to shield the February 2001 Underwriter Defendants from Securities Act liability for their knowing involvement in HealthSouth’s frauds, and (iv) thereby, to deliberately conceal from the SEC, the investing public, Bondholder Plaintiffs and members of the Bondholder Class the nature and extent of HealthSouth’s frauds. Because the two-step transaction used to sell the February 2001 Unregistered Notes and to exchange those Notes for the February 2001 Registered Notes was conducted for the purpose of avoiding the registration requirements of the Securities Act and, therefore, in a deliberate effort to avoid liability under the Securities Act for known violations thereof, Rule 144A and the two-step structure addressed in the SEC’s Exxon Capital series of No-Action letters were inapplicable to the sale of the February 2001 Unregistered Notes and the subsequent exchange for the February 2001 Registered Notes, as set forth in Preliminary Note 3 to the Rule. Accordingly, the sale of the February 2001 Unregistered Notes was not exempt from the registration requirements of the Securities Act, and, therefore, that sale and the subsequent exchange of the February 2001 Unregistered Notes for the February 2001 Registered Notes should be considered together as an integrated public offering. As a result, by the February 2001 Offering Memorandum, which was distributed using the means and instrumentalities of interstate commerce and the U.S. mail, the February 2001 Underwriter Defendants were sellers, offerors and/or solicitors of sales of the February 2001 Unregistered Notes, and, by means of the February 2001 Prospectus, which also was distributed using the means and instrumentalities of interstate commerce and the U.S. mails, the February 2001 Underwriter Defendants were sellers, offerors and/or solicitors of sales of February 2001 Registered Notes, each in connection with the February 2001 Integrated Public Offering.
97. The February 2001 Offering Memorandum and the February 2001 Prospectus included materially false and misleading statements, and omitted facts necessary to make the statements made therein not materially misleading, as alleged in the Joint Amended Consolidated Securities Complaint. The actions and solicitations of the February 2001 Underwriter Defendants included participating in the preparation of the materially false and misleading February 2001 Offering Memorandum, which was substantially identical to the materially false and misleading February 2001 Prospectus.

98. The February 2001 Underwriter Defendants owed a duty to persons who purchased or otherwise acquired the February 2001 Registered Notes and to persons who purchased or otherwise acquired the February 2001 Unregistered Notes, including Bondholder Plaintiffs and other members of the Bondholder Class, to make a reasonable and diligent investigation of the statements contained in the February 2001 Offering Memorandum and the February 2001 Prospectus to ensure that such statements were true, and that there were no omissions of material fact necessary in order to make those statements made, in light of the circumstances under which they were made, not misleading. The February 2001 Underwriter Defendants knew of or, in the exercise of reasonable care, should have known of the materially false and misleading statements contained in, and material omissions from, the February 2001 Offering Memorandum and the February 2001 Prospectus.

99. Bondholder Plaintiffs and other members of the Bondholder Class purchased or otherwise acquired the February 2001 Unregistered Notes and/or purchased or otherwise acquired the February 2001 Registered Notes by means of the materially false and misleading February 2001 Offering Memorandum and/or the materially false and misleading February 2001 Prospectus. Bondholder Plaintiffs and other members of the Bondholder Class did not know, or, in the exercise
of reasonable diligence, could not have known, of the untruths contained in, or incorporated into, or
omitted from, the February 2001 Offering Memorandum and/or the February 2001 Prospectus.

100. By virtue of the conduct alleged herein and in the Joint Amended Consolidated
Securities Complaint, the February 2001 Underwriter Defendants violated, and/or controlled a
person who violated, Section 12(a)(2) of the Securities Act. Accordingly, Bondholder Plaintiffs and
other members of the Bondholder Class who purchased or otherwise acquired the February 2001
Unregistered Notes and/or who purchased or otherwise acquired the February 2001 Registered Notes
have the right to rescind and recover the consideration paid for their February 2001 Unregistered
Notes and/or February 2001 Registered Notes, and hereby elect to rescind and tender their February
2001 Unregistered Notes and/or February 2001 Registered Notes to the February 2001 Underwriter
Defendants.

101. Members of the Bondholder Class who have sold their February 2001 Unregistered
Notes and/or their February 2001 Registered Notes are entitled to rescissory damages.

102. This action is commenced within the period for bringing claims for violations of
Section 12(a)(2) of the Securities Act.

COUNT XI

Against the September 2001 Underwriter Defendants
For Violations of Section 12(a)(2) of the Securities Act
In Connection With the September 2001 Integrated Public Offering

103. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the
Joint Amended Consolidated Securities Complaint. This Count XI involves deceit, manipulation or
contrivance on the part of the September 2001 Underwriter Defendants and others, as alleged in the Joint Amended Consolidated Securities Complaint and herein.

104. This Count XI is brought against the September 2001 Underwriter Defendants for violations of Section 12(a)(2) of the Securities Act on behalf of all persons who purchased or otherwise acquired the September 2001 Unregistered Notes by means of the September 2001 Offering Memorandum, and/or all persons who purchased or otherwise acquired September 2001 Registered Notes by means of the September 2001 Prospectus.

105. The September 2001 Underwriter Defendants, together with other defendants, as alleged herein and in the Joint Amended Consolidated Securities Complaint, falsely purported to have structured the sale of the September 2001 Unregistered Notes and the subsequent exchange of the September 2001 Unregistered Notes for the September 2001 Registered Notes in compliance with SEC Rule 144A. However, that structure was intended to, and in fact did, operate as a fraud both on the SEC and on Bondholder Class Members. The September 2001 Underwriter Defendants did not use that two-step transaction for any proper purpose, but instead employed that structure as an artifice (i) to avoid the statutorily required “due diligence” investigations that would have been required of the September 2001 Underwriter Defendants in connection with a registered public offering of the September 2001 Unregistered Notes; (ii) to avoid filing with the SEC the registration statement that would have been necessary for the sale of the September 2001 Unregistered Notes had those debt securities been registered; (iii) to shield the September 2001 Underwriter Defendants from Securities Act liability for their knowing involvement in HealthSouth's frauds, and (iv) thereby, to deliberately conceal from the SEC, the investing public, and members of the Bondholder Class the nature and extent of HealthSouth's frauds. Because the two-step transaction used to sell the
September 2001 Unregistered Notes and to exchange those Notes for the September 2001 Registered Notes was conducted for the purpose of avoiding the registration requirements of the Securities Act and, therefore, in a deliberate effort to avoid liability under the Securities Act for known violations thereof, Rule 144A and the two-step structure addressed in the SEC's Exxon Capital series of No-Action letters were inapplicable to the sale of the September 2001 Registered Notes and the subsequent exchange for the September 2001 Registered Notes, as set forth in Preliminary Note 3 to the Rule. Accordingly, the sale of the September 2001 Registered Notes was not exempt from the registration requirements of the Securities Act, and, therefore, that sale and the subsequent exchange of the September 2001 Unregistered Notes for the September 2001 Registered Notes should be considered together as an integrated public offering. As a result, by the September 2001 Offering Memorandum, which was distributed using the means and instrumentalities of interstate commerce and the U.S. mail, the September 2001 Underwriter Defendants were sellers, offerors and/or solicitors of sales of the September 2001 Unregistered Notes, and, by means of the September 2001 Prospectus, which also was distributed using the means and instrumentalities of interstate commerce and the U.S. mails, the September 2001 Underwriter Defendants were sellers, offerors and/or solicitors of sales of September 2001 Registered Notes, each in connection with the September 2001 Integrated Public Offering.

106. The September 2001 Offering Memorandum and the September 2001 Prospectus included materially false and misleading statements, and omitted facts necessary to make the statements made therein not materially misleading, as alleged in the Joint Amended Consolidated Securities Complaint. The actions and solicitations of the September 2001 Underwriter Defendants included participating in the preparation of the materially false and misleading September 2001
Offering Memorandum, which was substantially identical to the materially false and misleading September 2001 Prospectus.

107. The September 2001 Underwriter Defendants owed a duty to persons who purchased or otherwise acquired the September 2001 Registered Notes and to persons who purchased or otherwise acquired the September 2001 Unregistered Notes, including members of the Bondholder Class, to make a reasonable and diligent investigation of the statements contained in the September 2001 Offering Memorandum and the September 2001 Prospectus to ensure that such statements were true, and that there were no omissions of material fact necessary in order to make those statements made, in light of the circumstances under which they were made, not misleading. The September 2001 Underwriter Defendants knew of or, in the exercise of reasonable care, should have known of the materially false and misleading statements contained in, and material omissions from, the September 2001 Offering Memorandum and the September 2001 Prospectus.

108. Members of the Bondholder Class purchased or otherwise acquired the September 2001 Unregistered Notes and/or purchased or otherwise acquired the September 2001 Registered Notes by means of the materially false and misleading September 2001 Offering Memorandum and/or the materially false and misleading September 2001 Prospectus. Members of the Bondholder Class did not know, or, in the exercise of reasonable diligence, could not have known, of the untruths contained in, or incorporated into, or omitted from, the September 2001 Offering Memorandum and/or the September 2001 Prospectus.

109. By virtue of the conduct alleged herein and in the Joint Amended Consolidated Securities Complaint, the September 2001 Underwriter Defendants violated, and/or controlled a person who violated, Section 12(a)(2) of the Securities Act. Accordingly, members of the
Bondholder Class who purchased or otherwise acquired the September 2001 Unregistered Notes and/or who purchased or otherwise acquired the September 2001 Registered Notes have the right to rescind and recover the consideration paid for their September 2001 Unregistered Notes and/or September 2001 Registered Notes, and hereby elect to rescind and tender their September 2001 Unregistered Notes and/or September 2001 Registered Notes to the September 2001 Underwriter Defendants.

110. Members of the Bondholder Class who have sold their September 2001 Unregistered Notes and/or their September 2001 Registered Notes are entitled to rescissory damages.

111. This action is commenced within the period for bringing claims for violations of Section 12(a)(2) of the Securities Act.

COUNT XII

Against the May 2002 Underwriter Defendants
For Violations of Section 12(a)(2) of the Securities Act
In Connection With the May 2002 Integrated Public Offering

112. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint. This Count XII involves deceit, manipulation or contrivance on the part of the May 2002 Underwriter Defendants and others, as alleged in the Joint Amended Consolidated Securities Complaint and herein.

113. This Count XII is brought against the May 2002 Underwriter Defendants for violations of Section 12(a)(2) of the Securities Act on behalf of all persons who purchased or otherwise acquired the May 2002 Unregistered Notes by means of the May 2002 Offering.
114. The May 2002 Underwriter Defendants, together with other defendants, as alleged herein and in the Joint Amended Consolidated Securities Complaint, falsely purported to have structured the sale of the May 2002 Unregistered Notes and the subsequent exchange of the May 2002 Unregistered Notes for the May 2002 Registered Notes in compliance with SEC Rule 144A. However, that structure was intended to, and in fact did, operate as a fraud both on the SEC and on Bondholder Plaintiffs and Bondholder Class Members. The May 2002 Underwriter Defendants did not use that two-step transaction for any proper purpose, but instead employed that structure as an artifice (i) to avoid the statutorily required “due diligence” investigations that would have been required of the May 2002 Underwriter Defendants in connection with a registered public offering of the May 2002 Unregistered Notes; (ii) to avoid filing with the SEC the registration statement that would have been necessary for the sale of the May 2002 Unregistered Notes had those debt securities been registered; (iii) to shield the May 2002 Underwriter Defendants from Securities Act liability for their knowing involvement in HealthSouth’s frauds, and (iv) thereby, to deliberately conceal from the SEC, the investing public, Bondholder Plaintiffs and members of the Bondholder Class the nature and extent of HealthSouth’s frauds. Because the two-step transaction used to sell the May 2002 Unregistered Notes and to exchange those Notes for the May 2002 Registered Notes was conducted for the purpose of avoiding the registration requirements of the Securities Act and, therefore, in a deliberate effort to avoid liability under the Securities Act for known violations thereof, Rule 144A and the two-step structure addressed in the SEC’s Exxon Capital series of No-Action letters were inapplicable to the sale of the May 2002 Registered Notes and the subsequent
exchange for the May 2002 Registered Notes, as set forth in Preliminary Note 3 to the Rule. Accordingly, the sale of the May 2002 Registered Notes was not exempt from the registration requirements of the Securities Act, and, therefore, that sale and the subsequent exchange of the May 2002 Unregistered Notes for the May 2002 Registered Notes should be considered together as an integrated public offering. As a result, by the May 2002 Offering Memorandum, which was distributed using the means and instrumentalities of interstate commerce and the U.S. mail, the May 2002 Underwriter Defendants were sellers, offerors and/or solicitors of sales of the May 2002 Unregistered Notes, and, by means of the May 2002 Prospectus, which also was distributed using the means and instrumentalities of interstate commerce and the U.S. mails, the May 2002 Underwriter Defendants were sellers, offerors and/or solicitors of sales of May 2002 Registered Notes, each in connection with the May 2002 Integrated Public Offering.

115. The May 2002 Offering Memorandum and the May 2002 Prospectus included materially false and misleading statements, and omitted facts necessary to make the statements made therein not materially misleading, as alleged in the Joint Amended Consolidated Securities Complaint. The actions and solicitations of the May 2002 Underwriter Defendants included participating in the preparation of the materially false and misleading May 2002 Offering Memorandum, which was substantially identical to the materially false and misleading May 2002 Prospectus.

116. The May 2002 Underwriter Defendants owed a duty to persons who purchased or otherwise acquired the May 2002 Registered Notes and to persons who purchased or otherwise acquired the May 2002 Unregistered Notes, including Bondholder Plaintiffs and other members of the Bondholder Class, to make a reasonable and diligent investigation of the statements contained in
the May 2002 Offering Memorandum and the May 2002 Prospectus to ensure that such statements were true, and that there were no omissions of material fact necessary in order to make those statements made, in light of the circumstances under which they were made, not misleading. The May 2002 Underwriter Defendants knew of or, in the exercise of reasonable care, should have known of the materially false and misleading statements contained in, and material omissions from, the May 2002 Offering Memorandum and the May 2002 Prospectus.

117. Bondholder Plaintiffs and other members of the Bondholder Class purchased or otherwise acquired the May 2002 Unregistered Notes and/or who purchased or otherwise acquired the May 2002 Registered Notes by means of the materially false and misleading May 2002 Offering Memorandum and/or the materially false and misleading May 2002 Prospectus. Bondholder Plaintiffs and other members of the Bondholder Class did not know, or, in the exercise of reasonable diligence, could not have known, of the untruths contained in, or incorporated into, or omitted from, the May 2002 Offering Memorandum and/or the May 2002 Prospectus.

118. By virtue of the conduct alleged herein and in the Joint Amended Consolidated Securities Complaint, the May 2002 Underwriter Defendants violated, and/or controlled a person who violated, Section 12(a)(2) of the Securities Act. Accordingly, Bondholder Plaintiffs and other members of the Bondholder Class who purchased or otherwise acquired the May 2002 Unregistered Notes and/or who purchased or otherwise acquired the May 2002 Registered Notes have the right to rescind and recover the consideration paid for their May 2002 Unregistered Notes and/or May 2002 Registered Notes, and hereby elect to rescind and tender their May 2002 Unregistered Notes and/or May 2002 Registered Notes to the May 2002 Underwriter Defendants.
119. Members of the Bondholder Class who have sold their May 2002 Unregistered Notes and/or their May 2002 Registered Notes are entitled to rescissory damages.

120. This action is commenced within the period for bringing claims for violations of Section 12(a)(2) of the Securities Act.

COUNT XIII

Against HealthSouth
For Violations of Section 11 of the Securities Act
In Connection with the March 1998 Integrated Public Offering

121. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint. This Count XIII involves deceit, manipulation or contrivance on the part of HealthSouth and others, as alleged in the Joint Amended Consolidated Securities Complaint and herein.

122. This Count XIII is brought against HealthSouth on behalf of all persons who purchased or otherwise acquired March 1998 Registered Notes by means of the March 1998 Registration Statement for violations of Section 11 of the Securities Act.

123. HealthSouth is the registrant of the March 1998 Registered Notes. The Company was responsible for the contents and dissemination of the March 1998 Registration Statement. As issuer and registrant of the March 1998 Registered Notes, HealthSouth is strictly liable to members of the Bondholder Class for the material misstatements made in, or incorporated into, and the omissions from, the March 1998 Registration Statement.
124. The March 1998 Registration Statement was materially false and misleading, omitted to state facts necessary to make the statements made not misleading, and concealed and failed to adequately disclose material facts, as alleged in the Joint Amended Consolidated Securities Complaint. HealthSouth has admitted that all of its financial statements filed with the SEC or disseminated to the investing public during the Bondholder Class Period were materially false and misleading. This admission by itself proves HealthSouth’s violation of Section 11 of the Securities Act.

125. At the time members of the Bondholder Class acquired the March 1998 Registered Notes pursuant or traceable to the March 1998 Registration Statement, they did not know of the facts concerning the untrue and misleading statements and omissions alleged herein.

126. In connection with issuing the March 1998 Registration Statement, HealthSouth used the means and instrumentalities of interstate commerce and the U.S. mail.

127. This action is commenced within the period for bringing claims for violations of Section 11 of the Securities Act, as set forth in Section 804 of the Sarbanes-Oxley Act of 2002, 28 U.S.C. § 1658, for private actions that, like this Count XIII, involve a claim of deceit, manipulation or contrivance in contravention of the securities laws.

128. By reason of the foregoing, HealthSouth is liable to members of the Bondholder Class who purchased or otherwise acquired the March 1998 Registered Notes pursuant or traceable to the March 1998 Registration Statement for violations of Section 11 of the Securities Act, each of whom has been damaged by reasons of such violations.
COUNT XIV

Against HealthSouth
For Violations of Section 11 of the Securities Act
In Connection with the June 1998 Integrated Public Offering

129. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint. This Count XIV involves deceit, manipulation or contrivance on the part of HealthSouth and others, as alleged in the Joint Amended Consolidated Securities Complaint and herein.

130. This Count XIV is brought against HealthSouth on behalf of all persons who purchased or otherwise acquired June 1998 Registered Notes by means of the June 1998 Registration Statement for violations of Section 11 of the Securities Act.

131. HealthSouth is the registrant of the June 1998 Registered Notes. The Company was responsible for the contents and dissemination of the June 1998 Registration Statement. As issuer and registrant of the June 1998 Registered Notes, HealthSouth is strictly liable to Bondholder Plaintiffs and the members of the Bondholder Class for the material misstatements made in, or incorporated into, and the omissions from, the June 1998 Registration Statement.

132. The June 1998 Registration Statement was materially false and misleading, omitted to state facts necessary to make the statements made not misleading, and concealed and failed to adequately disclose material facts, as alleged in the Joint Amended Consolidated Securities Complaint. HealthSouth has admitted that all of its financial statements filed with the SEC or disseminated to the investing public during the Bondholder Class Period were materially false and
misleading. This admission by itself proves HealthSouth's violation of Section 11 of the Securities Act.

133. At the time Bondholder Plaintiffs and other members of the Bondholder Class acquired the June 1998 Registered Notes pursuant or traceable to the June 1998 Registration Statement, they did not know of the facts concerning the untrue and misleading statements and omissions alleged herein.

134. In connection with issuing the June 1998 Registration Statement, HealthSouth used the means and instrumentalities of interstate commerce and the U.S. mail.

135. This action is commenced within the period for bringing claims for violations of Section 11 of the Securities Act, as set forth in Section 804 of the Sarbanes-Oxley Act of 2002, 28 U.S.C. § 1658, for private actions that, like this Count XIV, involve a claim of deceit, manipulation or contrivance in contravention of the securities laws.

136. By reason of the foregoing, HealthSouth is liable to Bondholder Plaintiffs and other members of the Bondholder Class who purchased or otherwise acquired the June 1998 Registered Notes pursuant or traceable to the June 1998 Registration Statement for violations of Section 11 of the Securities Act, each of whom has been damaged by reasons of such violations.
COUNT XV

Against HealthSouth
For Violations of Section 11 of the Securities Act
In Connection with the September 2000 Integrated Public Offering

137. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint, except, however, any and all allegations of fraud, deceit, manipulation or contrivance. This Count XV asserts only a claim of strict liability.

138. This Count XV is brought against HealthSouth on behalf of all persons who purchased or otherwise acquired September 2000 Registered Notes by means of the September 2000 Registration Statement for violations of Section 11 of the Securities Act.

139. HealthSouth is the registrant of the September 2000 Registered Notes. The Company was responsible for the contents and dissemination of the September 2000 Registration Statement. As issuer and registrant of the September 2000 Registered Notes, HealthSouth is strictly liable to Bondholder Plaintiffs and the members of the Bondholder Class for the material misstatements made in, or incorporated into, and the omissions from, the September 2000 Registration Statement.

140. The September 2000 Registration Statement was materially false and misleading, omitted to state facts necessary to make the statements made not misleading, and concealed and failed to adequately disclose material facts, as alleged in the Joint Amended Consolidated Securities Complaint. HealthSouth has admitted that all of its financial statements filed with the SEC or disseminated to the investing public during the Bondholder Class Period were materially false and misleading. This admission by itself proves HealthSouth’s violation of Section 11 of the Securities Act.
141. At the time Bondholder Plaintiffs and other members of the Bondholder Class acquired the September 2000 Registered Notes pursuant or traceable to the September 2000 Registration Statement, they did not know of the facts concerning the untrue and misleading statements and omissions alleged herein.

142. In connection with issuing the September 2000 Registration Statement, HealthSouth used the means and instrumentalities of interstate commerce and the U.S. mail.

143. This action is commenced within the period for bringing claims for violations of Section 11 of the Securities Act.

144. By reason of the foregoing, HealthSouth is liable to Bondholder Plaintiffs and other members of the Bondholder Class who purchased or otherwise acquired the September 2000 Registered Notes pursuant or traceable to the September 2000 Registration Statement for violations of Section 11 of the Securities Act, each of whom has been damaged by reasons of such violations.

COUNT XVI

Against HealthSouth
For Violations of Section 11 of the Securities Act
In Connection with the February 2001 Integrated Public Offering

145. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint, except, however, any and all allegations of fraud, deceit, manipulation or contrivance. This Count XVI asserts only a claim of strict liability.
146. This Count XVI is brought against HealthSouth on behalf of all persons who purchased or otherwise acquired February 2001 Registered Notes by means of the February 2001 Registration Statement for violations of Section 11 of the Securities Act.

147. HealthSouth is the registrant of the February 2001 Registered Notes. The Company was responsible for the contents and dissemination of the February 2001 Registration Statement. As issuer and registrant of the February 2001 Registered Notes, HealthSouth is strictly liable to Bondholder Plaintiffs and the members of the Bondholder Class for the material misstatements made in, or incorporated into, and the omissions from, the February 2001 Registration Statement.

148. The February 2001 Registration Statement was materially false and misleading, omitted to state facts necessary to make the statements made not misleading, and concealed and failed to adequately disclose material facts, as alleged in the Joint Amended Consolidated Securities Complaint. HealthSouth has admitted that all of its financial statements filed with the SEC or disseminated to the investing public during the Bondholder Class Period were materially false and misleading. This admission by itself proves HealthSouth’s violation of Section 11 of the Securities Act.

149. At the time Bondholder Plaintiffs and other members of the Bondholder Class acquired the February 2001 Registered Notes pursuant or traceable to the February 2001 Registration Statement, they did not know of the facts concerning the untrue and misleading statements and omissions alleged herein.

150. In connection with issuing the February 2001 Registration Statement, HealthSouth used the means and instrumentalities of interstate commerce and the U.S. mail.
151. This action is commenced within the period for bringing claims for violations of Section 11 of the Securities Act.

152. By reason of the foregoing, HealthSouth is liable to Bondholder Plaintiffs and other members of the Bondholder Class who purchased or otherwise acquired the February 2001 Registered Notes pursuant or traceable to the February 2001 Registration Statement for violations of Section 11 of the Securities Act, each of whom has been damaged by reasons of such violations.

COUNT XVII

Against HealthSouth
For Violations of Section 11 of the Securities Act
In Connection with the September 2001 Integrated Public Offering

153. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint, except, however, any and all allegations of fraud, deceit, manipulation or contrivance. This Count XVII asserts only a claim of strict liability.

154. This Count XVII is brought against HealthSouth on behalf of all persons who purchased or otherwise acquired September 2001 Registered Notes by means of the September 2001 Registration Statement for violations of Section 11 of the Securities Act.

155. HealthSouth is the registrant of the September 2001 Registered Notes. The Company was responsible for the contents and dissemination of the September 2001 Registration Statement. As issuer and registrant of the September 2001 Registered Notes, HealthSouth is strictly liable to the members of the Bondholder Class for the material misstatements made in, or incorporated into, and the omissions from, the September 2001 Registration Statement.
156. The September 2001 Registration Statement was materially false and misleading, omitted to state facts necessary to make the statements made not misleading, and concealed and failed to adequately disclose material facts, as alleged in the Joint Amended Consolidated Securities Complaint. HealthSouth has admitted that all of its financial statements filed with the SEC or disseminated to the investing public during the Bondholder Class Period were materially false and misleading. This admission by itself proves HealthSouth’s violation of Section 11 of the Securities Act.

157. At the time members of the Bondholder Class acquired the September 2001 Registered Notes pursuant or traceable to the September 2001 Registration Statement, they did not know of the facts concerning the untrue and misleading statements and omissions alleged herein.

158. In connection with issuing the September 2001 Registration Statement, HealthSouth used the means and instrumentalities of interstate commerce and the U.S. mail.

159. This action is commenced within the period for bringing claims for violations of Section 11 of the Securities Act.

160. By reason of the foregoing, HealthSouth is liable to members of the Bondholder Class who purchased or otherwise acquired the September 2001 Registered Notes pursuant or traceable to the September 2001 Registration Statement for violations of Section 11 of the Securities Act, each of whom has been damaged by reasons of such violations.
COUNT XVIII

Against HealthSouth
For Violations of Section 11 of the Securities Act
In Connection with the May 2002 Integrated Public Offering

161. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint, except, however, any and all allegations of fraud, deceit, manipulation or contrivance. This Count XVIII asserts only a claim of strict liability.

162. This Count XVIII is brought against HealthSouth on behalf of all persons who purchased or otherwise acquired May 2002 Registered Notes by means of the May 2002 Registration Statement for violations of Section 11 of the Securities Act.

163. HealthSouth is the registrant of the May 2002 Registered Notes. The Company was responsible for the contents and dissemination of the May 2002 Registration Statement. As issuer and registrant of the May 2002 Registered Notes, HealthSouth is strictly liable to Bondholder Plaintiffs and the members of the Bondholder Class for the material misstatements made in, or incorporated into, and the omissions from, the May 2002 Registration Statement.

164. The May 2002 Registration Statement was materially false and misleading, omitted to state facts necessary to make the statements made not misleading, and concealed and failed to adequately disclose material facts, as alleged in the Joint Amended Consolidated Securities Complaint. HealthSouth has admitted that all of its financial statements filed with the SEC or disseminated to the investing public during the Bondholder Class Period were materially false and misleading. This admission by itself provces HealthSouth’s violation of Section 11 of the Securities Act.
165. At the time Bondholder Plaintiffs and other members of the Bondholder Class acquired the May 2002 Registered Notes pursuant or traceable to the May 2002 Registration Statement, they did not know of the facts concerning the untrue and misleading statements and omissions alleged herein.

166. In connection with issuing the May 2002 Registration Statement, HealthSouth used the means and instrumentalities of interstate commerce and the U.S. mail.

167. This action is commenced within the period for bringing claims for violations of Section 11 of the Securities Act.

168. By reason of the foregoing, HealthSouth is liable to Bondholder Plaintiffs and other members of the Bondholder Class who purchased or otherwise acquired the May 2002 Registered Notes pursuant or traceable to the May 2002 Registration Statement for violations of Section 11 of the Securities Act, each of whom has been damaged by reasons of such violations.

COUNT XIX

Against the March 1998 Underwriter Defendants
For Violations of Section 11 of the Securities Act
In Connection With the March 1998 Integrated Public Offering

169. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint. This Count XIX involves deceit, manipulation or contrivance on the part of the March 1998 Underwriter Defendants and others, as alleged in the Joint Amended Consolidated Securities Complaint and herein.
170. This Count XIX is brought against the March 1998 Underwriter Defendants on behalf of all persons who purchased or otherwise acquired March 1998 Registered Notes pursuant or traceable to the March 1998 Registration Statement for violations of Section 11 of the Securities Act.

171. The March 1998 Underwriter Defendants, together with other defendants, as alleged herein and in the Joint Amended Consolidated Securities Complaint, falsely purported to have structured the sale of the March 1998 Unregistered Notes and the subsequent exchange of the March 1998 Unregistered Notes for the March 1998 Registered Notes in compliance with SEC Rule 144A. However, that structure was intended to, and in fact did, operate as a fraud both on the SEC and on Bondholder Plaintiffs and Bondholder Class Members. The March 1998 Underwriter Defendants did not use that two-step transaction for any proper purpose, but instead employed that structure as an artifice (i) to avoid the statutorily required "due diligence" investigations that would have been required of the March 1998 Underwriter Defendants in connection with a registered public offering of the March 1998 Unregistered Notes; (ii) to avoid filing with the SEC the registration statement that would have been necessary for the sale of the March 1998 Unregistered Notes had those debt securities been registered; (iii) to shield the March 1998 Underwriter Defendants from Securities Act liability for their knowing involvement in HealthSouth's frauds, and (iv) thereby, to deliberately conceal from the SEC, the investing public, Bondholder Plaintiffs and members of the Bondholder Class the nature and extent of HealthSouth's frauds. Because the two-step transaction used to sell the March 1998 Unregistered Notes and to exchange those Notes for the March 1998 Registered Notes was conducted for the purpose of avoiding the registration requirements of the Securities Act and, therefore, in a deliberate effort to avoid liability under the Securities Act for known violations thereof, Rule 144A and the two-step structure addressed in the SEC's Exxon Capital series of No-
Action letters were inapplicable to the sale of the March 1998 Unregistered Notes and the subsequent exchange for the March 1998 Registered Notes, as set forth in Preliminary Note 3 to the Rule. Accordingly, the sale of the March 1998 Unregistered Notes was not exempt from the registration requirements of the Securities Act, and, therefore, that sale and the subsequent exchange of the March 1998 Unregistered Notes for the March 1998 Registered Notes should be considered together as an integrated public offering. As a result, by the March 1998 Registration Statement, which was distributed using the means and instrumentalities of interstate commerce and the U.S. mail, the March 1998 Underwriter Defendants were underwriters of the March 1998 Registered Notes in connection with the March 1998 Integrated Public Offering.

172. The March 1998 Registration Statement was materially false and misleading, omitted to state facts necessary to make the statements made not misleading, and concealed and failed to adequately disclose material facts, as alleged in the Joint Amended Consolidated Securities Complaint.

173. As underwriters of the March 1998 Integrated Public Offering, and, specifically, of the March 1998 Registered Notes, each of the March 1998 Underwriter Defendants owed to the purchasers or acquirors of the March 1998 Registered Notes, including Bondholder Class members who or which purchased or otherwise acquired the March 1998 Registered Notes pursuant or traceable to the March 1998 Registration Statement, the duty to make a reasonable and diligent investigation of the statements contained in the March 1998 Registration Statement, to ensure that said statements were true, and that there were no omissions of material fact. The March 1998 Underwriter Defendants knew of or, in the exercise of reasonable care, should have known of the material misstatements contained in, or incorporated into, and/or the material omissions from the
March 1998 Registration Statement. As such, the March 1998 Underwriter Defendants are liable under Section 11(a)(5) to members of the Bondholder Class who or which purchased or otherwise acquired the March 1998 Registered Notes pursuant or traceable to the March 1998 Registration Statement.

174. At the time members of the Bondholder Class purchased or otherwise acquired the March 1998 Registered Notes pursuant or traceable to the March 1998 Registration Statement, they did not know of the facts concerning the untrue and misleading statements and omissions alleged herein.

175. The March 1998 Registration Statement was distributed using the means and instrumentalities of interstate commerce and the U.S. mail.

176. This action is commenced within the period for bringing claims for violations of Section 11 of the Securities Act, as set forth in Section 804 of the Sarbanes-Oxley Act of 2002, 28 U.S.C. § 1658, for private actions that, like this Count XIX, involve a claim of deceit, manipulation or contrivance in contravention of the securities laws.

177. By reason of the foregoing, the March 1998 Underwriter Defendants are liable to members of the Bondholder Class who purchased or otherwise acquired March 1998 Registered Notes pursuant or traceable to the March 1998 Registration Statement for violations of Section 11 of the Securities Act, each of whom has been damaged by reasons of such violations.
COUNT XX

Against the June 1998 Underwriter Defendants
For Violations of Section 11 of the Securities Act
In Connection With the June 1998 Integrated Public Offering

178. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint. This Count XX involves deceit, manipulation or contrivance on the part of the June 1998 Underwriter Defendants and others, as alleged in the Joint Amended Consolidated Securities Complaint and herein.

179. This Count XX is brought against the June 1998 Underwriter Defendants on behalf of all persons who purchased or otherwise acquired June 1998 Registered Notes pursuant or traceable to the June 1998 Registration Statement for violations of Section 11 of the Securities Act.

180. The June 1998 Underwriter Defendants, together with other defendants, as alleged herein and in the Joint Amended Consolidated Securities Complaint, falsely purported to have structured the sale of the June 1998 Unregistered Notes and the subsequent exchange of the June 1998 Unregistered Notes for the June 1998 Registered Notes in compliance with SEC Rule 144A. However, that structure was intended to, and in fact did, operate as a fraud both on the SEC and on Bondholder Plaintiffs and Bondholder Class Members. The June 1998 Underwriter Defendants did not use that two-step transaction for any proper purpose, but instead employed that structure as an artifice (i) to avoid the statutorily required “due diligence” investigations that would have been required of the June 1998 Underwriter Defendants in connection with a registered public offering of the June 1998 Unregistered Notes; (ii) to avoid filing with the SEC the registration statement that would have been necessary for the sale of the June 1998 Unregistered Notes had those debt securities been registered; (iii) to shield the June 1998 Underwriter Defendants from Securities Act liability for
their knowing involvement in HealthSouth's frauds, and (iv) thereby, to deliberately conceal from
the SEC, the investing public, Bondholder Plaintiffs and members of the Bondholder Class the
nature and extent of HealthSouth's frauds. Because the two-step transaction used to sell the June
1998 Unregistered Notes and to exchange those Notes for the June 1998 Registered Notes was
conducted for the purpose of avoiding the registration requirements of the Securities Act and,
therefore, in a deliberate effort to avoid liability under the Securities Act for known violations
thereof, Rule 144A and the two-step structure addressed in the SEC's Exxon Capital series of No-
Action letters were inapplicable to the sale of the June 1998 Unregistered Notes and the subsequent
exchange for the June 1998 Registered Notes, as set forth in Preliminary Note 3 to the Rule.
Accordingly, the sale of the June 1998 Unregistered Notes was not exempt from the registration
requirements of the Securities Act, and, therefore, that sale and the subsequent exchange of the June
1998 Unregistered Notes for the June 1998 Registered Notes should be considered together as an
integrated public offering. As a result, by the June 1998 Registration Statement, which was
distributed using the means and instrumentalities of interstate commerce and the U.S. mail, the June
1998 Underwriter Defendants were underwriters of the June 1998 Registered Notes in connection
with the June 1998 Integrated Public Offering.

181. The June 1998 Registration Statement was materially false and misleading, omitted to
state facts necessary to make the statements made not misleading, and concealed and failed to
adequately disclose material facts, as alleged in the Joint Amended Consolidated Securities
Complaint.

182. As underwriters of the June 1998 Integrated Public Offering, and, specifically, of the
June 1998 Registered Notes, each of the June 1998 Underwriter Defendants owed to the purchasers
or acquirors of the June 1998 Registered Notes, including Bondholder Plaintiffs and the other Bondholder Class members who or which purchased or otherwise acquired the June 1998 Registered Notes pursuant or traceable to the June 1998 Registration Statement, the duty to make a reasonable and diligent investigation of the statements contained in the June 1998 Registration Statement, to ensure that said statements were true, and that there were no omissions of material fact. The June 1998 Underwriter Defendants knew of or, in the exercise of reasonable care, should have known of the material misstatements contained in, or incorporated into, and/or the material omissions from the June 1998 Registration Statement. As such, the June 1998 Underwriter Defendants are liable under Section 11(a)(5) to Bondholder Plaintiffs and the other members of the Bondholder Class who or which purchased or otherwise acquired the June 1998 Registered Notes pursuant or traceable to the June 1998 Registration Statement.

183. At the time Bondholder Plaintiffs and other members of the Bondholder Class purchased or otherwise acquired the June 1998 Registered Notes pursuant or traceable to the June 1998 Registration Statement, they did not know of the facts concerning the untrue and misleading statements and omissions alleged herein.

184. The June 1998 Registration Statement was distributed using the means and instrumentalities of interstate commerce and the U.S. mail.

185. This action is commenced within the period for bringing claims for violations of Section 11 of the Securities Act, as set forth in Section 804 of the Sarbanes-Oxley Act of 2002, 28 U.S.C. § 1658, for private actions that, like this Count XX, involve a claim of deceit, manipulation or contrivance in contravention of the securities laws.
186. By reason of the foregoing, the June 1998 Underwriter Defendants are liable to Bondholder Plaintiffs and other members of the Bondholder Class who purchased or otherwise acquired June 1998 Registered Notes pursuant or traceable to the June 1998 Registration Statement for violations of Section 11 of the Securities Act, each of whom has been damaged by reasons of such violations.

COUNT XXI

Against the September 2000 Underwriter Defendants
For Violations of Section 11 of the Securities Act
In Connection With the September 2000 Integrated Public Offering

187. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint. This Count XXI involves deceit, manipulation or contrivance on the part of the September 2000 Underwriter Defendants and others, as alleged in the Joint Amended Consolidated Securities Complaint and herein.

188. This Count XXI is brought against the September 2000 Underwriter Defendants on behalf of all persons who purchased or otherwise acquired September 2000 Registered Notes pursuant or traceable to the September 2000 Registration Statement for violations of Section 11 of the Securities Act.

189. The September 2000 Underwriter Defendants, together with other defendants, as alleged herein and in the Joint Amended Consolidated Securities Complaint, falsely purported to have structured the sale of the September 2000 Unregistered Notes and the subsequent exchange of the September 2000 Unregistered Notes for the September 2000 Registered Notes in compliance with SEC Rule 144A. However, that structure was intended to, and in fact did, operate as a fraud
both on the SEC and on Bondholder Plaintiffs and Bondholder Class Members. The September 2000 Underwriter Defendants did not use that two-step transaction for any proper purpose, but instead employed that structure as an artifice (i) to avoid the statutorily required "due diligence" investigations that would have been required of the September 2000 Underwriter Defendants in connection with a registered public offering of the September 2000 Unregistered Notes; (ii) to avoid filing with the SEC the registration statement that would have been necessary for the sale of the September 2000 Unregistered Notes had those debt securities been registered; (iii) to shield the September 2000 Underwriter Defendants from Securities Act liability for their knowing involvement in HealthSouth’s frauds, and (iv) thereby, to deliberately conceal from the SEC, the investing public, Bondholder Plaintiffs and members of the Bondholder Class the nature and extent of HealthSouth’s frauds. Because the two-step transaction used to sell the September 2000 Unregistered Notes and to exchange those Notes for the September 2000 Registered Notes was conducted for the purpose of avoiding the registration requirements of the Securities Act and, therefore, in a deliberate effort to avoid liability under the Securities Act for known violations thereof, Rule 144A and the two-step structure addressed in the SEC’s Exxon Capital series of No-Action letters were inapplicable to the sale of the September 2000 Unregistered Notes and the subsequent exchange for the September 2000 Registered Notes, as set forth in Preliminary Note 3 to the Rule. Accordingly, the sale of the September 2000 Unregistered Notes was not exempt from the registration requirements of the Securities Act, and, therefore, that sale and the subsequent exchange of the September 2000 Unregistered Notes for the September 2000 Registered Notes should be considered together as an integrated public offering. As a result, by the September 2000 Registration Statement, which was distributed using the means and instrumentalities of interstate commerce and the U.S. mail, the
September 2000 Underwriter Defendants were underwriters of the September 2000 Registered Notes in connection with the September 2000 Integrated Public Offering.

190. The September 2000 Registration Statement was materially false and misleading, omitted to state facts necessary to make the statements made not misleading, and concealed and failed to adequately disclose material facts, as alleged in the Joint Amended Consolidated Securities Complaint.

191. As underwriters of the September 2000 Integrated Public Offering, and, specifically, of the September 2000 Registered Notes, each of the September 2000 Underwriter Defendants owed to the purchasers or acquirors of the September 2000 Registered Notes, including Bondholder Plaintiffs and the other Bondholder Class members who or which purchased or otherwise acquired September 2000 Registered Notes pursuant or traceable to the September 2000 Registration Statement, the duty to make a reasonable and diligent investigation of the statements contained in the September 2000 Registration Statement, to ensure that said statements were true, and that there were no omissions of material fact. The September 2000 Underwriter Defendants knew of or, in the exercise of reasonable care, should have known of the material misstatements contained in, or incorporated into, and/or the material omissions from the September 2000 Registration Statement. As such, the September 2000 Underwriter Defendants are liable under Section 11(a)(5) to Bondholder Plaintiffs and the other members of the Bondholder Class who or which purchased or otherwise acquired September 2000 Registered Notes pursuant or traceable to the September 2000 Registration Statement.

192. At the time Bondholder Plaintiffs and other members of the Bondholder Class purchased or otherwise acquired September 2000 Registered Notes pursuant or traceable to the
September 2000 Registration Statement, they did not know of the facts concerning the untrue and misleading statements and omissions alleged herein.

193. The September 2000 Registration Statement was distributed using the means and instrumentalities of interstate commerce and the U.S. mail.

194. This action is commenced within the period for bringing claims for violations of Section 11 of the Securities Act.

195. By reason of the foregoing, the September 2000 Underwriter Defendants are liable to Bondholder Plaintiffs and other members of the Bondholder Class who purchased or otherwise acquired September 2000 Registered Notes pursuant or traceable to the September 2000 Registration Statement for violations of Section 11 of the Securities Act, each of whom has been damaged by reason of such violations.

COUNT XXII

Against the February 2001 Underwriter Defendants
For Violations of Section 11 of the Securities Act
In Connection With the February 2001 Integrated Public Offering

196. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint. This Count XXII involves deceit, manipulation or contrivance on the part of the February 2001 Underwriter Defendants and others, as alleged in the Joint Amended Consolidated Securities Complaint and herein.

197. This Count XXII is brought against the February 2001 Underwriter Defendants on behalf of all persons who purchased or otherwise acquired February 2001 Registered Notes pursuant
or traceable to the February 2001 Registration Statement for violations of Section 11 of the Securities Act.

198. The February 2001 Underwriter Defendants, together with other defendants, as alleged herein and in the Joint Amended Consolidated Securities Complaint, falsely purported to have structured the sale of the February 2001 Unregistered Notes and the subsequent exchange of the February 2001 Unregistered Notes for the February 2001 Registered Notes in compliance with SEC Rule 144A. However, that structure was intended to, and in fact did, operate as a fraud both on the SEC and on Bondholder Plaintiffs and Bondholder Class Members. The February 2001 Underwriter Defendants did not use that two-step transaction for any proper purpose, but instead employed that structure as an artifice (i) to avoid the statutorily required “due diligence” investigations that would have been required of the February 2001 Underwriter Defendants in connection with a registered public offering of the February 2001 Unregistered Notes; (ii) to avoid filing with SEC the registration statement that would have been necessary for the sale of the February 2001 Unregistered Notes had those debt securities been registered; (iii) to shield the February 2001 Underwriter Defendants from Securities Act liability for their knowing involvement in HealthSouth’s frauds, and (iv) thereby, to deliberately conceal from the SEC, the investing public, Bondholder Plaintiffs and members of the Bondholder Class the nature and extent of HealthSouth’s frauds. Because the two-step transaction used to sell the February 2001 Unregistered Notes and to exchange those Notes for the February 2001 Registered Notes was conducted for the purpose of avoiding the registration requirements of the Securities Act and, therefore, in a deliberate effort to avoid liability under the Securities Act for known violations thereof, Rule 144A and the two-step structure addressed in the SEC’s Exxon Capital series of No-Action letters were inapplicable to the sale of the February 2001
Unregistered Notes and the subsequent exchange for the February 2001 Registered Notes, as set forth in Preliminary Note 3 to the Rule. Accordingly, the sale of the February 2001 Unregistered Notes was not exempt from the registration requirements of the Securities Act, and, therefore, that sale and the subsequent exchange of the February 2001 Unregistered Notes for the February 2001 Registered Notes should be considered together as an integrated public offering. As a result, by the February 2001 Registration Statement, which was distributed using the means and instrumentalities of interstate commerce and the U.S. mail, the February 2001 Underwriter Defendants were underwriters of the February 2001 Registered Notes in connection with the February 2001 Integrated Public Offering.

199. The February 2001 Registration Statement was materially false and misleading, omitted to state facts necessary to make the statements made not misleading, and concealed and failed to adequately disclose material facts, as alleged in the Joint Amended Consolidated Securities Complaint.

200. As underwriters of the February 2001 Integrated Public Offering, and, specifically, of the February 2001 Registered Notes, each of the February 2001 Underwriter Defendants owed to the purchasers or acquirors of the February 2001 Registered Notes, including Bondholder Plaintiffs and the other Bondholder Class members who or which purchased or otherwise acquired February 2001 Registered Notes pursuant or traceable to the February 2001 Registration Statement, the duty to make a reasonable and diligent investigation of the statements contained in the February 2001 Registration Statement, to ensure that said statements were true, and that there were no omissions of material fact. The February 2001 Underwriter Defendants knew of or, in the exercise of reasonable care, should have known of the material misstatements contained in, or incorporated into, and/or the
material omissions from the February 2001 Registration Statement. As such, the February 2001 Underwriter Defendants are liable under Section 11(a)(5) to Bondholder Plaintiffs and the other members of the Bondholder Class who or which purchased or otherwise acquired February 2001 Registered Notes pursuant or traceable to the February 2001 Registration Statement.

201. At the time Bondholder Plaintiffs and other members of the Bondholder Class purchased or otherwise acquired February 2001 Registered Notes pursuant or traceable to the February 2001 Registration Statement, they did not know of the facts concerning the untrue and misleading statements and omissions alleged herein.

202. The February 2001 Registration Statement was distributed using the means and instrumentalities of interstate commerce and the U.S. mail.

203. This action is commenced within the period for bringing claims for violations of Section 11 of the Securities Act.

204. By reason of the foregoing, the February 2001 Underwriter Defendants are liable to Bondholder Plaintiffs and other members of the Bondholder Class who purchased or otherwise acquired February 2001 Registered Notes pursuant or traceable to the February 2001 Registration Statement for violations of Section 11 of the Securities Act, each of whom has been damaged by reasons of such violations.
COUNT XXIII

Against the September 2001 Underwriter Defendants
For Violations of Section 11 of the Securities Act
In Connection With the September 2001 Integrated Public Offering

205. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint. This Count XXIII involves deceit, manipulation or contrivance on the part of the September 2001 Underwriter Defendants and others, as alleged in the Joint Amended Consolidated Securities Complaint and herein.

206. This Count XXIII is brought against the September 2001 Underwriter Defendants on behalf of all persons who purchased or otherwise acquired September 2001 Registered Notes pursuant or traceable to the September 2001 Registration Statement for violations of Section 11 of the Securities Act.

207. The September 2001 Underwriter Defendants, together with other defendants, as alleged herein and in the Joint Amended Consolidated Securities Complaint, falsely purported to have structured the sale of the September 2001 Unregistered Notes and the subsequent exchange of the September 2001 Unregistered Notes for the September 2001 Registered Notes in compliance with SEC Rule 144A. However, that structure was intended to, and in fact did, operate as a fraud both on the SEC and on Bondholder Class Members. The September 2001 Underwriter Defendants did not use that two-step transaction for any proper purpose, but instead employed that structure as an artifice (i) to avoid the statutorily required “due diligence” investigations that would have been required of the September 2001 Underwriter Defendants in connection with a registered public offering of the September 2001 Unregistered Notes; (ii) to avoid filing with the SEC the registration statement that would have been necessary for the sale of the September 2001 Unregistered Notes had...
those debt securities been registered; (iii) to shield the September 2001 Underwriter Defendants from Securities Act liability for their knowing involvement in HealthSouth's frauds, and (iv) thereby, to deliberately conceal from the SEC, the investing public, and members of the Bondholder Class the nature and extent of HealthSouth's frauds. Because the two-step transaction used to sell the September 2001 Unregistered Notes and to exchange those Notes for the September 2001 Registered Notes was conducted for the purpose of avoiding the registration requirements of the Securities Act and, therefore, in a deliberate effort to avoid liability under the Securities Act for known violations thereof, Rule 144A and the two-step structure addressed in the SEC's Exxon Capital series of No-Action letters were inapplicable to the sale of the September 2001 Unregistered Notes and the subsequent exchange for the September 2001 Registered Notes, as set forth in Preliminary Note 3 to the Rule. Accordingly, the sale of the September 2001 Unregistered Notes was not exempt from the registration requirements of the Securities Act, and, therefore, that sale and the subsequent exchange of the September 2001 Unregistered Notes for the September 2001 Registered Notes should be considered together as an integrated public offering. As a result, by the September 2001 Registration Statement, which was distributed using the means and instrumentalities of interstate commerce and the U.S. mail, the September 2001 Underwriter Defendants were underwriters of the September 2001 Registered Notes in connection with the September 2001 Integrated Public Offering.

208. The September 2001 Registration Statement was materially false and misleading, omitted to state facts necessary to make the statements made not misleading, and concealed and failed to adequately disclose material facts, as alleged in the Joint Amended Consolidated Securities Complaint.
209. As underwriters of the September 2001 Integrated Public Offering, and, specifically, of the September 2001 Registered Notes, each of the September 2001 Underwriter Defendants owed to the purchasers or acquirors of the September 2001 Registered Notes, including Bondholder Class members who or which purchased or otherwise acquired September 2001 Registered Notes pursuant or traceable to the September 2001 Registration Statement, the duty to make a reasonable and diligent investigation of the statements contained in the September 2001 Registration Statement, to ensure that said statements were true, and that there were no omissions of material fact. The September 2001 Underwriter Defendants knew of or, in the exercise of reasonable care, should have known of the material misstatements contained in, or incorporated into, and/or the material omissions from the September 2001 Registration Statement. As such, the September 2001 Underwriter Defendants are liable under Section 11(a)(5) to members of the Bondholder Class who or which purchased or otherwise acquired September 2001 Registered Notes pursuant or traceable to the September 2001 Registration Statement.

210. At the time members of the Bondholder Class purchased or otherwise acquired September 2001 Registered Notes pursuant or traceable to the September 2001 Registration Statement, they did not know of the facts concerning the untrue and misleading statements and omissions alleged herein.

211. The September 2001 Registration Statement was distributed using the means and instrumentalities of interstate commerce and the U.S. mail.

212. This action is commenced within the period for bringing claims for violations of Section 11 of the Securities Act.
213. By reason of the foregoing, the September 2001 Underwriter Defendants are liable to members of the Bondholder Class who purchased or otherwise acquired September 2001 Registered Notes pursuant or traceable to the September 2001 Registration Statement for violations of Section 11 of the Securities Act, each of whom has been damaged by reasons of such violations.

COUNT XXIV

Against the May 2002 Underwriter Defendants
For Violations of Section 11 of the Securities Act
In Connection With the May 2002 Integrated Public Offering

214. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint. This Count XXIV involves deceit, manipulation or contrivance on the part of the May 2002 Underwriter Defendants and others, as alleged in the Joint Amended Consolidated Securities Complaint and herein.

215. This Count XXIV is brought against the May 2002 Underwriter Defendants on behalf of all persons who purchased or otherwise acquired May 2002 Registered Notes pursuant or traceable to the May 2002 Registration Statement for violations of Section 11 of the Securities Act.

216. The May 2002 Underwriter Defendants, together with other defendants, as alleged herein and in the Joint Amended Consolidated Securities Complaint, falsely purported to have structured the sale of the May 2002 Unregistered Notes and the subsequent exchange of the May 2002 Unregistered Notes for the May 2002 Registered Notes in compliance with SEC Rule 144A. However, that structure was intended to, and in fact did, operate as a fraud both on the SEC and on Bondholder Plaintiffs and Bondholder Class Members. The May 2002 Underwriter Defendants did not use that two-step transaction for any proper purpose, but instead employed that structure as an
artifice (i) to avoid the statutorily required “due diligence” investigations that would have been required of the May 2002 Underwriter Defendants in connection with a registered public offering of the May 2002 Unregistered Notes; (ii) to avoid filing with the SEC the registration statement that would have been necessary for the sale of the May 2002 Unregistered Notes had those debt securities been registered; (iii) to shield the May 2002 Underwriter Defendants from Securities Act liability for their knowing involvement in HealthSouth’s frauds, and (iv) thereby, to deliberately conceal from the SEC, the investing public, Bondholder Plaintiffs and members of the Bondholder Class the nature and extent of HealthSouth’s frauds. Because the two-step transaction used to sell the May 2002 Unregistered Notes and to exchange those Notes for the May 2002 Registered Notes was conducted for the purpose of avoiding the registration requirements of the Securities Act and, therefore, in a deliberate effort to avoid liability under the Securities Act for known violations thereof, Rule 144A and the two-step structure addressed in the SEC’s Exxon Capital series of No-Action letters were inapplicable to the sale of the May 2002 Unregistered Notes and the subsequent exchange for the May 2002 Registered Notes, as set forth in Preliminary Note 3 to the Rule. Accordingly, the sale of the May 2002 Unregistered Notes was not exempt from the registration requirements of the Securities Act, and, therefore, that sale and the subsequent exchange of the May 2002 Unregistered Notes for the May 2002 Registered Notes should be considered together as an integrated public offering. As a result, by the May 2002 Registration Statement, which was distributed using the means and instrumentalities of interstate commerce and the U.S. mail, the May 2002 Underwriter Defendants were underwriters of the May 2002 Registered Notes in connection with the May 2002 Integrated Public Offering.
217. The May 2002 Registration Statement was materially false and misleading, omitted to state facts necessary to make the statements made not misleading, and concealed and failed to adequately disclose material facts, as alleged in the Joint Amended Consolidated Securities Complaint.

218. As underwriters of the May 2002 Integrated Public Offering, and, specifically, of the May 2002 Registered Notes, each of the May 2002 Underwriter Defendants owed to the purchasers or acquirors of the May 2002 Registered Notes, including Bondholder Plaintiffs and the other Bondholder Class members who or which purchased or otherwise acquired May 2002 Registered Notes pursuant or traceable to the May 2002 Registration Statement, the duty to make a reasonable and diligent investigation of the statements contained in the May 2002 Registration Statement, to ensure that said statements were true, and that there were no omissions of material fact. The May 2002 Underwriter Defendants knew of or, in the exercise of reasonable care, should have known of the material misstatements contained in, or incorporated into, and/or the material omissions from the May 2002 Registration Statement. As such, the May 2002 Underwriter Defendants are liable under Section 11(a)(5) to the Bondholder Plaintiffs and the other members of the Bondholder Class who or which purchased or otherwise acquired May 2002 Registered Notes pursuant or traceable to the May 2002 Registration Statement.

219. At the time Bondholder Plaintiffs and other members of the Bondholder Class purchased or otherwise acquired May 2002 Registered Notes pursuant or traceable to the May 2002 Registration Statement, they did not know of the facts concerning the untrue and misleading statements and omissions alleged herein.
220. The May 2002 Registration Statement was distributed using the means and instrumentalities of interstate commerce and the U.S. mail.

221. This action is commenced within the period for bringing claims for violations of Section 11 of the Securities Act.

222. By reason of the foregoing, the May 2002 Underwriter Defendants are liable to Bondholder Plaintiffs and other members of the Bondholder Class who purchased or otherwise acquired May 2002 Registered Notes pursuant or traceable to the May 2002 Registration Statement for violations of Section 11 of the Securities Act, each of whom has been damaged by reasons of such violations.

COUNT XXV

Against E&Y
For Violations of Section 11 of the Securities Act
In Connection with the March 1998 Integrated Public Offering

223. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint. This Count XXV involves deceit, manipulation or contrivance on the part of E&Y and others, as alleged in the Joint Amended Consolidated Securities Complaint and herein.

224. This Count XXV is brought against E&Y on behalf of all persons who purchased or otherwise acquired March 1998 Registered Notes pursuant or traceable to the March 1998 Registration Statement for violations of Section 11 of the Securities Act.
225. The March 1998 Registration Statement was materially false and misleading, omitted to state facts necessary to make the statements made not misleading, and concealed and failed to adequately disclose material facts, as alleged in the Joint Amended Consolidated Securities Complaint.

226. E&Y acted as HealthSouth’s independent auditor at all relevant times. E&Y issued unqualified auditor’s reports that were materially false and misleading in connection with the HealthSouth annual financial statements. Those auditor’s reports were incorporated, with E&Y’s consent, into the March 1998 Registration Statement. As the Company’s auditor, E&Y was required to perform its audits in conformity with GAAS, and its unqualified auditor’s reports stated that it did so. Contrary to those representations, however, E&Y violated GAAS by failing to conduct a reasonable investigation to ensure that the Company’s annual financial statements were presented, in all material respects, in conformity with GAAP, and that there was no omission of material fact that made the statements contained therein materially false and misleading. Accordingly, E&Y is liable under Section 11(a)(4) to members of the Bondholder Class who or which purchased or otherwise acquired their March 1998 Registered Notes pursuant or traceable to the March 1998 Registration Statement.

227. At the time members of the Bondholder Class purchased or otherwise acquired the March 1998 Registered Notes pursuant or traceable to the March 1998 Registration Statement, they did not know of the facts concerning the untrue and misleading statements and omissions alleged herein.

228. The March 1998 Registration Statement was distributed using the means and instrumentalities of interstate commerce and the U.S. mail.
229. This action is commenced within the period for bringing claims for violations of Section 11 of the Securities Act, as set forth in Section 804 of the Sarbanes-Oxley Act of 2002, 28 U.S.C. § 1658, for private actions that, like this Count XXV, involve a claim of deceit, manipulation or contrivance in contravention of the securities laws.

230. By reason of the foregoing, E&Y is liable to members of the Bondholder Class who purchased or otherwise acquired March 1998 Registered Notes pursuant or traceable to the March 1998 Registration Statement for violations of Section 11 of the Securities Act, each of whom has been damaged by reasons of such violations.

COUNT XXVI

Against E&Y
For Violations of Section 11 of the Securities Act
In Connection with the June 1998 Integrated Public Offering

231. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint. This Count XXVI involves deceit, manipulation or contrivance on the part of E&Y and others, as alleged in the Joint Amended Consolidated Securities Complaint and herein.

232. This Count XXVI is brought against E&Y on behalf of all persons who purchased or otherwise acquired June 1998 Registered Notes pursuant or traceable to the June 1998 Registration Statement for violations of Section 11 of the Securities Act.

233. The June 1998 Registration Statement was materially false and misleading, omitted to state facts necessary to make the statements made not misleading, and concealed and failed to
adequately disclose material facts, as alleged in the Joint Amended Consolidated Securities Complaint.

234. E&Y acted as HealthSouth's independent auditor at all relevant times. E&Y issued unqualified auditor's reports that were materially false and misleading in connection with the HealthSouth annual financial statements. Those auditor's reports were incorporated, with E&Y's consent, into the June 1998 Registration Statement. As the Company's auditor, E&Y was required to perform its audits in conformity with GAAS, and its unqualified auditor's reports stated that it did so. Contrary to those representations, however, E&Y violated GAAS by failing to conduct a reasonable investigation to ensure that the Company's annual financial statements were presented, in all material respects, in conformity with GAAP, and that there was no omission of material fact that made the statements contained therein materially false and misleading. Accordingly, E&Y is liable under Section 11(a)(4) to Bondholder Plaintiffs and the other members of the Bondholder Class who or which purchased or otherwise acquired their June 1998 Registered Notes pursuant or traceable to the June 1998 Registration Statement.

235. At the time Bondholder Plaintiffs and other members of the Bondholder Class purchased or otherwise acquired the June 1998 Registered Notes pursuant or traceable to the June 1998 Registration Statement, they did not know of the facts concerning the untrue and misleading statements and omissions alleged herein.

236. The June 1998 Registration Statement was distributed using the means and instrumentalities of interstate commerce and the U.S. mail.
237. This action is commenced within the period for bringing claims for violations of Section 11 of the Securities Act, as set forth in Section 804 of the Sarbanes-Oxley Act of 2002, 28 U.S.C. § 1658, for private actions that, like this Count XXVI, involve a claim of deceit, manipulation or contrivance in contravention of the securities laws.

238. By reason of the foregoing, E&Y is liable to Bondholder Plaintiffs and other members of the Bondholder Class who purchased or otherwise acquired June 1998 Registered Notes pursuant or traceable to the June 1998 Registration Statement for violations of Section 11 of the Securities Act, each of whom has been damaged by reasons of such violations.

COUNT XXVII

Against E&Y

For Violations of Section 11 of the Securities Act

In Connection with the September 2000 Integrated Public Offering

239. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint, except, however, any and all allegations of fraud, deceit, manipulation or contrivance. This Count XXVII asserts only a claim of strict or negligent liability.

240. This Count XXVII is brought against E&Y on behalf of all persons who purchased or otherwise acquired September 2000 Registered Notes pursuant or traceable to the September 2000 Registration Statement for violations of Section 11 of the Securities Act.

241. The September 2000 Registration Statement was materially false and misleading, omitted to state facts necessary to make the statements made not misleading, and concealed and
failed to adequately disclose material facts, as alleged in the Joint Amended Consolidated Securities
Complaint.

242. E&Y acted as HealthSouth's independent auditor at all relevant times. E&Y issued
unqualified auditor's reports that were materially false and misleading in connection with the
HealthSouth annual financial statements. Those auditor's reports were incorporated, with E&Y's
consent, into the September 2000 Registration Statement. As the Company's auditor, E&Y was
required to perform its audits in conformity with GAAS, and its unqualified auditor's reports stated
that it did so. Contrary to those representations, however, E&Y violated GAAS by failing to conduct
a reasonable investigation to ensure that the Company's annual financial statements were presented,
in all material respects, in conformity with GAAP, and that there was no omission of material fact
that made the statements contained therein materially false and misleading. Accordingly, E&Y is
liable under Section 11(a)(4) to Bondholder Plaintiffs and the other members of the Bondholder
Class who or which purchased or otherwise acquired their September 2000 Registered Notes
pursuant or traceable to the September 2000 Registration Statement.

243. At the time Bondholder Plaintiffs and other members of the Bondholder Class
purchased or otherwise acquired the September 2000 Registered Notes pursuant or traceable to the
September 2000 Registration Statement, they did not know of the facts concerning the untrue and
misleading statements and omissions alleged herein.

244. The September 2000 Registration Statement was distributed using the means and
instrumentalities of interstate commerce and the U.S. mail.
245. This action is commenced within the period for bringing claims for violations of Section 11 of the Securities Act.

246. By reason of the foregoing, E&Y is liable to Bondholder Plaintiffs and other members of the Bondholder Class who purchased or otherwise acquired September 2000 Registered Notes pursuant or traceable to the September 2000 Registration Statement for violations of Section 11 of the Securities Act, each of whom has been damaged by reasons of such violations.

COUNT XXVIII

Against E&Y
For Violations of Section 11 of the Securities Act
In Connection with the February 2001 Integrated Public Offering

247. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint, except, however, any and all allegations of fraud, deceit, manipulation or contrivance. This Count XXVIII asserts only a claim of strict or negligent liability.

248. This Count XXVIII is brought against E&Y on behalf of all persons who purchased or otherwise acquired February 2001 Registered Notes pursuant or traceable to the February 2001 Registration Statement for violations of Section 11 of the Securities Act.

249. The February 2001 Registration Statement was materially false and misleading, omitted to state facts necessary to make the statements made not misleading, and concealed and failed to adequately disclose material facts, as alleged in the Joint Amended Consolidated Securities Complaint.
250. E&Y acted as HealthSouth's independent auditor at all relevant times. E&Y issued unqualified auditor's reports that were materially false and misleading in connection with the HealthSouth annual financial statements. Those auditor's reports were incorporated, with E&Y's consent, into the February 2001 Registration Statement. As the Company's auditor, E&Y was required to perform its audits in conformity with GAAS, and its unqualified auditor's reports stated that it did so. Contrary to those representations, however, E&Y violated GAAS by failing to conduct a reasonable investigation to ensure that the Company's annual financial statements were presented, in all material respects, in conformity with GAAP, and that there was no omission of material fact that made the statements contained therein materially false and misleading. Accordingly, E&Y is liable under Section 11(a)(4) to Bondholder Plaintiffs and the other members of the Bondholder Class who or which purchased or otherwise acquired their February 2001 Registered Notes pursuant or traceable to the February 2001 Registration Statement.

251. At the time Bondholder Plaintiffs and other members of the Bondholder Class purchased or otherwise acquired the February 2001 Registered Notes pursuant or traceable to the February 2001 Registration Statement, they did not know of the facts concerning the untrue and misleading statements and omissions alleged herein.

252. The February 2001 Registration Statement was distributed using the means and instrumentalities of interstate commerce and the U.S. mail.

253. This action is commenced within the period for bringing claims for violations of Section 11 of the Securities Act.
254. By reason of the foregoing, E&Y is liable to Bondholder Plaintiffs and other members of the Bondholder Class who purchased or otherwise acquired February 2001 Registered Notes pursuant or traceable to the February 2001 Registration Statement for violations of Section 11 of the Securities Act, each of whom has been damaged by reasons of such violations.

COUNT XXIX

Against E&Y
For Violations of Section 11 of the Securities Act
In Connection with the September 2001 Integrated Public Offering

255. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint, except, however, any and all allegations of fraud, deceit, manipulation or contrivance. This Count XXIX asserts only a claim of strict or negligent liability.

256. This Count XXIX is brought against E&Y on behalf of all persons who purchased or otherwise acquired September 2001 Registered Notes pursuant or traceable to the September 2001 Registration Statement for violations of Section 11 of the Securities Act.

257. The September 2001 Registration Statement was materially false and misleading, omitted to state facts necessary to make the statements made not misleading, and concealed and failed to adequately disclose material facts, as alleged in the Joint Amended Consolidated Securities Complaint.

258. E&Y acted as HealthSouth's independent auditor at all relevant times. E&Y issued unqualified auditor's reports that were materially false and misleading in connection with the
HealthSouth annual financial statements. Those auditor’s reports were incorporated, with E&Y’s consent, into the September 2001 Registration Statement. As the Company’s auditor, E&Y was required to perform its audits in conformity with GAAS, and its unqualified auditor’s reports stated that it did so. Contrary to those representations, however, E&Y violated GAAS by failing to conduct a reasonable investigation to ensure that the Company’s annual financial statements were presented, in all material respects, in conformity with GAAP, and that there was no omission of material fact that made the statements contained therein materially false and misleading. Accordingly, E&Y is liable under Section 11(a)(4) to members of the Bondholder Class who or which purchased or otherwise acquired their September 2001 Registered Notes pursuant or traceable to the September 2001 Registration Statement.

259. At the time members of the Bondholder Class purchased or otherwise acquired the September 2001 Registered Notes pursuant or traceable to the September 2001 Registration Statement, they did not know of the facts concerning the untrue and misleading statements and omissions alleged herein.

260. The September 2001 Registration Statement was distributed using the means and instrumentalities of interstate commerce and the U.S. mail.

261. This action is commenced within the period for bringing claims for violations of Section 11 of the Securities Act.

262. By reason of the foregoing, E&Y is liable to members of the Bondholder Class who purchased or otherwise acquired September 2000 Registered Notes pursuant or traceable to the
September 2001 Registration Statement for violations of Section 11 of the Securities Act, each of whom has been damaged by reasons of such violations.

COUNT XXX

Against E&Y

For Violations of Section 11 of the Securities Act
In Connection with the May 2002 Integrated Public Offering

263. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint, except, however, any and all allegations of fraud, deceit, manipulation or contrivance. This Count XXX asserts only a claim of strict or negligent liability.

264. This Count XXX is brought against E&Y on behalf of all persons who purchased or otherwise acquired May 2002 Registered Notes pursuant or traceable to the May 2002 Registration Statement for violations of Section 11 of the Securities Act.

265. The May 2002 Registration Statement was materially false and misleading, omitted to state facts necessary to make the statements made not misleading, and concealed and failed to adequately disclose material facts, as alleged in the Joint Amended Consolidated Securities Complaint.

266. E&Y acted as HealthSouth’s independent auditor at all relevant times. E&Y issued unqualified auditor’s reports that were materially false and misleading in connection with the HealthSouth annual financial statements. Those auditor’s reports were incorporated, with E&Y’s consent, into the May 2002 Registration Statement. As the Company’s auditor, E&Y was required to
perform its audits in conformity with GAAS, and its unqualified auditor’s reports stated that it did so. Contrary to those representations, however, E&Y violated GAAS by failing to conduct a reasonable investigation to ensure that the Company’s annual financial statements were presented, in all material respects, in conformity with GAAP, and that there was no omission of material fact that made the statements contained therein materially false and misleading. Accordingly, E&Y is liable under Section 11(a)(4) to Bondholder Plaintiffs and the other members of the Bondholder Class who or which purchased or otherwise acquired their May 2002 Registered Notes pursuant or traceable to the May 2002 Registration Statement.

267. At the time Bondholder Plaintiffs and other members of the Bondholder Class purchased or otherwise acquired the May 2002 Registered Notes pursuant or traceable to the May 2002 Registration Statement, they did not know of the facts concerning the untrue and misleading statements and omissions alleged herein.

268. The May 2002 Registration Statement was distributed using the means and instrumentalities of interstate commerce and the U.S. mail.

269. This action is commenced within the period for bringing claims for violations of Section 11 of the Securities Act.

270. By reason of the foregoing, E&Y is liable to Bondholder Plaintiffs and other members of the Bondholder Class who purchased or otherwise acquired May 2002 Registered Notes pursuant or traceable to the May 2002 Registration Statement for violations of Section 11 of the Securities Act, each of whom has been damaged by reasons of such violations.
COUNT XXXI

Against the March 1998 Senior Officer Defendants
For Violations of Section 11 of the Securities Act
In Connection with the March 1998 Integrated Public Offering

271. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint. This Count XXXI involves deceit, manipulation or contrivance on the part of Senior Officer Defendants Scrushy, Martin, Owens and Bennett (the "March 1998 Senior Officer Defendants"), and others, as alleged in the Joint Amended Consolidated Securities Complaint and herein.

272. This Count XXXI is brought against the March 1998 Senior Officer Defendants on behalf of all persons who purchased or otherwise acquired March 1998 Registered Notes by means of the March 1998 Registration Statement for violations of Section 11 of the Securities Act.

273. The March 1998 Senior Officer Defendants were principal officers of HealthSouth, and signed the March 1998 Registration Statement, or authorized it to be signed on their behalf. They therefore are liable under Section 11(a)(1) to members of the Bondholder Class who purchased or otherwise acquired March 1998 Registered Notes pursuant or traceable to the March 1998 Registration Statement. March 1998 Senior Officer Defendants Scrushy and Martin also were directors of HealthSouth at the time the March 1998 Registration Statement was filed, and, therefore, are liable under Section 11(a)(2) to members of the Bondholder Class who purchased or otherwise acquired March 1998 Registered Notes pursuant or traceable to the March 1998 Registration Statement.
274. The March 1998 Registration Statement was materially false and misleading, omitted to state facts necessary to make the statements made not misleading, and concealed and failed to adequately disclose material facts, as alleged in the Joint Amended Consolidated Securities Complaint.

275. At the time members of the Bondholder Class acquired March 1998 Registered Notes pursuant or traceable to the March 1998 Registration Statement, they did not know of the facts concerning the untrue and misleading statements and omissions alleged herein.

276. The March 1998 Registration Statement was distributed using the means and instrumentalities of interstate commerce and the U.S. mail.

277. This action is commenced within the period for bringing claims for violations of Section 11 of the Securities Act, as set forth in Section 804 of the Sarbanes-Oxley Act of 2002, 28 U.S.C. § 1658, for private actions that, like this Count XXXI, involve a claim of deceit, manipulation or contrivance in contravention of the securities laws.

278. By reason of the foregoing, the March 1998 Senior Officer Defendants did not make a reasonable investigation and did not possess reasonable grounds for believing that the statements in the March 1998 Registration Statement were true, did not omit any material fact, and were not materially false and misleading. Therefore, these defendants are liable to members of the Bondholder Class who purchased or otherwise acquired March 1998 Registered Notes pursuant or traceable to the March 1998 Registration Statement for violations of Section 11 of the Securities Act, each of whom has been damaged by reasons of such violations.
COUNT XXXII

Against the June 1998 Senior Officer Defendants
For Violations of Section 11 of the Securities Act
In Connection with the June 1998 Integrated Public Offering

279. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint. This Count XXXII involves deceit, manipulation or contrivance on the part of Senior Officer Defendants Scrushy, Martin, Owens and Bennett (the "June 1998 Senior Officer Defendants"), and others, as alleged in the Joint Amended Consolidated Securities Complaint and herein.

280. This Count XXXII is brought against the June 1998 Senior Officer Defendants on behalf of all persons who purchased or otherwise acquired June 1998 Registered Notes by means of the June 1998 Registration Statement for violations of Section 11 of the Securities Act.

281. The June 1998 Senior Officer Defendants were principal officers of HealthSouth, and signed the June 1998 Registration Statement, or authorized it to be signed on their behalf. They therefore are liable under Section 11(a)(1) to Bondholder Plaintiffs and other members of the Bondholder Class who purchased or otherwise acquired June 1998 Registered Notes pursuant or traceable to the June 1998 Registration Statement. June 1998 Senior Officer Defendants Scrushy and Martin also were directors of HealthSouth at the time the June 1998 Registration Statement was filed, and, therefore, are liable under Section 11(a)(2) to Bondholder Plaintiffs and other members of the Bondholder Class who purchased or otherwise acquired June 1998 Registered Notes pursuant or traceable to the June 1998 Registration Statement.
282. The June 1998 Registration Statement was materially false and misleading, omitted to state facts necessary to make the statements made not misleading, and concealed and failed to adequately disclose material facts, as alleged in the Joint Amended Consolidated Securities Complaint.

283. At the time Bondholder Plaintiffs and other members of the Bondholder Class acquired June 1998 Registered Notes pursuant or traceable to the June 1998 Registration Statement, they did not know of the facts concerning the untrue and misleading statements and omissions alleged herein.

284. The June 1998 Registration Statement was distributed using the means and instrumentalities of interstate commerce and the U.S. mail.

285. This action is commenced within the period for bringing claims for violations of Section 11 of the Securities Act, as set forth in Section 804 of the Sarbanes-Oxley Act of 2002, 28 U.S.C. § 1658, for private actions that, like this Count XXXII, involve a claim of deceit, manipulation or contrivance in contravention of the securities laws.

286. By reason of the foregoing, the June 1998 Senior Officer Defendants did not make a reasonable investigation and did not possess reasonable grounds for believing that the statements in the June 1998 Registration Statement were true, did not omit any material fact, and were not materially false and misleading. Therefore, these defendants are liable to Bondholder Plaintiffs and other members of the Bondholder Class who purchased or otherwise acquired June 1998 Registered Notes pursuant or traceable to the June 1998 Registration Statement for violations of Section 11 of the Securities Act, each of whom has been damaged by reasons of such violations.
COUNT XXXIII

Against the September 2000 Senior Officer Defendants
For Violations of Section 11 of the Securities Act
In Connection with the September 2000 Integrated Public Offering

287. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint, except, however, any and all allegations of fraud, deceit, manipulation or contrivance. This Count XXXIII asserts only a claim of strict or negligent liability.

288. This Count XXXIII is brought against Senior Officer Defendants Scrushy, Owens and Smith (the “September 2000 Senior Officer Defendants”) on behalf of all persons who purchased or otherwise acquired September 2000 Registered Notes by means of the September 2000 Registration Statement for violations of Section 11 of the Securities Act.

289. The September 2000 Senior Officer Defendants were principal officers of HealthSouth, and signed the September 2000 Registration Statement, or authorized it to be signed on their behalf. They therefore are liable under Section 11(a)(1) to Bondholder Plaintiffs and other members of the Bondholder Class who purchased or otherwise acquired September 2000 Registered Notes pursuant or traceable to the September 2000 Registration Statement. September 2000 Senior Officer Defendant Scrushy also was a director of HealthSouth at the time the September 2000 Registration Statement was filed, and, therefore, is liable under Section 11(a)(2) to Bondholder Plaintiffs and other members of the Bondholder Class who purchased or otherwise acquired September 2000 Registered Notes pursuant or traceable to the September 2000 Registration Statement.
290. The September 2000 Registration Statement was materially false and misleading, omitted to state facts necessary to make the statements made not misleading, and concealed and failed to adequately disclose material facts, as alleged in the Joint Amended Consolidated Securities Complaint.

291. At the time Bondholder Plaintiffs and other members of the Bondholder Class acquired September 2000 Registered Notes pursuant or traceable to the September 2000 Registration Statement, they did not know of the facts concerning the untrue and misleading statements and omissions alleged herein.

292. The September 2000 Registration Statement was distributed using the means and instrumentalities of interstate commerce and the U.S. mail.

293. This action is commenced within the period for bringing claims for violations of Section 11 of the Securities Act.

294. By reason of the foregoing, the September 2000 Senior Officer Defendants did not make a reasonable investigation and did not possess reasonable grounds for believing that the statements in the September 2000 Registration Statement were true, did not omit any material fact, and were not materially false and misleading. Therefore, these defendants are liable to Bondholder Plaintiffs and other members of the Bondholder Class who purchased or otherwise acquired September 2000 Registered Notes pursuant or traceable to the September 2000 Registration Statement for violations of Section 11 of the Securities Act, each of whom has been damaged by reasons of such violations.
COUNT XXXIV

Against the February 2001 Senior Officer Defendants
For Violations of Section 11 of the Securities Act
In Connection with the February 2001 Integrated Public Offering

295. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint, except, however, any and all allegations of fraud, deceit, manipulation or contrivance. This Count XXXIV asserts only a claim of strict or negligent liability.

296. This Count XXXIV is brought against Senior Officer Defendants Scrushy, Owens and Smith (the "February 2001 Senior Officer Defendants") on behalf of all persons who purchased or otherwise acquired February 2001 Registered Notes by means of the February 2001 Registration Statement for violations of Section 11 of the Securities Act.

297. The February 2001 Senior Officer Defendants were principal officers of HealthSouth, and signed the February 2001 Registration Statement, or authorized it to be signed on their behalf. They therefore are liable under Section 11(a)(1) to Bondholder Plaintiffs and other members of the Bondholder Class who purchased or otherwise acquired February 2001 Registered Notes pursuant or traceable to the February 2001 Registration Statement. February 2001 Senior Officer Defendants Scrushy and Owens also were directors of HealthSouth at the time the February 2001 Registration Statement was filed, and, therefore, are liable under Section 11(a)(2) to Bondholder Plaintiffs and other members of the Bondholder Class who purchased or otherwise acquired February 2001 Registered Notes pursuant or traceable to the February 2001 Registration Statement.
298. The February 2001 Registration Statement was materially false and misleading, omitted to state facts necessary to make the statements made not misleading, and concealed and failed to adequately disclose material facts, as alleged in the Joint Amended Consolidated Securities Complaint.

299. At the time Bondholder Plaintiffs and other members of the Bondholder Class acquired February 2001 Registered Notes pursuant or traceable to the February 2001 Registration Statement, they did not know of the facts concerning the untrue and misleading statements and omissions alleged herein.

300. The February 2001 Registration Statement was distributed using the means and instrumentalities of interstate commerce and the U.S. mail.

301. This action is commenced within the period for bringing claims for violations of Section 11 of the Securities Act.

302. By reason of the foregoing, the February 2001 Senior Officer Defendants did not make a reasonable investigation and did not possess reasonable grounds for believing that the statements in the February 2001 Registration Statement were true, did not omit any material fact, and were not materially false and misleading. Therefore, these defendants are liable to Bondholder Plaintiffs and other members of the Bondholder Class who purchased or otherwise acquired February 2001 Registered Notes pursuant or traceable to the February 2001 Registration Statement for violations of Section 11 of the Securities Act, each of whom has been damaged by reasons of such violations.
COUNT XXXV

Against the September 2001 Senior Officer Defendants
For Violations of Section 11 of the Securities Act
In Connection with the September 2001 Integrated Public Offering

303. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint, except, however, any and all allegations of fraud, deceit, manipulation or contrivance. This Count XXXV asserts only a claim of strict or negligent liability.

304. This Count XXXV is brought against Senior Officer Defendants Scrushy, Owens and Smith (the “September 2001 Senior Officer Defendants”) on behalf of all persons who purchased or otherwise acquired September 2001 Registered Notes by means of the September 2001 Registration Statement for violations of Section 11 of the Securities Act.

305. The September 2001 Senior Officer Defendants were principal officers of HealthSouth, and signed the September 2001 Registration Statement, or authorized it to be signed on their behalf. They therefore are liable under Section 11(a)(1) to members of the Bondholder Class who purchased or otherwise acquired September 2001 Registered Notes pursuant or traceable to the September 2001 Registration Statement. September 2001 Senior Officer Defendants Scrushy and Owens also were directors of HealthSouth at the time the September 2001 Registration Statement was filed, and, therefore, are liable under Section 11(a)(2) to members of the Bondholder Class who purchased or otherwise acquired September 2001 Registered Notes pursuant or traceable to the September 2001 Registration Statement.
306. The September 2001 Registration Statement was materially false and misleading, omitted to state facts necessary to make the statements made not misleading, and concealed and failed to adequately disclose material facts, as alleged in the Joint Amended Consolidated Securities Complaint.

307. At the time members of the Bondholder Class acquired September 2001 Registered Notes pursuant or traceable to the September 2001 Registration Statement, they did not know of the facts concerning the untrue and misleading statements and omissions alleged herein.

308. The September 2001 Registration Statement was distributed using the means and instrumentalities of interstate commerce and the U.S. mail.

309. This action is commenced within the period for bringing claims for violations of Section 11 of the Securities Act.

310. By reason of the foregoing, the September 2001 Senior Officer Defendants did not make a reasonable investigation and did not possess reasonable grounds for believing that the statements in the September 2001 Registration Statement were true, did not omit any material fact, and were not materially false and misleading. Therefore, these defendants are liable to members of the Bondholder Class who purchased or otherwise acquired September 2001 Registered Notes pursuant or traceable to the September 2001 Registration Statement for violations of Section 11 of the Securities Act, each of whom has been damaged by reasons of such violations.
COUNT XXXVI

 Against the May 2002 Senior Officer Defendants
 For Violations of Section 11 of the Securities Act
 In Connection with the May 2002 Integrated Public Offering

311. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint, except, however, any and all allegations of fraud, deceit, manipulation or contrivance. This Count XXXVI asserts only a claim of strict or negligent liability.

312. This Count XXXVI is brought against Senior Officer Defendants Scrushy, Owens and Smith (the “May 2002 Senior Officer Defendants”) on behalf of all persons who purchased or otherwise acquired May 2002 Registered Notes by means of the May 2002 Registration Statement for violations of Section 11 of the Securities Act.

313. The May 2002 Senior Officer Defendants were principal officers of HealthSouth, and signed the May 2002 Registration Statement, or authorized it to be signed on their behalf. They therefore are liable under Section 11(a)(1) to Bondholder Plaintiffs and other members of the Bondholder Class who purchased or otherwise acquired May 2002 Registered Notes pursuant or traceable to the May 2002 Registration Statement. May 2002 Senior Officer Defendants Scrushy and Owens also were directors of HealthSouth at the time the May 2002 Registration Statement was filed, and, therefore, are liable under Section 11(a)(2) to Bondholder Plaintiffs and other members of the Bondholder Class who purchased or otherwise acquired May 2002 Registered Notes pursuant or traceable to the May 2002 Registration Statement.
314. The May 2002 Registration Statement was materially false and misleading, omitted to state facts necessary to make the statements made not misleading, and concealed and failed to adequately disclose material facts, as alleged in the Joint Amended Consolidated Securities Complaint.

315. At the time Bondholder Plaintiffs and other members of the Bondholder Class acquired May 2002 Registered Notes pursuant or traceable to the May 2002 Registration Statement, they did not know of the facts concerning the untrue and misleading statements and omissions alleged herein.

316. The May 2002 Registration Statement was distributed using the means and instrumentalities of interstate commerce and the U.S. mail.

317. This action is commenced within the period for bringing claims for violations of Section 11 of the Securities Act.

318. By reason of the foregoing, the May 2002 Senior Officer Defendants did not make a reasonable investigation and did not possess reasonable grounds for believing that the statements in the May 2002 Registration Statement were true, did not omit any material fact, and were not materially false and misleading. Therefore, these defendants are liable to Bondholder Plaintiffs and other members of the Bondholder Class who purchased or otherwise acquired May 2002 Registered Notes pursuant or traceable to the May 2002 Registration Statement for violations of Section 11 of the Securities Act, each of whom has been damaged by reasons of such violations.
COUNT XXXVII

Against the March 1998 Director Defendants
For Violations of Section 11 of the Securities Act
In Connection with the March 1998 Integrated Public Offering

319. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint. This Count XXXVII involves deceit, manipulation or contrivance on the part of Director Defendants Watkins, Strong, Givens, Newhall, Chamberlin, Tanner, D. Brown and Gordon (the “March 1998 Director Defendants”), and others, as alleged in the Joint Amended Consolidated Securities Complaint and herein.

320. This Count XXXVII is brought against the March 1998 Director Defendants on behalf of all persons who purchased or otherwise acquired March 1998 Registered Notes pursuant or traceable to the March 1998 Registration Statement for violations of Section 11 of the Securities Act.

321. The March 1998 Director Defendants signed the March 1998 Registration Statement or authorized it to be signed on their behalf, and were directors of HealthSouth at the time the March 1998 Registration Statement was filed. Therefore, the March 1998 Director Defendants are liable under Sections 11(a)(1) and (2) to members the Bondholder Class who purchased or otherwise acquired March 1998 Registered Notes pursuant or traceable to the March 1998 Registration Statement.

322. The March 1998 Registration Statement was materially false and misleading, omitted to state facts necessary to make the statements made not misleading, and concealed and failed to adequately disclose material facts, as alleged in the Joint Amended Consolidated Securities Complaint.
323. At the time members of the Bondholder Class acquired March 1998 Registered Notes pursuant or traceable to the March 1998 Registration Statement, they did not know of the facts concerning the untrue and misleading statements and omissions alleged herein.

324. The March 1998 Registration Statement was distributed using the means and instrumentalities of interstate commerce and the U.S. mail.

325. This action is commenced within the statutorily-prescribed period for bringing claims for violations of Section 11 of the Securities Act, as set forth in Section 804 of the Sarbanes-Oxley Act of 2002, 28 U.S.C. § 1658, for private actions that, like this Count XXXVII, involve a claim of deceit, manipulation or contrivance in contravention of the securities laws.

326. By reason of the foregoing, the March 1998 Director Defendants did not make a reasonable investigation and did not possess reasonable grounds for believing that the statements in the March 1998 Registration Statement were true, did not omit any material fact, and were not materially false and misleading. Therefore, these defendants are liable to members of the Bondholder Class who purchased or otherwise acquired March 1998 Registered Notes pursuant or traceable to the March 1998 Registration Statement for violations of Section 11 of the Securities Act, each of whom has been damaged by reasons of such violations.
COUNT XXXVIII

Against the June 1998 Director Defendants
For Violations of Section 11 of the Securities Act
In Connection with the June 1998 Integrated Public Offering

327. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint. This Count XXXVIII involves deceit, manipulation or contrivance on the part of Director Defendants Watkins, Strong, Givens, Newhall, Chamberlin, Crawford, Tanner, D. Brown and Gordon (the “June 1998 Director Defendants”), and others, as alleged in the Joint Amended Consolidated Securities Complaint and herein.

328. This Count XXXVIII is brought against the June 1998 Director Defendants on behalf of all persons who purchased or otherwise acquired June 1998 Registered Notes pursuant or traceable to the June 1998 Registration Statement for violations of Section 11 of the Securities Act.

329. The June 1998 Director Defendants signed the June 1998 Registration Statement or authorized it to be signed on their behalf, and were directors of HealthSouth at the time the June 1998 Registration Statement was filed. Therefore, the June 1998 Director Defendants are liable under Sections 11(a)(1) and (2) to Bondholder Plaintiffs and other members the Bondholder Class who purchased or otherwise acquired June 1998 Registered Notes pursuant or traceable to the June 1998 Registration Statement.

330. The June 1998 Registration Statement was materially false and misleading, omitted to state facts necessary to make the statements made not misleading, and concealed and failed to adequately disclose material facts, as alleged in the Joint Amended Consolidated Securities Complaint.
331. At the time Bondholder Plaintiffs and other members of the Bondholder Class acquired June 1998 Registered Notes pursuant or traceable to the June 1998 Registration Statement, they did not know of the facts concerning the untrue and misleading statements and omissions alleged herein.

332. The June 1998 Registration Statement was distributed using the means and instrumentalities of interstate commerce and the U.S. mail.

333. This action is commenced within the period for bringing claims for violations of Section 11 of the Securities Act, as set forth in Section 804 of the Sarbanes-Oxley Act of 2002, 28 U.S.C. § 1658, for private actions that, like this Count XXXVIII, involve a claim of deceit, manipulation or contrivance in contravention of the securities laws.

334. By reason of the foregoing, the June 1998 Director Defendants did not make a reasonable investigation and did not possess reasonable grounds for believing that the statements in the June 1998 Registration Statement were true, did not omit any material fact, and were not materially false and misleading. Therefore, these defendants are liable to Bondholder Plaintiffs and other members of the Bondholder Class who purchased or otherwise acquired June 1998 Registered Notes pursuant or traceable to the June 1998 Registration Statement for violations of Section 11 of the Securities Act, each of whom has been damaged by reasons of such violations.
COUNT XXXIX

Against the September 2000 Director Defendants
For Violations of Section 11 of the Securities Act
In Connection with the September 2000 Integrated Public Offering

335. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint, except, however, any and all allegations of fraud, deceit, manipulation or contrivance. This Count XXXIX asserts only a claim of strict or negligent liability.

336. This Count XXXIX is brought against Director Defendants Watkins, Strong, Givens, Newhall, Chamberlin, Jones, Striplin and Gordon (the "September 2000 Director Defendants") on behalf of all persons who purchased or otherwise acquired September 2000 Registered Notes pursuant or traceable to the September 2000 Registration Statement for violations of Section 11 of the Securities Act.

337. The September 2000 Director Defendants signed the September 2000 Registration Statement or authorized it to be signed on their behalf, and were directors of HealthSouth at the time the September 2000 Registration Statement was filed. Therefore, the September 2000 Director Defendants are liable under Sections 11(a)(1) and (2) to Bondholder Plaintiffs and other members the Bondholder Class who purchased or otherwise acquired September 2000 Registered Notes pursuant or traceable to the September 2000 Registration Statement.

338. The September 2000 Registration Statement was materially false and misleading, omitted to state facts necessary to make the statements made not misleading, and concealed and
failed to adequately disclose material facts, as alleged in the Joint Amended Consolidated Securities Complaint.

339. At the time Bondholder Plaintiffs and other members of the Bondholder Class acquired September 2000 Registered Notes pursuant or traceable to the September 2000 Registration Statement, they did not know of the facts concerning the untrue and misleading statements and omissions alleged herein.

340. The September 2000 Registration Statement was distributed using the means and instrumentalities of interstate commerce and the U.S. mail.

341. This action is commenced within the period for bringing claims for violations of Section 11 of the Securities Act.

342. By reason of the foregoing, the September 2000 Director Defendants did not make a reasonable investigation and did not possess reasonable grounds for believing that the statements in the September 2000 Registration Statement were true, did not omit any material fact, and were not materially false and misleading. Therefore, these defendants are liable to Bondholder Plaintiffs and other members of the Bondholder Class who purchased or otherwise acquired September 2000 Registered Notes pursuant or traceable to the September 2000 Registration Statement for violations of Section 11 of the Securities Act, each of whom has been damaged by reasons of such violations.
COUNT XL

Against the February 2001 Director Defendants
For Violations of Section 11 of the Securities Act
In Connection with the February 2001 Integrated Public Offering

343. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint, except, however, any and all allegations of fraud, deceit, manipulation or contrivance. This Count XL asserts only a claim of strict or negligent liability.

344. This Count XL is brought against Director Defendants Watkins, Strong, Givens, Newhall, Chamberlin, Gordon and Striplin (the February 2001 Director Defendants”) on behalf of all persons who purchased or otherwise acquired February 2001 Registered Notes pursuant or traceable to the February 2001 Registration Statement for violations of Section 11 of the Securities Act.

345. The February 2001 Director Defendants signed the February 2001 Registration Statement or authorized it to be signed on their behalf, and were directors of HealthSouth at the time the February 2001 Registration Statement was filed. Therefore, the February 2001 Director Defendants are liable under Sections 11(a)(1) and (2) to Bondholder Plaintiffs and other members the Bondholder Class who purchased or otherwise acquired February 2001 Registered Notes pursuant or traceable to the February 2001 Registration Statement.

346. The February 2001 Registration Statement was materially false and misleading, omitted to state facts necessary to make the statements made not misleading, and concealed and failed to adequately disclose material facts, as alleged in the Joint Amended Consolidated Securities Complaint.
347. At the time Bondholder Plaintiffs and other members of the Bondholder Class acquired February 2001 Registered Notes pursuant or traceable to the February 2001 Registration Statement, they did not know of the facts concerning the untrue and misleading statements and omissions alleged herein.

348. The February 2001 Registration Statement was distributed using the means and instrumentalities of interstate commerce and the U.S. mail.

349. This action is commenced within the period for bringing claims for violations of Section 11 of the Securities Act.

350. By reason of the foregoing, the February 2001 Director Defendants did not make a reasonable investigation and did not possess reasonable grounds for believing that the statements in the February 2001 Registration Statement were true, did not omit any material fact, and were not materially false and misleading. Therefore, these defendants are liable to Bondholder Plaintiffs and other members of the Bondholder Class who purchased or otherwise acquired February 2001 Registered Notes pursuant or traceable to the February 2001 Registration Statement for violations of Section 11 of the Securities Act, each of whom has been damaged by reasons of such violations.
COUNT XLI

Against the September 2001 Director Defendants
For Violations of Section 11 of the Securities Act
In Connection with the September 2001 Integrated Public Offering

351. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint, except, however, any and all allegations of fraud, deceit, manipulation or contrivance. This Count XLI asserts only a claim of strict or negligent liability.

352. This Count XLI is brought against Director Defendants Watkins, Strong, Givens, Newhall, Chamberlin, Gordon and Striplin (the "September 2001 Director Defendants") on behalf of all persons who purchased or otherwise acquired September 2001 Registered Notes pursuant or traceable to the September 2001 Registration Statement for violations of Section 11 of the Securities Act.

353. The September 2001 Director Defendants signed the September 2001 Registration Statement or authorized it to be signed on their behalf, and were directors of HealthSouth at the time the September 2001 Registration Statement was filed. Therefore, the September 2001 Director Defendants are liable under Sections 11(a)(1) and (2) to members of the Bondholder Class who purchased or otherwise acquired September 2001 Registered Notes pursuant or traceable to the September 2001 Registration Statement.

354. The September 2001 Registration Statement was materially false and misleading, omitted to state facts necessary to make the statements made not misleading, and concealed and
failed to adequately disclose material facts, as alleged in the Joint Amended Consolidated Securities Complaint.

355. At the time members of the Bondholder Class acquired September 2001 Registered Notes pursuant or traceable to the September 2001 Registration Statement, they did not know of the facts concerning the untrue and misleading statements and omissions alleged herein.

356. The September 2001 Registration Statement was distributed using the means and instrumentalities of interstate commerce and the U.S. mail.

357. This action is commenced within the period for bringing claims for violations of Section 11 of the Securities Act.

358. By reason of the foregoing, the September 2001 Director Defendants did not make a reasonable investigation and did not possess reasonable grounds for believing that the statements in the September 2001 Registration Statement were true, did not omit any material fact, and were not materially false and misleading. Therefore, these defendants are liable to members of the Bondholder Class who purchased or otherwise acquired September 2001 Registered Notes pursuant or traceable to the September 2001 Registration Statement for violations of Section 11 of the Securities Act, each of whom has been damaged by reasons of such violations.
COUNT XLII

Against the May 2002 Director Defendants
For Violations of Section 11 of the Securities Act
In Connection with the May 2002 Integrated Public Offering

359. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint, except, however, any and all allegations of fraud, deceit, manipulation or contrivance. This Count XLII asserts only a claim of strict or negligent liability.

360. This Count XLII is brought against Director Defendants Watkins, Strong, Givens, Newhall, Chamberlin, Gordon and Striplin (the “May 2002 Director Defendants”) on behalf of all persons who purchased or otherwise acquired May 2002 Registered Notes pursuant or traceable to the May 2002 Registration Statement for violations of Section 11 of the Securities Act.

361. The May 2002 Director Defendants signed the May 2002 Registration Statement or authorized it to be signed on their behalf, and were directors of HealthSouth at the time the May 2002 Registration Statement was filed. Therefore, the May 2002 Director Defendants are liable under Sections 11(a)(1) and (2) to Bondholder Plaintiffs and other members the Bondholder Class who purchased or otherwise acquired May 2002 Registered Notes pursuant or traceable to the May 2002 Registration Statement.

362. The May 2002 Registration Statement was materially false and misleading, omitted to state facts necessary to make the statements made not misleading, and concealed and failed to adequately disclose material facts, as alleged in the Joint Amended Consolidated Securities Complaint.
363. At the time Bondholder Plaintiffs and other members of the Bondholder Class acquired May 2002 Registered Notes pursuant or traceable to the May 2002 Registration Statement, they did not know of the facts concerning the untrue and misleading statements and omissions alleged herein.

364. The May 2002 Registration Statement was distributed using the means and instrumentalities of interstate commerce and the U.S. mail.

365. This action is commenced within the period for bringing claims for violations of Section 11 of the Securities Act.

366. By reason of the foregoing, the May 2002 Director Defendants did not make a reasonable investigation and did not possess reasonable grounds for believing that the statements in the May 2002 Registration Statement were true, did not omit any material fact, and were not materially false and misleading. Therefore, these defendants are liable to Bondholder Plaintiffs and other members of the Bondholder Class who purchased or otherwise acquired May 2002 Registered Notes pursuant or traceable to the May 2002 Registration Statement for violations of Section 11 of the Securities Act, each of whom has been damaged by reasons of such violations.

COUNT XLIII

Against the March 1998 Senior Officer Defendants and the March 1998 Director Defendants
For Violations of Section 15 of the Securities Act
In Connection with the March 1998 Integrated Public Offerings

367. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint. This Count XLIII involves deceit, manipulation
or contrivance on the part of the March 1998 Senior Officer Defendants and the March 1998 Director Defendants and others, as alleged in the Joint Amended Consolidated Securities Complaint and herein.

368. This Count XLIII is asserted against the March 1998 Senior Officer Defendants and the March 1998 Director Defendants for violations of Section 15 of the Securities Act in connection with the March 1998 Integrated Public Offering.

369. At all relevant times, the March 1998 Senior Officer Defendants and the March 1998 Director Defendants were controlling persons of HealthSouth within the meaning of Section 15 of the Securities Act. The March 1998 Senior Officer Defendants and the March 1998 Director Defendants, individually, had the power and authority, and exercised such power and authority, to cause HealthSouth to engage in the wrongful conduct complained of herein by reason of the following:

a. Scrushy had the power and authority, and exercised such power and authority, to cause HealthSouth to engage in the wrongful conduct complained of herein by virtue of his position as HealthSouth's Chairman of the Board and Chief Executive Officer at the time of the March 1998 Integrated Public Offering.

b. Owens had the power and authority, and exercised such power and authority, to cause HealthSouth to engage in the wrongful conduct complained of herein by virtue of his position as HealthSouth's Group Senior Vice President—Finance and Controller (Principal Accounting Officer) at the time of the March 1998 Integrated Public Offering.

c. Martin had the power and authority, and exercised such power and authority, to cause HealthSouth to engage in the wrongful conduct complained of herein by virtue of his position as Executive Vice President, Chief Financial Officer, Treasurer and a director of HealthSouth at the time of the March 1998 Integrated Public Offering.

d. Bennett had the power and authority, and exercised such power and authority, to cause HealthSouth to engage in the wrongful conduct complained of herein
by virtue of his position as Chief Operating Officer and a director of HealthSouth at the time of the March 1998 Integrated Public Offering.

e. The March 1998 Director Defendants had the power and authority, and exercised such power and authority, to cause HealthSouth to engage in the wrongful conduct complained of herein by virtue of their position as directors of HealthSouth at the time of the March 1998 Integrated Public Offering.

370. HealthSouth has admitted that all of its financial statements filed with the SEC and disseminated or disseminated to the investing public during the Bondholder Class Period were materially false and misleading. This admission by itself proves HealthSouth’s primary violation of Sections 11 and 12(a)(2) of the Securities Act with respect to the March 1998 Integrated Public Offering.

371. By reason of their positions of control over HealthSouth, as alleged herein, the March 1998 Senior Officer Defendants and the March 1998 Director Defendants are individually liable under Section 15 of the Securities Act, jointly and severally with, and to the same extent as is, HealthSouth under Sections 11 and 12(a)(2) of the Securities Act, to members of the Bondholder Class as a result of the wrongful conduct alleged herein.

372. This action is commenced within the period for bringing claims for violations of Sections 11 and 12(a)(2) of the Securities Act, as set forth in Section 804 of the Sarbanes-Oxley Act of 2002, 28 U.S.C. § 1658, for private actions that, like this Count XLIII, involve a claim of deceit, manipulation or contrivance in contravention of the securities laws.
COUNT XLIV

Against the June 1998 Senior Officer Defendants and
the June 1998 Director Defendants
For Violations of Section 15 of the Securities Act
In Connection with the June 1998 Integrated Public Offering

373. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint. This Count XLIV involves deceit, manipulation or contrivance on the part of the June 1998 Senior Officer Defendants and the June 1998 Director Defendants and others, as alleged in the Joint Amended Consolidated Securities Complaint and herein.

374. This Count XLIV is asserted against the June 1998 Senior Officer Defendants and the June 1998 Director Defendants for violations of Section 15 of the Securities Act in connection with the June 1998 Integrated Public Offering.

375. At all relevant times, the June 1998 Senior Officer Defendants and the June 1998 Director Defendants were controlling persons of HealthSouth within the meaning of Section 15 of the Securities Act. The June 1998 Senior Officer Defendants and the June 1998 Director Defendants, individually, had the power and authority, and exercised such power and authority, to cause HealthSouth to engage in the wrongful conduct complained of herein by reason of the following:

a. Scrushy had the power and authority, and exercised such power and authority, to cause HealthSouth to engage in the wrongful conduct complained of herein by virtue of his position as HealthSouth’s Chairman of the Board and Chief Executive Officer at the time of the June 1998 Integrated Public Offering.

b. Owens had the power and authority, and exercised such power and authority, to cause HealthSouth to engage in the wrongful conduct complained of herein
by virtue of his position as HealthSouth’s Group Senior Vice President – Finance and Controller (Principal Accounting Officer) at the time of the June 1998 Integrated Public Offering.

c. Martin had the power and authority, and exercised such power and authority, to cause HealthSouth to engage in the wrongful conduct complained of herein by virtue of his position as Executive Vice President, Chief Financial Officer, Treasurer and a director of HealthSouth at the time of the June 1998 Integrated Public Offering.

d. Bennett had the power and authority, and exercised such power and authority, to cause HealthSouth to engage in the wrongful conduct complained of herein by virtue of his position as Chief Operating Officer and a director of HealthSouth at the time of the June 1998 Integrated Public Offering.

e. The June 1998 Director Defendants had the power and authority, and exercised such power and authority, to cause HealthSouth to engage in the wrongful conduct complained of herein by virtue of their position as directors of HealthSouth at the time of the June 1998 Integrated Public Offering.

376. HealthSouth has admitted that all of its financial statements filed with the SEC and disseminated or disseminated to the investing public during the Bondholder Class Period were materially false and misleading. This admission by itself proves HealthSouth’s primary violation of Sections 11 and 12(a)(2) of the Securities Act with respect to the June 1998 Integrated Public Offering.

377. By reason of their positions of control over HealthSouth, as alleged herein, the June 1998 Senior Officer Defendants and the June 1998 Director Defendants are individually liable under Section 15 of the Securities Act, jointly and severally with, and to the same extent as is, HealthSouth under Sections 11 and 12(a)(2) of the Securities Act, to Bondholder Plaintiffs and other members of the Bondholder Class as a result of the wrongful conduct alleged herein.

378. This action is commenced within the period for bringing claims for violations of Sections 11 and 12(a)(2) of the Securities Act, as set forth in Section 804 of the Sarbanes-Oxley Act.
of 2002, 28 U.S.C. § 1658, for private actions that, like this Count XLIV, involve a claim of deceit, manipulation or contrivance in contravention of the securities laws.

COUNT XLV

Against the September 2000 Senior Officer Defendants and the September 2000 Director Defendants

For Violations of Section 15 of the Securities Act

In Connection with the September 2000 Integrated Public Offering

379. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint, except, however, any and all allegations of fraud, deceit, manipulation or contrivance. This Count XLV asserts only a claim of strict or negligent liability.

380. This Count XLV is asserted against the September 2000 Senior Officer Defendants and the September 2000 Director Defendants for violations of Section 15 of the Securities Act in connection with the September 2000 Integrated Public Offering.

381. At all relevant times, the September 2000 Senior Officer Defendants and the September 2000 Director Defendants were controlling persons of HealthSouth within the meaning of Section 15 of the Securities Act. The September 2000 Officer Defendants and the September 2000 Director Defendants, individually, had the power and authority, and exercised such power and authority, to cause HealthSouth to engage in the wrongful conduct complained of herein by reason of the following:

a. Scrushy had the power and authority, and exercised such power and authority, to cause HealthSouth to engage in the wrongful conduct complained of herein by virtue of his position as HealthSouth’s Chairman of the Board and Chief
Executive Officer at the time of the September 2000 Integrated Public Offering.

b. Owens had the power and authority, and exercised such power and authority, to cause HealthSouth to engage in the wrongful conduct complained of herein by virtue of his position as HealthSouth’s Executive Vice President and Chief Financial Officer at the time of the September 2000 Integrated Public Offering.

c. Smith had the power and authority, and exercised such power and authority, to cause HealthSouth to engage in the wrongful conduct complained of herein by virtue of his position as HealthSouth’s Senior Vice President – Finance and Controller (Principal Accounting Officer) at the time of the September 2000 Integrated Public Offering.

d. The September 2000 Director Defendants had the power and authority, and exercised such power and authority, to cause HealthSouth to engage in the wrongful conduct complained of herein by virtue of their position as directors of HealthSouth at the time of the September 2000 Integrated Public Offering.

382. HealthSouth has admitted that all of its financial statements filed with the SEC and disseminated or disseminated to the investing public during the Bondholder Class Period were materially false and misleading. This admission by itself proves HealthSouth’s primary violation of Sections 11 and 12(a)(2) of the Securities Act with respect to the September 2000 Integrated Public Offering.

383. By reason of their positions of control over HealthSouth, as alleged herein, the September 2000 Senior Officer Defendants and the September 2000 Director Defendants are individually liable under Section 15 of the Securities Act, jointly and severally with, and to the same extent as is, HealthSouth under Sections 11 and 12(a)(2) of the Securities Act, to Bondholder Plaintiffs and other members of the Bondholder Class as a result of the wrongful conduct alleged herein.
384. This action is commenced within the period for bringing claims for violations of Sections 11 and 12(a)(2) of the Securities Act.

COUNT XLVI

Against the February 2001 Senior Officer Defendants and the February 2001 Director Defendants
For Violations of Section 15 of the Securities Act
In Connection with the February 2001 Integrated Public Offering

385. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint, except, however, any and all allegations of fraud, deceit, manipulation or contrivance. This Count XLVI asserts only a claim of strict or negligent liability.

386. This Count XLVI is asserted against the February 2001 Senior Officer Defendants and the February 2001 Director Defendants for violations of Section 15 of the Securities Act in connection with the February 2001 Integrated Public Offering.

387. At all relevant times, the February 2001 Senior Officer Defendants and the February 2001 Director Defendants were controlling persons of HealthSouth within the meaning of Section 15 of the Securities Act. The February 2001 Senior Officer Defendants and the February 2001 Director Defendants, individually, had the power and authority, and exercised such power and authority, to cause HealthSouth to engage in the wrongful conduct complained of herein by reason of the following:

a. Scrushy had the power and authority, and exercised such power and authority, to cause HealthSouth to engage in the wrongful conduct complained of herein by virtue of his position as HealthSouth’s Chairman of the Board and Chief
Executive Officer at the time of the February 2001 Integrated Public Offering.

b. Owens had the power and authority, and exercised such power and authority, to cause HealthSouth to engage in the wrongful conduct complained of herein by virtue of his position as Executive Vice President and Chief Financial Officer and a director of HealthSouth at the time of the February 2001 Integrated Public Offering.

c. Smith had the power and authority, and exercised such power and authority, to cause HealthSouth to engage in the wrongful conduct complained of herein by virtue of his position as HealthSouth’s Senior Vice President – Finance and Controller (Principal Accounting Officer) at the time of the February 2001 Integrated Public Offering.

d. The February 2001 Director Defendants had the power and authority, and exercised such power and authority, to cause HealthSouth to engage in the wrongful conduct complained of herein by virtue of their position as directors of HealthSouth at the time of the February 2001 Integrated Public Offering.

388. HealthSouth has admitted that all of its financial statements filed with the SEC and disseminated or disseminated to the investing public during the Bondholder Class Period were materially false and misleading. This admission by itself proves HealthSouth’s primary violation of Sections 11 and 12(a)(2) of the Securities Act with respect to the February 2001 Integrated Public Offering.

389. By reason of their positions of control over HealthSouth, as alleged herein, the February 2001 Senior Officer Defendants and the February 2001 Director Defendants are individually liable under Section 15 of the Securities Act, jointly and severally with, and to the same extent as is, HealthSouth under Sections 11 and 12(a)(2) of the Securities Act, to Bondholder Plaintiffs and other members of the Bondholder Class as a result of the wrongful conduct alleged herein.
390. This action is commenced within the period for bringing claims for violations of Sections 11 and 12(a)(2) of the Securities Act.

COUNT XLVII

Against the September 2001 Senior Officer Defendants and the September 2001 Director Defendants For Violations of Section 15 of the Securities Act In Connection with the September 2001 Integrated Public Offering

391. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint, except, however, any and all allegations of fraud, deceit, manipulation or contrivance. This Count XLVII asserts only a claim of strict or negligent liability.

392. This Count XLVII is asserted against the September 2001 Senior Officer Defendants and the September 2001 Director Defendants for violations of Section 15 of the Securities Act in connection with the September 2001 Integrated Public Offering.

393. At all relevant times, the September 2001 Senior Officer Defendants and the September 2001 Director Defendants were controlling persons of HealthSouth within the meaning of Section 15 of the Securities Act. The September 2001 Senior Officer Defendants and the September 2001 Director Defendants, individually, had the power and authority, and exercised such power and authority, to cause HealthSouth to engage in the wrongful conduct complained of herein by reason of the following:

a. Scrushy had the power and authority, and exercised such power and authority, to cause HealthSouth to engage in the wrongful conduct complained of herein by virtue of his position as HealthSouth's Chairman of the Board and Chief
Executive Officer at the time of the September 2001 Integrated Public Offering.

b. Owens had the power and authority, and exercised such power and authority, to cause HealthSouth to engage in the wrongful conduct complained of herein by virtue of his position as Chief Operating Officer and a director of HealthSouth at the time of the September 2001 Integrated Public Offering.

c. Smith had the power and authority, and exercised such power and authority, to cause HealthSouth to engage in the wrongful conduct complained of herein by virtue of his position as HealthSouth’s Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer) at the time of the September 2001 Integrated Public Offering.

d. The September 2001 Director Defendants had the power and authority, and exercised such power and authority, to cause HealthSouth to engage in the wrongful conduct complained of herein by virtue of their position as directors of HealthSouth at the time of the September 2001 Integrated Public Offering.

394. HealthSouth has admitted that all of its financial statements filed with the SEC and disseminated or disseminated to the investing public during the Bondholder Class Period were materially false and misleading. This admission by itself proves HealthSouth’s primary violation of Sections 11 and 12(a)(2) of the Securities Act with respect to the September 2001 Integrated Public Offering.

395. By reason of their positions of control over HealthSouth, as alleged herein, the September 2001 Senior Officer Defendants and the September 2001 Director Defendants are individually liable under Section 15 of the Securities Act, jointly and severally with, and to the same extent as is, HealthSouth under Sections 11 and 12(a)(2) of the Securities Act, to members of the Bondholder Class as a result of the wrongful conduct alleged herein.

396. This action is commenced within the period for bringing claims for violations of Sections 11 and 12(a)(2) of the Securities Act.
COUNT XLVIII

Against the May 2002 Senior Officer Defendants and
the May 2002 Director Defendants
For Violations of Section 15 of the Securities Act
In Connection with the May 2002 Integrated Public Offering

397. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the
Joint Amended Consolidated Securities Complaint, except, however, any and all allegations of fraud,
deceit, manipulation or contrivance. This Count XLVIII asserts only a claim of strict or negligent
liability.

398. This Count XLVIII is asserted against the May 2002 Senior Officer Defendants and
the May 2002 Director Defendants for violations of Section 15 of the Securities Act in connection
with the May 2002 Integrated Public Offering.

399. At all relevant times, the May 2002 Senior Officer Defendants and the May 2002
Director Defendants were controlling persons of HealthSouth within the meaning of Section 15 of
the Securities Act. The May 2002 Senior Officer Defendants and the May 2002 Director
Defendants, individually, had the power and authority, and exercised such power and authority, to
cause HealthSouth to engage in the wrongful conduct complained of herein by reason of the
following:

a. Scrushy had the power and authority, and exercised such power and authority,
to cause HealthSouth to engage in the wrongful conduct complained of herein
by virtue of his position as HealthSouth’s Chairman of the Board and Chief
Executive Officer at the time of the May 2002 Integrated Public Offering.

b. Owens had the power and authority, and exercised such power and authority,
to cause HealthSouth to engage in the wrongful conduct complained of herein
by virtue of his position as Chief Operating Officer and a director of
HealthSouth at the time of the May 2002 Integrated Public Offering.
c. Smith had the power and authority, and exercised such power and authority, to cause HealthSouth to engage in the wrongful conduct complained of herein by virtue of his position as HealthSouth's Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer) at the time of the May 2002 Integrated Public Offering.

d. The May 2002 Director Defendants had the power and authority, and exercised such power and authority, to cause HealthSouth to engage in the wrongful conduct complained of herein by virtue of their position as directors of HealthSouth at the time of the May 2002 Integrated Public Offering.

400. HealthSouth has admitted that all of its financial statements filed with the SEC and disseminated or disseminated to the investing public during the Bondholder Class Period were materially false and misleading. This admission by itself proves HealthSouth's primary violation of Sections 11 and 12(a)(2) of the Securities Act with respect to the May 2002 Integrated Public Offering.

401. By reason of their positions of control over HealthSouth, as alleged herein, the May 2002 Senior Officer Defendants and the May 2002 Director Defendants are individually liable under Section 15 of the Securities Act, jointly and severally with, and to the same extent as is, HealthSouth under Sections 11 and 12(a)(2) of the Securities Act, to Bondholder Plaintiffs and other members of the Bondholder Class as a result of the wrongful conduct alleged herein.

402. This action is commenced within the period for bringing claims for violations of Sections 11 and 12(a)(2) of the Securities Act.
COUNT XLIX

Against HealthSouth, the Senior Officer Defendants and the Audit Committee Defendants
For Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder
In Connection with All Integrated Public Offerings and All Purchases of HealthSouth Debt Securities in the Secondary Market

403. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint.

404. This Count XLIX is brought on behalf all persons and entities who purchased or otherwise acquired debt securities of HealthSouth during the Bondholder Class Period, including: (i) all persons or entities who purchased or otherwise acquired debt securities of HealthSouth pursuant or traceable to the Integrated Public Offerings; and (ii) all persons or entities who purchased or otherwise acquired debt securities of HealthSouth in the secondary market.

405. Throughout the Bondholder Class Period, HealthSouth, and, except as described in this paragraph, Senior Officer Defendants Scrushy, Martin (from the beginning of the Bondholder Class Period through February 28, 2000), Owens, Bennett (from the beginning of the Bondholder Class Period through July 17, 2000) and Smith (from March 2000 through August 27, 2002) (the “Senior Officer Defendants”), and Director Defendants Watkins (from the beginning of the Bondholder Class Period through February 2003), Strong, Givens and Striplin (from April 1999 through the end of the Bondholder Class Period), all of whom served on the Audit Committee of HealthSouth’s Board (the “Audit Committee Defendants”) carried out a plan, scheme and course of conduct which was intended to and, throughout the Bondholder Class Period, did (a) deceive the investing public, including the Bondholder Plaintiffs and other members of the Bondholder Class, as
alleged herein, and (b) cause Bondholder Plaintiffs and other members of the Bondholder Class to purchase the Unregistered Notes and the Registered Notes at artificially inflated prices.

406. HealthSouth, the Senior Officer Defendants and the Audit Committee Defendants (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make statements not misleading; and (c) engaged in acts, practices, and a course of business that operated as a fraud and deceit upon the purchasers of the Unregistered Notes and the Registered Notes in an effort to maintain artificially high market prices in violation of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder. HealthSouth, the Senior Officer Defendants and the Audit Committee Defendants are sued as primary participants in the wrongful and illegal conduct charged herein.

407. HealthSouth, the Senior Officer Defendants and the Audit Committee Defendants individually, and in concert, directly and indirectly, by the use, means, or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the business, operations and future prospects of HealthSouth as specified herein.

408. HealthSouth, the Senior Officer Defendants and the Audit Committee Defendants engaged in transactions, practices and a course of conduct that operated as a fraud and deceit upon the purchasers of the Unregistered Notes and the Registered Notes. HealthSouth, the Senior Officer Defendants and the Audit Committee Defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information, and engaged in acts, practices, and a course of conduct in an effort to assure investors of HealthSouth’s value and performance and continued substantial growth, which included the making of, or the participation in
the making of, untrue statements of material facts, and omitting to state material facts necessary to make the statements not misleading.

409. HealthSouth, the Senior Officer Defendants and the Audit Committee Defendants acted with the requisite scienter in that they had actual knowledge of the misrepresentations and omissions of material fact set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were available to them. Such material misrepresentations and/or omissions were made knowingly or recklessly and for the purpose and effect of concealing HealthSouth's operating condition and future business prospects from the investing public. As demonstrated by the overstatements and misstatements of the Company's business, operations and earnings throughout the Bondholder Class Period, if HealthSouth, the Senior Officer Defendants and the Audit Committee Defendants did not have actual knowledge of the misrepresentations and omissions alleged, they were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether the materially false and misleading statements made were false or misleading.

410. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market prices of the Unregistered Notes and the Registered Notes were artificially inflated throughout the Bondholder Class Period. In ignorance of the fact that the market prices of the Unregistered Notes and the Registered Notes were artificially inflated, and relying directly or indirectly on the false and misleading statements made by HealthSouth, the Senior Officer Defendants and the Audit Committee Defendants, and/or upon the integrity of the market in which the securities traded, and/or on the absence of material adverse information that was known to or recklessly disregarded by HealthSouth, the Senior Officer
Defendants and the Audit Committee Defendants but not disclosed in public statements by HealthSouth, the Senior Officer Defendants or the Audit Committee Defendants during the Bondholder Class Period, Bondholder Plaintiffs and the other members of the Bondholder Class purchased or otherwise acquired the Unregistered Notes and the Registered Notes during the Bondholder Class Period at artificially high prices and were damaged thereby.

411. At the time of said misrepresentations and omissions, Bondholder Plaintiffs and other members of the Bondholder Class were ignorant of their falsity, and believed them to be true. Had Bondholder Plaintiffs and the members of the Bondholder Class known the truth regarding the problems that HealthSouth was experiencing, which was not disclosed by defendants, Bondholder Plaintiffs and members of the Bondholder Class would not have purchased or otherwise acquired any of HealthSouth's Unregistered Notes or Registered Notes.

412. HealthSouth, the Senior Officer Defendants and the Audit Committee Defendants scheme was so pervasive that, without it, HealthSouth would not have issued the Unregistered Notes or the Registered Notes, the SEC would not have permitted the Unregistered Notes or the Registered Notes to be sold, the Underwriter Defendants and the Individual Underwriter Defendants could not have marketed them, and the marketplace, including Bondholder Plaintiffs and members of the Bondholder Class, would not have bought them. Even had defendants disclosed HealthSouth’s true financial condition, sources of income, and other omitted material facts, and had adjusted the offering price of the Unregistered Notes and the Registered Notes downward (and/or the interest rates thereon upward) sufficiently to overcome the negative market reaction that such disclosures would cause, HealthSouth could not have afforded the resulting debt service obligations, and the Unregistered Notes and the Registered Notes never would have been issued and sold at any price.
Bondholder Plaintiffs and other members of the Bondholder Class reasonably relied on the Unregistered Notes' and the Registered Notes' availability on the market as an indication of their apparent genuineness, and further relied on the integrity of the market and the regulatory process to allow only genuine and marketable Unregistered Notes and Registered Notes free from fraud to be sold on the market.

413. By virtue of the foregoing, HealthSouth, the Senior Officer Defendants and the Audit Committee Defendants have violated Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder.

414. As a direct and proximate result of defendants' wrongful conduct, Bondholder Plaintiffs and the other members of the Bondholder Class suffered damages in connection with their respective purchases of Unregistered Notes and Registered Notes.

415. This action is commenced within the period for bringing claims for violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, as set forth in Section 804 of the Sarbanes-Oxley Act of 2002, 28 U.S.C. § 1658, for private actions that, like this Count XLIX, involve a claim of deceit, manipulation or contrivance in contravention of the securities laws.
COUNT L

Against the Underwriter Defendants and the Individual Underwriter Defendants
For Violations of Section 10(b) of the Exchange Act and
Rule 10b-5 Promulgated Thereunder
In Connection with All Integrated Public Offerings and
All Purchases of HealthSouth Debt Securities in the Secondary Market

416. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the
Joint Amended Consolidated Securities Complaint.

417. This Count L is brought on behalf all persons and entities who purchased or otherwise
acquired debt securities of HealthSouth during the Bondholder Class Period, including: (i) all
persons or entities who purchased or otherwise acquired debt securities of HealthSouth pursuant or
traceable to the Integrated Public Offerings; and (ii) all persons or entities who purchased or
otherwise acquired debt securities of HealthSouth in the secondary market.

418. During the Bondholder Class Period, the Underwriter Defendants and Individual
Underwriter Defendants Lorello, McGahan and Capek (the “Individual Underwriter Defendants”)
carried out a plan, scheme and course of conduct which was intended to and, throughout the
Bondholder Class Period, did (a) deceive the investing public, including the Bondholder Plaintiffs
and other members of the Bondholder Class, as alleged herein, and (b) cause Bondholder Plaintiffs
and other members of the Bondholder Class to purchase the Unregistered Notes and the Registered
Notes at artificially inflated prices.

419. The Underwriter Defendants and the Individual Underwriter Defendants (a) employed
devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted
to state material facts necessary to make statements not misleading; and (c) engaged in acts,
practices, and a course of business that operated as a fraud and deceit upon the purchasers of the Unregistered Notes and the Registered Notes in an effort to maintain artificially high market prices in violation of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder. The Underwriter Defendants and the Individual Underwriter Defendants are sued as primary participants in the wrongful and illegal conduct charged herein.

420. The Underwriter Defendants and the Individual Underwriter Defendants individually, and in concert, directly and indirectly, by the use, means, or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the business, operations and future prospects of HealthSouth as specified herein.

421. The Underwriter Defendants and the Individual Underwriter Defendants engaged in transactions, practices and a course of conduct that operated as a fraud and deceit upon the purchasers of the Unregistered Notes and the Registered Notes. The Underwriter Defendants and the Individual Underwriter Defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information, and engaged in acts, practices, and a course of conduct in an effort to assure investors of HealthSouth's value and performance and continued substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts, and omitting to state material facts necessary to make the statements not misleading.

422. The Underwriter Defendants and the Individual Underwriter Defendants acted with the requisite scienter in that they had actual knowledge of the misrepresentations and omissions of material fact set forth herein, or acted with reckless disregard for the truth in that they failed to
ascertain and to disclose such facts, even though such facts were available to them. Such material misrepresentations and/or omissions were made knowingly or recklessly and for the purpose and effect of concealing HealthSouth's operating condition and future business prospects from the investing public. As demonstrated by the overstatements and misstatements of the Company's business, operations and earnings throughout the Bondholder Class Period, if the Underwriter Defendants and the Individual Underwriter Defendants did not have actual knowledge of the misrepresentations and omissions alleged, they were reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether the materially false and misleading statements made were false or misleading.

423. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market prices of the Unregistered Notes and the Registered Notes were artificially inflated during the Bondholder Class Period. In ignorance of the fact that the market prices of the Unregistered Notes and the Registered Notes were artificially inflated, and relying directly or indirectly on the false and misleading statements made by the Underwriter Defendants and the Individual Underwriter Defendants, and/or upon the integrity of the market in which the securities traded, and/or on the absence of material adverse information that was known to or recklessly disregarded by the Underwriter Defendants and the Individual Underwriter Defendants but not disclosed in public statements by the Underwriter Defendants or the Individual Underwriter Defendants during the Bondholder Class Period, Bondholder Plaintiffs and the other members of the Bondholder Class acquired the Unregistered Notes and the Registered Notes during the Bondholder Class Period at artificially high prices and were damaged thereby.
424. At the time of said misrepresentations and omissions, Bondholder Plaintiffs and other members of the Bondholder Class were ignorant of their falsity, and believed them to be true. Had Bondholder Plaintiffs and the members of the Bondholder Class known the truth regarding the problems that HealthSouth was experiencing, which was not disclosed by defendants, Bondholder Plaintiffs and members of the Bondholder Class would not have purchased or otherwise acquired any of HealthSouth’s Unregistered Notes or Registered Notes.

425. The Underwriter Defendants and the Individual Underwriter Defendants scheme was so pervasive that, without it, HealthSouth would not have issued the Unregistered Notes or the Registered Notes, the SEC would not have permitted the Unregistered Notes or the Registered Notes to be sold, the Underwriter Defendants and the Individual Underwriter could not have marketed them, and the marketplace, including Bondholder Plaintiffs and members of the Bondholder Class, would not have bought them. Even had defendants disclosed HealthSouth’s true financial condition, sources of income, and other omitted material facts, and had adjusted the offering price of the Unregistered Notes and the Registered Notes downward (and/or the interest rates thereon upward) sufficiently to overcome the negative market reaction that such disclosures would cause, HealthSouth could not have afforded the resulting debt service obligations, and the Unregistered Notes and the Registered Notes never would have been issued and sold at any price. Plaintiffs and other members of the Bondholder Class reasonably relied on the Unregistered Notes’ and the Registered Notes’ availability on the market as an indication of their apparent genuineness, and further relied on the integrity of the market and the regulatory process to allow only genuine and marketable Unregistered Notes and Registered Notes free from fraud to be sold on the market.
426. By virtue of the foregoing, the Underwriter Defendants and the Individual Underwriter Defendants have violated Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder.

427. As a direct and proximate result of defendants’ wrongful conduct, Bondholder Plaintiffs and the other members of the Bondholder Class suffered damages in connection with their respective purchases of Unregistered Notes and Registered Notes.

428. This action is commenced within the period for bringing claims for violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, as set forth in Section 804 of the Sarbanes-Oxley Act of 2002, 28 U.S.C. § 1658, for private actions that, like this Count L, involve a claim of deceit, manipulation or contrivance in contravention of the securities laws.

COUNT LI

Against E&Y For Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder
In Connection with All Integrated Public Offerings and All Purchases of HealthSouth Debt Securities in the Secondary Market

429. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint.

430. This Count LI is brought on behalf all persons and entities who purchased or otherwise acquired debt securities of HealthSouth during the Bondholder Class Period, including: (i) all persons or entities who purchased or otherwise acquired debt securities of HealthSouth
pursuant or traceable to the Integrated Public Offerings; and (ii) all persons or entities who purchased or otherwise acquired debt securities of HealthSouth in the secondary market.

431. During the Bondholder Class Period, E&Y carried out a plan, scheme and course of conduct which was intended to and, throughout the Bondholder Class Period, did (a) deceive the investing public, including the Bondholder Plaintiffs and other members of the Bondholder Class, as alleged herein, and (b) cause Bondholder Plaintiffs and other members of the Bondholder Class to purchase the Unregistered Notes and the Registered Notes at artificially inflated prices.

432. E&Y (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make statements not misleading; and (c) engaged in acts, practices, and a course of business that operated as a fraud and deceit upon the purchasers of the Unregistered Notes and the Registered Notes in an effort to maintain artificially high market prices in violation of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder. E&Y is sued as primary participants in the wrongful and illegal conduct charged herein.

433. E&Y, individually, and in concert with other defendants, as alleged herein, directly and indirectly, by the use, means, or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the business, operations and future prospects of HealthSouth as specified herein.

434. E&Y acted as HealthSouth’s independent auditor at all relevant times. E&Y issued unqualified auditor’s reports that were materially false and misleading in connection with the HealthSouth annual financial statements issued during the Bondholder Class Period. Those auditor’s
reports were included in the Offering Memoranda, and, with E&Y’s consent, incorporated into the Registration Statements and the Forms 10-K issued by HealthSouth during the Bondholder Class Period. As the Company’s auditor, E&Y was required to perform its audits in conformity with GAAS, and its unqualified auditor’s reports stated that it did so. Contrary to those representations, however, E&Y violated GAAS by failing to conduct a reasonable investigation to ensure that the Company’s annual financial statements were presented, in all material respects, in conformity with GAAP, and that there was no omission of material fact that made the statements contained therein materially false and misleading. Further, E&Y’s representations that HealthSouth’s annual financial statements were presented, in all material respects, in conformity with GAAP also were materially false and misleading because, as alleged in the Joint Amended Consolidated Securities Complaint, E&Y had known since at least 1994 that HealthSouth was manipulating its financial statements. Accordingly, E&Y is liable under Section 10(b), and Rule 10b-5 promulgated thereunder, to members of the Bondholder Class who or which purchased or otherwise acquired their HealthSouth debt securities during the Bondholder Class Period.

435. E&Y engaged in transactions, practices and a course of conduct that operated as a fraud and deceit upon the purchasers of the Unregistered Notes and the Registered Notes. E&Y employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information, and engaged in acts, practices, and a course of conduct in an effort to assure investors of HealthSouth’s value and performance and continued substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts, and omitting to state material facts necessary to make the statements not misleading.
436. E&Y acted with the requisite scienter in that it had actual knowledge of the misrepresentations and omissions of material fact set forth herein, or acted with reckless disregard for the truth in that it failed to ascertain and to disclose such facts, even though such facts were available to it. Such material misrepresentations and/or omissions were made knowingly or recklessly and for the purpose and effect of concealing HealthSouth’s operating condition and future business prospects from the investing public. As demonstrated by the overstatements and misstatements of the Company’s business, operations and earnings throughout the Bondholder Class Period, if E&Y did not have actual knowledge of the misrepresentations and omissions alleged, it was reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether the materially false and misleading statements made were false or misleading.

437. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market prices of the Unregistered Notes and the Registered Notes were artificially inflated during the Bondholder Class Period. In ignorance of the fact that the market prices of the Unregistered Notes and the Registered Notes were artificially inflated, and relying directly or indirectly on the false and misleading statements made by E&Y, and/or upon the integrity of the market in which the securities traded, and/or on the absence of material adverse information that was known to or recklessly disregarded by E&Y but not disclosed in public statements by E&Y during the Bondholder Class Period, Bondholder Plaintiffs and the other members of the Bondholder Class acquired the Unregistered Notes and the Registered Notes during the Bondholder Class Period at artificially high prices and were damaged thereby.
438. At the time of said misrepresentations and omissions, Bondholder Plaintiffs and other members of the Bondholder Class were ignorant of their falsity, and believed them to be true. Had Bondholder Plaintiffs and the members of the Bondholder Class known the truth regarding the problems that HealthSouth was experiencing, which was not disclosed by defendants, Bondholder Plaintiffs and members of the Bondholder Class would not have purchased or otherwise acquired any of HealthSouth's Unregistered Notes or Registered Notes.

439. E&Y's scheme was so pervasive that, without it, HealthSouth would not have issued the Unregistered Notes or the Registered Notes, the SEC would not have permitted the Unregistered Notes or the Registered Notes to be sold, the Underwriter Defendants and the Individual Underwriter Defendants could not have marketed them, and the marketplace, including Bondholder Plaintiffs and members of the Bondholder Class, would not have bought them. Even had defendants disclosed HealthSouth's true financial condition, sources of income, and other omitted material facts, and had adjusted the offering price of the Unregistered Notes and the Registered Notes downward (and/or the interest rates thereon upward) sufficiently to overcome the negative market reaction that such disclosures would cause, HealthSouth could not have afforded the resulting debt service obligations, and the Unregistered Notes and the Registered Notes never would have been issued and sold at any price. Plaintiffs and other members of the Bondholder Class reasonably relied on the Unregistered Notes' and the Registered Notes' availability on the market as an indication of their apparent genuineness, and further relied on the integrity of the market and the regulatory process to allow only genuine and marketable Unregistered Notes and Registered Notes free from fraud to be sold on the market.
440. By virtue of the foregoing, E&Y has violated Section 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder.

441. As a direct and proximate result of defendants’ wrongful conduct, Bondholder Plaintiffs and the other members of the Bondholder Class suffered damages in connection with their respective purchases of Unregistered Notes and Registered Notes.

442. This action is commenced within the period for bringing claims for violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, as set forth in Section 804 of the Sarbanes-Oxley Act of 2002, 28 U.S.C. § 1658, for private actions that, like this Count LI, involve a claim of deceit, manipulation or contrivance in contravention of the securities laws.

COUNT LII

Against the Senior Officer Defendants and the Director Defendants
For Violations of Section 20(a) of the Exchange Act
In Connection with All Integrated Public Offerings and
All Purchases of HealthSouth Debt Securities in the Secondary Market

443. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint.

444. This Count LII is brought on behalf all persons and entities who purchased or otherwise acquired debt securities of HealthSouth during the Bondholder Class Period, including: (i) all persons or entities who purchased or otherwise acquired debt securities of HealthSouth pursuant or traceable to the Integrated Public Offerings; and (ii) all persons or entities who purchased or otherwise acquired debt securities of HealthSouth in the secondary market.
445. This Count is asserted against Senior Officer Defendants Scrushy, Martin (from the beginning of the Bondholder Class Period through February 28, 2000), Owens, Bennett (from the beginning of the Bondholder Class Period through July 17, 2000) and Smith (from March 2000 through August 27, 2002) (the “Senior Officer Defendants”); and Director Defendants Watkins (from the beginning of the Bondholder Class Period through February 2003), Strong (from the beginning of the Bondholder Class Period through December 2003), Givens, Crawford (from May 21, 1998 through at least August 1998 but not later than November 16, 1998), Tanner (from the beginning of the Bondholder Class Period through May 1999), D. Brown (from the beginning of the Bondholder Class Period through May 2000), Newhall (from the beginning of the Bondholder Class Period through December 2003), Chamberlin, Jones (from May 2000 through February 2001), Striplin (from April 1999 through the end of the Bondholder Class Period), and Gordon (collectively, the “Director Defendants”) for violations of Section 20(a) of the Exchange Act, 15 U.S.C. § 78t(a), on behalf of Bondholder Plaintiffs and all other members of the Bondholder Class.

446. During the Bondholder Class Period, the Senior Officer Defendants and the Director Defendants were controlling persons of HealthSouth and those of the Senior Officer Defendants, Employee Defendants and other HealthSouth employees who, as detailed in the Joint Amended Consolidated Securities Complaint, have pleaded guilty to securities fraud (the “Pleading HealthSouth Employees”) within the meaning of Section 20(a) of the Exchange Act, 15 U.S.C. § 78t(a), on behalf of Bondholder Plaintiffs and all other members of the Bondholder Class.
447. Defendant Scrushy had the power and authority to cause, and did cause, HealthSouth and the Pleading HealthSouth Employees to engage in the wrongful conduct complained of herein throughout the Bondholder Class Period by virtue of his position as HealthSouth’s Chairman from 1984 through March 20, 2003, and Chief Executive Officer from 1984 through August 2002, and again from January 2003 through March 2003;

448. Defendant Owens had the power and authority to cause, and did cause, HealthSouth and the Pleading HealthSouth Employees to engage in the wrongful conduct complained of herein throughout the Bondholder Class Period by virtue of his positions as Group Senior Vice President – Finance and Controller (Principal Accounting Officer), as HealthSouth’s Executive Vice President and Chief Financial Officer, as President and Chief Operating Officer, and as a director of HealthSouth.

449. Defendant Martin had the power and authority to cause, and did cause, HealthSouth and the Pleading HealthSouth Employees to engage in the wrongful conduct complained of herein from the beginning of the Bondholder Class Period through February 2000 by virtue of his position as HealthSouth’s Chief Financial Officer;

450. Defendant Smith had the power and authority to cause, and did cause, HealthSouth and the Pleading HealthSouth Employees to engage in the wrongful conduct complained of herein from March 2000 through August 27, 2002 by virtue of his positions as Senior Vice President – Finance and Controller (Principal Accounting Officer), and as Executive Vice President and Chief Financial Officer.
451. Defendant Bennett had the power and authority to cause, and did cause, HealthSouth and the Pleading HealthSouth Employees to engage in the wrongful conduct complained of herein from the beginning of the Bondholder Class Period through July 17, 2000 by virtue of his positions as HealthSouth’s Chief Operating Officer, and as a director.

452. The fact that the Pleading HealthSouth Employees have pleaded guilty to securities fraud and financial statement manipulation, by itself, proves numerous primary violations of Section 10(b) of the Exchange Act.

453. The Director Defendants had the power and authority to cause, and did cause, HealthSouth and the Pleading HealthSouth Employees to engage in the wrongful conduct complained of herein, each for the periods set forth in paragraph 408 above, by virtue of their position as directors of HealthSouth.

454. The Senior Officer Defendants were designated as executive officers of HealthSouth, distinguishing them from other corporate officers, in HealthSouth’s Forms 10-K filed during the Bondholder Class Period.

455. The Director Defendants were designated as directors of HealthSouth in the Company’s SEC filings, including, but not limited to, the Registration Statements.

456. By reason of their positions of control over HealthSouth, as alleged herein, the Senior Officer Defendants and the Director Defendants are individually liable under Section 20(a) of the Exchange Act to the same extent HealthSouth and the Pleading HealthSouth Employees are liable under Section 10(b) of the Exchange Act to Bondholder Plaintiffs and the other members of the Bondholder Class as a result of the wrongful conduct alleged herein.
457. This action is commenced within the period for bringing claims for violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, as set forth in Section 804 of the Sarbanes-Oxley Act of 2002, 28 U.S.C. § 1658, for private actions that, like this Count LII, involve a claim of deceit, manipulation or contrivance in contravention of the securities laws.

COUNT LIII

Against Underwriter Defendants
SSB (d/b/a Smith Barney, Inc. and Salomon Brothers, Inc.) and UBS Warburg
For Violations of Section 20(a) of the Exchange Act
In Connection with All Integrated Public Offerings and All Purchases of HealthSouth Debt in the Secondary Market

458. Bondholder Plaintiffs repeat and re-allege each and every allegation contained in the Joint Amended Consolidated Securities Complaint.

459. This Count LIII is brought on behalf of all persons and entities who purchased or otherwise acquired debt securities of HealthSouth during the Bondholder Class Period, including: (i) all persons or entities who purchased or otherwise acquired debt securities of HealthSouth pursuant or traceable to the Integrated Public Offerings; and (ii) all persons or entities who purchased or otherwise acquired debt securities of HealthSouth in the secondary market.

460. This Count is asserted against Underwriter Defendants SSB and UBS Warburg for violations of Section 20(a) of the Exchange Act, 15 U.S.C. § 78t(a), on behalf of Bondholder Plaintiffs and all other members of the Bondholder Class.
Until Individual Underwriter Defendants Lorello and McGahan left SSB to join UBS Warburg in 1999, SSB was a controlling person of Individual Underwriter Defendants Lorello and McGahan within the meaning of Section 20(a) of the Exchange Act. From the time in 1999 that Individual Underwriter Defendants Lorello and McGahan joined UBS Warburg, UBS Warburg was a controlling person of Individual Underwriter Defendants Lorello and McGahan within the meaning of Section 20(a) of the Exchange Act. SSB had the power, and exercised such power, to cause Individual Underwriter Defendants Lorello and McGahan, who were employees of SSB at the time of the March 1998 Integrated Offering and the June 1998 Integrated Public Offering, to engage in the wrongful conduct complained of herein by virtue of their positions as employers and as the lead underwriters of the March 1998 Integrated Public Offering and the June 1998 Integrated Public Offering, as well as the substantial role they played in orchestrating those Integrated Public Offerings, and their awareness of the material misstatements and omissions contained in, or incorporated into, the March 1998 Registration Statement and the June 1998 Registration Statement.

UBS Warburg had the power, and exercised such power, to cause Individual Underwriter Defendants Lorello and McGahan, who were employees of UBS Warburg at the time of the September 2000 Integrated Public Offering, the February 2001 Integrated Public Offering, the September 2001 Integrated Public Offering and the May 2002 Integrated Public Offering, to engage in the wrongful conduct complained of herein by virtue of their positions as employers and as the lead underwriters of the September 2000 Integrated Public Offering, the February 2001 Integrated Public Offering, the September 2001 Integrated Public Offering and the May 2002 Integrated Public Offering, as well as the substantial role they played in orchestrating those Integrated Public Offerings, and their awareness of the material misstatements and omissions contained in, or
incorporated into, the September 2000 Registration Statement, the February 2001 Registration Statement, the September 2001 Registration Statement and the May 2002 Registration Statement.

462. Individual Underwriter Defendant Capek was, from May 1999 through the end of the Bondholder Class Period, Managing Director of UBS Warburg’s Equity Research and HealthCare Group. Capek was the UBS Warburg analyst responsible for covering HealthSouth. From the time in 1999 that Individual Underwriter Defendant Capek joined UBS Warburg, UBS Warburg was a controlling person of Individual Underwriter Defendant Capek within the meaning of Section 20(a) of the Exchange Act. UBS Warburg had the power, and exercised such power, to cause Individual Underwriter Defendant Capek to engage in the wrongful conduct complained of herein by virtue of its position as Capek’s employer, as well as UBS Warburg’s awareness of the material misstatements and omissions contained in, or incorporated into the HealthSouth financial statements issued from the time Capek joined UBS Warburg in 1999 through the end of the Bondholder Class Period.

463. By reason of their positions of control over the Individual Underwriter Defendants Lorello and McGahan, as alleged herein and in the Joint Amended Consolidated Securities Complaint, Underwriter Defendants SSB and UBS Warburg, are individually liable under Section 20(a) of the Exchange Act, jointly and severally with, and to the same extent as are, Lorello, McGahan and Capek under Section 10(b) of the Exchange Act, to Bondholder Plaintiffs and other members of the Bondholder Class as a result of the wrongful conduct alleged herein.

464. This action is commenced within the period for bringing claims for violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, as set forth in Section 804 of the Sarbanes-Oxley Act of 2002, 28 U.S.C. § 1658, for private actions that, like this
Count LIII, involve a claim of deceit, manipulation or contrivance in contravention of the securities laws.

PRAYER FOR RELIEF

WHEREFORE, Bondholder Plaintiffs pray for relief and judgment, as follows:

i. Determining that this action is a proper class action, certifying the Bondholder Class, and designating Bondholder Plaintiffs as class representatives under Rule 23 of the Federal Rules of Civil Procedure;

ii. Awarding compensatory damages in favor of Bondholder Plaintiffs and the other Bondholder Class members against all defendants, jointly and severally, for all damages sustained as a result of defendants’ wrongdoing, in an amount to be proven at trial, including appropriate prejudgment interest at the maximum rate allowable by law;

iii. Imposing a constructive trust on all income tax refunds payable to HealthSouth as a result of overpaying income taxes on fraudulent income reported during the Bondholder Class Period;

iv. Awarding Bondholder Plaintiffs and the Bondholder Class their reasonable costs and expenses incurred in this action, including counsel fees, expert fees and other disbursements; and

v. Awarding Bondholder Plaintiffs and the Bondholder Class such other and further relief as the Court may deem just and proper.
JURY TRIAL DEMANDED

Pursuant to Rule 38 of the Federal Rules of Civil Procedure, Bondholder Plaintiffs hereby demand a trial by jury as to all issues so triable.

Dated: January 8, 2004

DONALDSON & GUIN, L.L.C.
DAVID J. GUIN (ASB-3461-G67D)
DAVID R. DONALDSON
TAMMY MCCLENDON STOKES

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CERTIFICATE OF SERVICE

I hereby certify that on this the 8th day of January, 2004, I caused the foregoing Consolidated Class Action Complaint for Violations of the Federal Securities Laws to be served by e-mail and by first class mail to those individuals without e-mail listed on the attached Appendix G.

[Signature]

David J. Guin
## APPENDIX G

**IN RE HEALTHSOUTH CORP. SECURITIES LITIGATION**  
[Master File No. CV-03-BE-1500-S]

<table>
<thead>
<tr>
<th>Party</th>
<th>Name of Person to Serve</th>
<th>Email Address</th>
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<tbody>
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