

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

**SECURITIES AND EXCHANGE
COMMISSION,**

Plaintiff,

v.

Healthsouth Corporation,

Defendant.

CV-03-J-0615-S

**NOTICE OF CLARIFICATION OF PLAN OF ALLOCATION FOR
FUNDS IN SEC ACTION**

Plaintiff Securities and Exchange Commission, at the request of Francis E. McGovern, the Court-appointed Distribution Agent for the Securities and Exchange Commission v Healthsouth Qualified Settlement Fund (“Fund”) hereby submits a clarification with regard to the Distribution Agent’s Plan of Allocation, as currently described.

The Plan of Allocation for the Securities and Exchange Commission HealthSouth Securities Settlement was filed on October 22, 2007, in accordance with the Joint Order Approving Form and Manner of Notice dated October 3, 2007. (See “Declaration of Joy Ann Bull Providing The Final Notice Documents,” Exhibit 4, Appendix II.) The “Objection of Class

Member AIG Global Investment Corporation To The Class Action Plan of Allocation Specifically As It Relates To Terms of the Bondholder Allocation” filed December 14, 2007, and the “Memorandum in Support of Lead Plaintiffs’ Motion for Approval of the Plan of Allocation of Settlement Proceeds and Response to Objection of Class Member AIG Global Investment Corporation” filed January 24, 2008, interpret the Plan of Allocation in two different manners. The issue subject to these different interpretations is whether compensation for an Injured Customer of HealthSouth Corporation is capped by the actual loss of that customer. The relevant language in the Plan of Allocation is as follows: “[a]n Injured Customer’s eligibility for compensation is capped by the Injured Customer’s actual loss on a security. That is, the maximum eligible loss on a unit held on a Disclosure Date is the difference between the purchase price and the sale price of that unit.” These sentences control the subsequent provisions regarding the calculation of an Injured Customer’s distribution amount. Actual loss is a prerequisite to compensation under the Plan of Allocation for the SEC HealthSouth Securities Settlement.

In addition, footnotes 5 and 7 of the HealthSouth Securities Settlement filed October 22, 2007 provide that securities “. . . held on September 28, 1998, September 29, 1998 and/or September 30, 1998 may be

included in the Plan of Allocation on or before the Court hearing on February 7, 2008.” September 30, 1998, is hereby included in the Plan of Allocation.

The foregoing clarification applies only to the funds being distributed from the SEC HealthSouth Securities Settlement and does not impact the private class action funds.

For the foregoing reasons, the Commission respectfully requests that this Court incorporate this clarification in its consideration of the proposed plan.

Dated: February 5, 2008

Respectfully submitted,

/s/ William P. Hicks

William P. Hicks

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CERTIFICATE OF SERVICE

I hereby certify that on February 5, 2008, I electronically filed the foregoing Clarification by using the ECF system which will send a notice of electronic filing to the following known Filing Users: R. Martin Adams, Edward E. Angwin, Gary H. Baise, Arthur W. Leach, Alan M. Lieberman, Madison Loomis, Joseph B. Mays, Jr., Francis E. McGovern, Leslie V. Moore, James W. Parkman, J. Marbury Ranier, Alex Rue, David G. Russel, Jack W. Seldon, H. Michael Semler, Kile T. Turner, John D. Worland, Jr.

I further certify that I served the foregoing document and notice of electronic filing by first-class mail to the following non-ECF participants:

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