

H33504

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CORPORATION(S) NAME

Sigma Health Properties, Inc.

- Profit
 - NonProfit
 - Foreign
 - Limited Partnership
 - Reinstatement
 - Fictitious Name
 - Certified Copy
 - Amendment
 - Dissolution/Withdrawal
 - Annual Report
 - Name Registration
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TALLAHASSEE, FLORIDA

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ARTICLES OF MERGER
Merger Sheet

MERGING: -----

SIGMA ACQUISITION CORPORATION, a Florida corporation, P980000039697

INTO

SIGMA HEALTH PROPERTIES, INC., a Florida corporation, H33504.

File date: July 24, 1998

Corporate Specialist: Teresa Brown

**ARTICLES OF MERGER
OF
SIGMA HEALTH PROPERTIES, INC.
AND
SIGMA ACQUISITION CORPORATION**

FILED
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SECRETARY OF STATE
TALLAHASSEE, FLORIDA

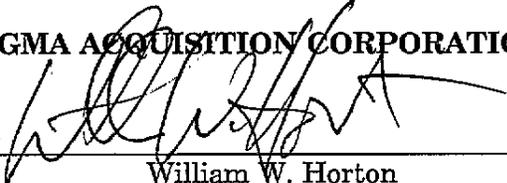
Pursuant to the provisions of Section 607.1105 of the Florida Business Corporation Act (the "Act"), Sigma Health Properties, Inc., a Florida corporation, and Sigma Acquisition Corporation, a Florida corporation, do hereby adopt the following Articles of Merger:

1. The names of the corporations which are parties to the merger contemplated by these Articles of Merger (the "Merger") are Sigma Health Properties, Inc. and Sigma Acquisition Corporation.
2. Sigma Acquisition Corporation is hereby merged with and into Sigma Health Properties, Inc. and the corporate existence of Sigma Acquisition Corporation shall cease. Sigma Health Properties, Inc. is the surviving corporation in the merger. A copy of the Plan of Merger is attached hereto as Exhibit A and made a part hereof by reference as if fully set forth herein.
3. The Plan of Merger was adopted by the Board of Directors and the sole shareholder of Sigma Acquisition Corporation by written consents in lieu of holding special meetings dated May 1, 1998, pursuant to Sections 607.0821 and 607.0704 of the Act.
4. The Plan of Merger was adopted by the Board of Directors and the sole shareholder of Sigma Health Properties, Inc. by written consents in lieu of holding special meetings dated May 15, 1998, pursuant to Sections 607.0821 and 607.0704 of the Act.

The Merger shall become effective upon the filing of these Articles of Merger with the Department of State of the State of Florida in accordance with the provisions of Sections 607.1105 and 607.1106 of the Act.

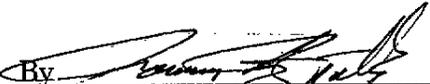
The parties have caused these Articles of Merger to be executed on July 15, 1998.

SIGMA ACQUISITION CORPORATION

By 

William W. Horton
Vice President

SIGMA HEALTH PROPERTIES, INC.

By 

Truman Fitzpatrick
President

PLAN AND AGREEMENT OF MERGER

PLAN AND AGREEMENT OF MERGER (the "Plan of Merger"), made and entered into as of the 15th day of May, 1998, by and among **HEALTHSOUTH Corporation**, a Delaware corporation ("HEALTHSOUTH"), **SIGMA ACQUISITION CORPORATION**, a Florida corporation (the "Subsidiary"), **SIGMA HEALTH PROPERTIES, INC.**, a Florida corporation ("Sigma") (the Subsidiary and Sigma being sometimes collectively referred to herein as the "Constituent Corporations"), and **RPI, INC.**, a Florida corporation which is the sole shareholder of Sigma (the "Shareholder").

W I T N E S S E T H:

WHEREAS, the respective Boards of Directors of HEALTHSOUTH, the Subsidiary, Sigma and the Shareholder have approved the merger of the Subsidiary with and into Sigma (the "Merger"), upon the terms and conditions set forth in this Plan of Merger, whereby all shares of Common Stock, par value \$1.00 per share, of Sigma (the "Sigma Common Stock"), not owned directly or indirectly by Sigma, will be converted into the right to receive the Merger Consideration (as hereinafter defined);

WHEREAS, each of HEALTHSOUTH, the Subsidiary, Sigma and the Shareholder desires to make certain representations, warranties, covenants and agreements in connection with the Merger and also to prescribe various conditions to the Merger;

WHEREAS, for federal income tax purposes, it is intended that the Merger shall qualify as a reorganization under the provisions of Section 368 of the Internal Revenue Code of 1986, as amended; and

WHEREAS, simultaneously with the execution and delivery hereof, HEALTHSOUTH, HEALTHSOUTH of Tallahassee Limited Partnership, Tallahassee Health Associates, Ltd., Sigma, Tallahassee Health Associates II, Ltd. and Empire Rouse Tallahassee, Inc. have entered into an Agreement, of even date herewith, relating to the sale and transfer of all limited partnership interests in Tallahassee Health Associates, Ltd. to HEALTHSOUTH of Tallahassee Limited Partnership (the "Purchase Agreement").

NOW, THEREFORE, in consideration of the premises, and the mutual covenants and agreements contained herein, the parties hereto do hereby agree as follows:

Section 1. The Merger.

1.1 **The Merger.** Upon the terms and conditions set forth in this Plan of Merger, and in accordance with the Florida Business Corporation Act (the "FBCA"), the Subsidiary shall be merged with and into Sigma at the Effective Time (as defined in Section 1.3). Following the Effective Time, the separate corporate existence of the Subsidiary shall cease and Sigma shall continue as the surviving corporation (the "Surviving Corporation") under the

name "Sigma Health Properties, Inc." and shall succeed to and assume all the rights and obligations of the Subsidiary and Sigma in accordance with the FBCA.

1.2 The Closing. The closing of the Merger (the "Closing") will take place at 10:00 a.m. Central Time on a date to be specified by the parties (the "Closing Date"), which (subject to satisfaction or waiver of the conditions set forth in Sections 9.2 and 9.3) shall be no later than the second business day after satisfaction or waiver of the conditions set forth in Section 9.1 (other than Section 9.1(a)), at the offices of HEALTHSOUTH in Birmingham, Alabama, unless another date or place is agreed to in writing by the parties hereto.

1.3 Effective Time. Subject to the provisions of this Plan of Merger, the parties shall file Articles of Merger (the "Florida Filing") in substantially the form attached as Exhibit 1.3 hereto and shall make any other filings required under the FBCA on the Closing Date. The Merger shall become effective at such time as the Florida Filing is duly filed with the Florida Secretary of State (the "Effective Time").

1.4 Effect of the Merger. The Merger shall have the effects set forth in Section 607.1106 of the FBCA with respect to Sigma and the Subsidiary.

Section 2. **Effect of the Merger on the Capital Stock of the Constituent Corporations; Exchange of Certificates.**

2.1 Effect on Capital Stock. As of the Effective Time, by virtue of the Merger and without any action on the part of any holder of shares of Sigma Common Stock or any shares of capital stock of the Subsidiary:

(a) Subsidiary Common Stock. Each share of capital stock of the Subsidiary issued and outstanding immediately prior to the Effective Time shall be converted into one fully paid and nonassessable share of Sigma Common Stock.

(b) Cancellation of Treasury Stock. Each share of Sigma Common Stock that is owned by Sigma, if any, shall automatically be canceled and retired and shall cease to exist, and none of the Common Stock, par value \$.01 per share, of HEALTHSOUTH ("HEALTHSOUTH Common Stock"), cash or other consideration shall be delivered in exchange therefor.

(c) Conversion of Sigma Shares. The 200 issued and outstanding shares of Sigma Common Stock (other than shares to be canceled in accordance with Section 2.1(b)) (the "Exchanging Sigma Shares") shall be converted in the aggregate into the right to receive that number of shares of HEALTHSOUTH Common Stock which is the quotient, computed to four decimal places, obtained by dividing (i) 20% of the Net Consideration (as defined in the Purchase Agreement) by (ii) the Base Period Trading Price (as defined below) (the "Merger Consideration"). For purposes of this Plan of Merger, the term "Base Period Trading Price" shall mean the average of the daily closing prices per share for the shares of HEALTHSOUTH Common Stock for the 10 consecutive trading days on which such shares are actually traded (as reported on the New York Stock Exchange Composite Transaction Tape as reported in The Wall Street Journal, Eastern Edition, or if not reported thereby, any other authoritative source) ending at the close of trading on the New York Stock Exchange trading day that is

five business days prior to the Closing Date (such period being herein called the "Base Period"). As of the Effective Time, all such Exchanging Sigma Shares shall no longer be outstanding and shall automatically be canceled and retired and shall cease to exist, and each holder of a certificate representing any Exchanging Sigma Shares shall cease to have any rights with respect thereto, except the right to receive the Merger Consideration and any cash in lieu of fractional shares of HEALTHSOUTH Common Stock to be issued or paid in consideration therefor upon surrender of such certificate in accordance with Section 2.2, without interest.

2.2 Exchange of Certificates. (a) Exchange Procedures. As soon as reasonably practicable after the Effective Time, HEALTHSOUTH shall deliver to the Shareholder, against the Shareholder's surrender of the certificate or certificates which immediately prior to the Effective Time represented outstanding shares of Sigma Common Stock (the "Certificates"), one or more certificates representing shares of HEALTHSOUTH Common Stock representing that number of whole shares of HEALTHSOUTH Common Stock which the Shareholder has the right to receive pursuant to the provisions of this Section 2, and the Certificates so surrendered shall forthwith be canceled. Until surrendered as contemplated by this Section 2.2(a), each Certificate shall be deemed at any time after the Effective Time to represent only the right to receive upon such surrender the certificate representing shares of HEALTHSOUTH Common Stock and cash in lieu of any fractional shares of HEALTHSOUTH Common Stock as contemplated by this Section 2.2. No interest will be paid or will accrue on any cash payable in lieu of any fractional shares of HEALTHSOUTH Common Stock.

(b) No Further Ownership Rights in Exchanging Sigma Shares. All shares of HEALTHSOUTH Common Stock issued upon the surrender for exchange of Certificates in accordance with the terms of this Section 2 (including any cash paid pursuant to Section 2.2(c)) shall be deemed to have been issued (and paid) in full satisfaction of all rights pertaining to the Exchanging Sigma Shares theretofore represented by such Certificates.

(c) No Fractional Shares. No certificates or scrip representing fractional shares of HEALTHSOUTH Common Stock shall be issued upon the surrender for exchange of Certificates, and such fractional share interests will not entitle the owner thereof to vote or to any rights of a stockholder of HEALTHSOUTH. Notwithstanding any other provision of this Plan of Merger, each holder of Exchanging Sigma Shares exchanged pursuant to the Merger who would otherwise have been entitled to receive a fraction of a share of HEALTHSOUTH Common Stock (after taking into account all Certificates delivered by such holder) shall receive, in lieu thereof, cash (without interest) in an amount equal to such fractional part of a share of HEALTHSOUTH Common Stock multiplied by the Base Period Trading Price.

2.3 Articles of Incorporation of Surviving Corporation. The Articles of Incorporation of Sigma, as they may be amended and restated after the Effective Time, shall become the Articles of Incorporation of the Surviving Corporation from and after the Effective Time and until thereafter amended as provided by law.

2.4 Bylaws of the Surviving Corporation. The Bylaws of the Subsidiary shall be the Bylaws of the Surviving Corporation from and after the Effective Time and until thereafter

altered, amended or repealed in accordance with the laws of the State of Florida, the Articles of Incorporation of the Surviving Corporation and the said Bylaws.

2.5 Directors and Officers of the Surviving Corporation. The Directors and officers of the Subsidiary immediately prior to the Effective Time shall be the Directors and officers of the Surviving Corporation, each to hold office in accordance with the Articles of Incorporation and Bylaws of the Surviving Corporation.

2.6 Assets, Liabilities, Reserves and Accounts. At the Effective Time, the assets, liabilities, reserves and accounts of each of the Subsidiary and Sigma as of the Effective Time shall be taken up on the books of the Surviving Corporation at the amounts at which they respectively shall be carried on the books of said corporations immediately prior to the Effective Time, except as otherwise set forth in this Plan of Merger and subject to such adjustments, or elimination of intercompany items, as may be appropriate in giving effect to the Merger in accordance with generally accepted accounting principles.

2.7 Corporate Acts of the Subsidiary. All corporate acts, plans, policies, approvals and authorizations of the Subsidiary, its sole shareholder, its Board of Directors, committees elected or appointed by the Board of Directors, and all officers and agents, valid immediately prior to the Effective Time, shall be those of the Surviving Corporation and shall be as effective and binding thereon as they were with respect to the Subsidiary. The employees and agents of the Subsidiary shall become the employees and agents of the Surviving Corporation and continue to be entitled to the same rights and benefits which they enjoyed as employees and agents of the Subsidiary.

Section 3. Representations and Warranties of Sigma and the Shareholder.

Sigma and the Shareholder, jointly and severally, hereby represent and warrant to HEALTHSOUTH and the Subsidiary as follows:

3.1 Organization, Existence and Good Standing. Sigma is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida. Sigma has all necessary corporate power to own its properties and assets and to carry on its business as presently conducted. The Shareholder is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida.

3.2 Sigma Capital Stock. Sigma's authorized capital consists of 2,000 shares of Sigma Common Stock, of which 200 shares were issued and outstanding as of the date hereof and none of which shares are issued and held as treasury shares. All of the issued and outstanding shares of Sigma Common Stock are owned beneficially and of record by the Shareholder and are duly and validly issued, fully paid and nonassessable. There are no options, warrants, or similar rights granted by Sigma or any other agreements to which Sigma is a party providing for the issuance or sale by it of any additional securities. There is no liability for dividends declared or accumulated but unpaid with respect to any of the shares of Sigma Common Stock.

3.3 Subsidiaries, etc. Except for its general partnership interest in Tallahassee Health Associates, Ltd. (the "Partnership"), Sigma does not own stock or other equity interests in and does not control, directly or indirectly, any other corporation, association, partnership or business organization.

3.4 Qualifications and Tax Identification Numbers. Sigma is duly qualified and licensed to do business and in good standing in the State of Florida. Sigma is not required to be qualified to do business as a foreign corporation in any jurisdiction. The federal tax identification number of Sigma is 74-2357411. The federal tax identification number of the Shareholder is 63-0832594.

3.5 Power and Authority. Each of Sigma and the Shareholder has the corporate power to execute, deliver and perform the Plan of Merger and all agreements and other documents executed and delivered or to be executed and delivered by it pursuant to the Plan of Merger, and has taken all action required by its Articles of Incorporation, Bylaws or otherwise, to authorize the execution, delivery and performance of the Plan of Merger and such related documents. The execution and delivery of the Plan of Merger does not and the consummation of the Merger will not, cause either of Sigma or the Shareholder to violate any provisions of its respective Articles of Incorporation or any provisions of, or result in the acceleration of any obligation of Sigma or the Shareholder under, any material mortgage, lien, lease, agreement, instrument, order, arbitration award, judgment or decree, to which Sigma or the Shareholder is a party, or by which either of them is bound, or violate any restrictions of any kind to which either of them is subject. The execution and delivery of this Plan of Merger has been approved by the Board of Directors of Sigma and by the Shareholder. This Plan of Merger has been duly executed and delivered by Sigma and the Shareholder and, assuming this Plan of Merger constitutes a valid and binding obligation of HEALTHSOUTH and the Subsidiary, as the case may be, constitutes a valid and binding obligation of each of Sigma and the Shareholder, enforceable against each of them in accordance with its terms.

3.6 Legal Proceedings. There is no litigation, governmental investigation or other proceeding pending or, so far as is known to Sigma and the Shareholder, threatened against or relating to Sigma, its properties or business, or the transaction contemplated by the Plan of Merger and, so far as is known to Sigma and the Shareholder, no reasonable basis for any such action exists.

3.7 Contracts, etc. Except for the Partnership Agreement of the Partnership (the "Partnership Agreement") and the Purchase Agreement, Sigma is not a party to any contract, lease or agreement of any kind, written or oral. There is no default or claim or purported or alleged default or state of facts which, with notice or lapse of time, or both, would constitute a default in any obligation on the part of Sigma to be performed under the Partnership Agreement. Sigma has in all respects performed all of the obligations required to be performed by it under the Partnership Agreement.

3.8 Title to Assets. Sigma has good and marketable title to its interest in the Partnership, free and clear of all liens, pledges, security interests, claims, mortgages, charges or encumbrances of every kind and nature. Sigma has no assets other than its interest in the Partnership.

3.9 Payment of Debts. All of the creditors of Sigma, if any, will be paid in full by Sigma prior to the Closing Date.

3.10 Absence of Undisclosed Liabilities. Except in its capacity as general partner of the Partnership, Sigma has no liabilities or obligations of any nature, whether accrued, absolute, contingent or otherwise, including, without limitation, liabilities to pay taxes of any kind or nature, due or to become due, and whether incurred in respect of, or measured by consolidated income of Sigma, for any period prior to the close of business on the date hereof or arising out of transactions entered into, or any state of facts existing, prior thereto.

3.11 Employment Matters. Sigma has no employees and is not and has never been a party to, participant in or obligor under any employee benefit plan or arrangement of any kind whatsoever, including, but not limited to, any pension, profit-sharing or similar plan.

3.12 Tax Returns. Sigma has filed all tax returns required to be filed by it or requests for extensions to file such returns or reports have been timely filed and granted and have not expired. Sigma has made all payments shown as due on such returns. Sigma has not been notified that any tax returns of Sigma are currently under audit by the Internal Revenue Service or any state or local tax agency. No agreements have been made by Sigma for the extension of time or the waiver of the statute of limitations for the assessment or payment of any federal, state or local taxes.

3.13 Commissions and Fees. There are no valid claims for brokerage commissions or finder's or similar fees in connection with the transactions contemplated by this Plan of Merger which may be now or hereafter asserted against HEALTHSOUTH resulting from any action taken by Sigma or the Shareholder or their respective officers or directors, or any of them.

3.14 Investment Intent. (a) The Shareholder is acquiring the shares of HEALTHSOUTH Common Stock hereunder for its own account and not with a view to the distribution or sale thereof, and the Shareholder has no understanding, agreement or arrangement to sell, distribute, partition or otherwise transfer or assign all or any part of the shares of HEALTHSOUTH Common Stock to any other person, firm or corporation.

(b) The Shareholder has been advised and understands that the shares of HEALTHSOUTH Common Stock to be received in connection with the Merger have not been registered under the Securities Act of 1933, as amended (the "Act"), on the grounds that no distribution or public offering of such shares of HEALTHSOUTH Common Stock is to be effected, and that in this connection, HEALTHSOUTH is relying in part on the representations of the Shareholder set forth in this Section 3.14.

(c) The Shareholder understands that because the shares of HEALTHSOUTH Common Stock to be obtained pursuant to the Merger have not been registered under the Act, such shares may not be sold or offered for resale unless they are subsequently registered or an exemption from such registration is available.

(d) By reason of its business or financial experience, the Shareholder has the capacity to protect its own interest in connection with the transaction contemplated

hereunder, and the Shareholder has sufficient net worth and income to enable it to bear the risk of loss of the entire value of the shares of HEALTHSOUTH Common Stock to be received pursuant to the Merger.

(e) The Shareholder is aware of HEALTHSOUTH's business affairs and financial condition and has acquired sufficient information about HEALTHSOUTH to reach an informed and knowledgeable decision to acquire the shares of HEALTHSOUTH Common Stock pursuant to the Merger.

(f) The Shareholder understands that a legend will be placed on all certificates for HEALTHSOUTH Common Stock to be received by it pursuant to the Merger in substantially the following form:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") OR THE SECURITIES LAWS OF ANY STATE. THE SHARES MAY NOT BE TRANSFERRED BY SALE, ASSIGNMENT OR OTHERWISE UNLESS (I) A REGISTRATION STATEMENT FOR THE SHARES UNDER THE ACT IS IN EFFECT OR (II) HEALTHSOUTH CORPORATION HAS RECEIVED AN OPINION OF COUNSEL, WHICH OPINION IS REASONABLY SATISFACTORY TO HEALTHSOUTH CORPORATION, TO THE EFFECT THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE ACT.

3.15 No Untrue Representations. No representation or warranty by Sigma or the Shareholder in this Plan of Merger, and no Exhibit or certificate issued by Sigma or the Shareholders and furnished or to be furnished to HEALTHSOUTH pursuant hereto, or in connection with the transactions contemplated hereby, contains or will contain any untrue statement of a material fact in response to the disclosure requested, or omits or will omit to state a material fact necessary to make the statements or facts contained therein in response to the disclosure requested not misleading in light of the circumstances under which they were made.

Section 4. **Representations and Warranties of the Subsidiary and HEALTHSOUTH.**

The Subsidiary and HEALTHSOUTH, jointly and severally, hereby represent and warrant to Sigma and the Shareholder as follows:

4.1 Organization, Existence and Capital Stock. The Subsidiary is a corporation duly organized and validly existing and is in good standing under the laws of the State of Florida. The Subsidiary's authorized capital consists of 1,000 shares of Common Stock, par value \$.01 per share, all of which shares are issued and registered in the name of HEALTHSOUTH.

4.2 Power and Authority. The Subsidiary has corporate power to execute, deliver and perform the Plan of Merger and all agreements and other documents executed and delivered, or to be executed and delivered, by it pursuant to the Plan of Merger, and has taken all actions required by law, its Articles of Incorporation, its Bylaws or otherwise, to

authorize the execution and delivery of the Plan of Merger and such related documents. The execution and delivery of the Plan of Merger does not, and the consummation of the Merger contemplated hereby will not, violate any provisions of the Articles of Incorporation or Bylaws of the Subsidiary, or any agreement, instrument, order, judgment or decree to which the Subsidiary is a party or by which it is bound, violate any restrictions of any kind to which the Subsidiary is subject, or result in the creation of any lien, charge or encumbrance upon any of the property or assets of the Subsidiary.

Section 5. **Representations and Warranties of HEALTHSOUTH.**

HEALTHSOUTH hereby represents and warrants to Sigma and the Shareholders as follows:

5.1 Organization, Existence and Good Standing. HEALTHSOUTH is a corporation duly organized and validly existing and is in good standing under the laws of the State of Delaware. HEALTHSOUTH has all necessary corporate power to own its properties and assets and to carry on its business as presently conducted. HEALTHSOUTH is duly qualified to do business and is in good standing in all jurisdictions in which the character of the property owned, leased or operated or the nature of the business transacted by it makes qualification necessary.

5.2 Power and Authority. HEALTHSOUTH has corporate power to execute, deliver and perform the Plan of Merger and all agreements and other documents executed and delivered, or to be executed and delivered, by it pursuant to the Plan of Merger, and has taken all actions required by law, its Certificate of Incorporation, its Bylaws or otherwise, to authorize the execution and delivery of the Plan of Merger and such related documents. The execution and delivery of the Plan of Merger does not, and the consummation of the Merger contemplated hereby will not, violate any provisions of the Certificate of Incorporation or Bylaws of HEALTHSOUTH, or any provision of, or result in the acceleration of any obligation under, any mortgage, lien, lease, agreement, instrument, order, arbitration award, judgment or decree to which HEALTHSOUTH is a party or by which it is bound, or violate any restrictions of any kind to which HEALTHSOUTH is subject. This Plan of Merger has been duly executed and delivered by HEALTHSOUTH and the Subsidiary and, assuming this Agreement constitutes a valid and binding obligation of Sigma and the Shareholders, constitutes a valid and binding obligation of HEALTHSOUTH and the Subsidiary, enforceable against HEALTHSOUTH and the Subsidiary in accordance with its terms.

5.3 HEALTHSOUTH Common Stock. HEALTHSOUTH has a sufficient number of authorized but unissued and/or treasury shares of its Common Stock available for issuance to the Shareholders in accordance with the provisions of the Plan of Merger. The HEALTHSOUTH Common Stock to be issued pursuant to the Plan of Merger will, when so delivered, be (i) duly and validly issued, fully paid and nonassessable, and (ii) authorized for listing on the New York Stock Exchange, Inc. (the "Exchange") upon official notice of issuance.

5.4 Subsidiary Common Stock. HEALTHSOUTH owns, beneficially and of record, all of the issued and outstanding shares of Subsidiary Common Stock, which are validly issued and outstanding, fully paid and nonassessable, free and clear of all liens and encumbrances.

HEALTHSOUTH has taken all such actions as may be required in its capacity as the sole shareholder of the Subsidiary to approve the Merger.

5.5 HEALTHSOUTH 10-K. HEALTHSOUTH has heretofore furnished Sigma with a true and complete copy of its Annual Report on Form 10-K for the year ended December 31, 1998 (the "HEALTHSOUTH 10-K"). As of its date, the HEALTHSOUTH 10-K did not contain any untrue statements of material facts or omit to state material facts required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

5.6 Investment Intent. HEALTHSOUTH is acquiring the shares of Sigma Common Stock hereunder for its own account and not with a view to the distribution or sale thereof, and HEALTHSOUTH has no understanding, agreement or arrangement to sell, distribute, partition or otherwise transfer or assign all or any part of the shares of Sigma Common Stock to any other person, firm or corporation.

5.7 No Untrue Representation. No representation or warranty by HEALTHSOUTH in this Plan of Merger, and no Exhibit or certificate issued by HEALTHSOUTH and furnished or to be furnished to Sigma pursuant hereto, or in connection with the transactions contemplated hereby, contains or will contain any untrue statement of a material fact in response to the disclosure requested, or omits or will omit to state a material fact necessary to make the statement or facts contained therein in response to the disclosure requested not misleading in light of all of the circumstances then prevailing.

Section 6. Covenants.

6.1 Tax-Free Reorganization Treatment. Neither HEALTHSOUTH nor Sigma shall intentionally take or cause to be taken any action, whether on or before the Effective Time, which would disqualify the Merger as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended.

6.2 Cooperation. Subject to the terms and conditions herein provided, each of HEALTHSOUTH and Sigma shall use all reasonable efforts (i) to take, or cause to be taken, all actions necessary to comply promptly with all legal requirements which may be imposed on such party (or any subsidiaries or affiliates of such party) with respect to the Plan of Merger and to consummate the transactions contemplated hereby, and (ii) to obtain (and to cooperate with the other party to obtain) any consent, authorization, order or approval of, or any exemption by, any governmental entity and/or any other public or private third party which is required to be obtained or made by such party or any of its subsidiaries or affiliates in connection with this Plan of Merger and the transactions contemplated hereby. Each of HEALTHSOUTH and Sigma will promptly cooperate with and furnish information to the other in connection with any such burden suffered by, or requirement imposed upon, either of them or any of their subsidiaries or affiliates in connection with the foregoing.

6.3 Certain Information. For as long as any affiliate (as defined for purposes of Rule 145 under the Securities Act of 1933) of Sigma holds shares of HEALTHSOUTH Common Stock issued in the Merger (but not for a period in excess of two years from the date

of consummation of the Merger), HEALTHSOUTH shall file with the Securities and Exchange Commission or otherwise make publicly available all information about HEALTHSOUTH required pursuant to Rule 144(c) under the Securities Act of 1933 to enable such affiliate to resell such shares under the provisions of Rule 145(d) under the Securities Act of 1933.

6.4 Transactions by Sigma. Prior to the Effective Time, Sigma will not (other than as required pursuant to the terms of the Plan of Merger and the related documents), without first obtaining the written consent of HEALTHSOUTH:

- (a) Encumber any asset or enter into any transaction, contract or commitment.
- (b) Issue or sell, or agree to issue or sell, any shares of capital stock or other securities of Sigma.
- (c) Extend credit to anyone.
- (d) Guarantee the obligation of any person, firm or corporation, except to the extent that it is liable as a general partner for the obligations of the Partnership.
- (e) Amend its Articles of Incorporation or Bylaws.

6.5 Resignation of Sigma Directors. On or prior to the Closing Date, Sigma shall deliver to HEALTHSOUTH evidence satisfactory to HEALTHSOUTH of the resignation of the Directors of Sigma, such resignations to be effective on the Closing Date.

6.6 Sigma Bank Accounts. On or prior to the Closing Date, Sigma will close all existing bank accounts, if any, maintained by Sigma, and RPI shall be solely responsible for all amounts required to cover outstanding checks or drafts or pay fees with respect to such bank accounts.

Section 7. **Indemnities.**

7.1 Indemnification of HEALTHSOUTH and the Surviving Corporation. The Shareholder shall indemnify and hold harmless HEALTHSOUTH and the Surviving Corporation, and their respective officers, directors, employees and agents, against and in respect of:

- (i) all liens, claims or encumbrances against any of the shares of Sigma Common Stock owned by the Shareholder;
- (ii) any loss, cost, expense, payment, damage, demands, judgments, attorneys' fees and assessments incident to or arising in connection with any misrepresentation, breach of warranty or nonfulfillment of any agreement on the part of Sigma or the Shareholder, or any misrepresentation in or omission

from any certificate, schedule or other instrument furnished or to be furnished to HEALTHSOUTH pursuant to or in connection with the transactions contemplated by this Plan of Merger;

(iii) any loss, claim or damage suffered by or asserted against HEALTHSOUTH or the Surviving Corporation by reason of any alleged incapacity of Sigma or the Shareholder to enter into and perform this Plan of Merger;

(iv) any and all taxes, expenses, liabilities and damages (including reasonable attorneys' fees) arising from the operations of Sigma, including, but not limited to, its acts or omissions as general partner of the Partnership, prior to the Effective Date; and

(v) all actions, suits, proceedings, demands, assessments, judgments, costs and expenses (including attorneys' fees) incident to or arising in connection with any of the foregoing or the transactions contemplated hereby.

7.2 Indemnification of Sigma and the Shareholder. HEALTHSOUTH shall indemnify and hold harmless Sigma and the Shareholder, against and in respect of:

(i) any loss, cost, expense, payment, damage, demands, judgments, attorneys' fees and assessments incident to or arising in connection with any misrepresentation, breach of warranty or nonfulfillment of any agreement on the part of HEALTHSOUTH, made or given in or with respect to this Plan of Merger, or from any misrepresentation in or omission from any certificate, schedule or other instrument furnished or to be furnished to Sigma and the Shareholders pursuant to or in connection with the transactions contemplated by this Plan of Merger; and

(ii) all actions, suits, proceedings, demands, assessments, judgments, costs and expenses (including attorneys' fees) incident to or arising in connection with any of the foregoing.

7.3 Indemnities Nonexclusive. The indemnities provided for in Sections 7.1 and 7.2 and 7.3 hereof will be in addition to any liability which any of the parties hereto may otherwise have.

Section 8. **Termination, Amendment and Waiver.**

8.1 Termination. This Plan of Merger may be terminated at any time prior to the Effective Time:

- (a) by mutual written consent of HEALTHSOUTH and Sigma;
- (b) by either HEALTHSOUTH or Sigma:

(i) if the Merger shall not have been consummated on or before July 31, 1998, unless the failure to consummate the Merger is the result of a willful and material breach of this Plan of Merger by the party seeking to terminate this Plan of Merger; provided, however, that the passage of such period shall be tolled for any part thereof (but not exceeding 60 days in the aggregate) during which any party shall be subject to a nonfinal order, decree, ruling or action restraining, enjoining or otherwise prohibiting the consummation of the Merger or the calling or holding of a meeting of stockholders;

(ii) if any court of competent jurisdiction or other governmental entity shall have issued an order, decree or ruling or taken any other action permanently enjoining, restraining or otherwise prohibited the Merger and such order, decree, ruling or other action shall have become final and nonappealable; or

(iii) in the event of a breach by the other party of any representation, warranty, covenant or other agreement contained in this Plan of Merger which (A) would give rise to the failure of a condition set forth in Section 9.2(a) or (b) or Section 9.3(a) or (b), as applicable, and (B) cannot be or has not been cured within 30 days after the giving of written notice to the breaching party of such breach (a "Material Breach") (provided that the terminating party is not then in Material Breach of any representation, warranty, covenant or other agreement contained in this Plan of Merger); or

(c) By either HEALTHSOUTH or Sigma in the event that (i) all of the conditions to the obligation of such party to effect the Merger set forth in Section 9.1 shall have been satisfied and (ii) any condition to the obligation of such party to effect the Merger set forth in Section 9.2 (in the case of HEALTHSOUTH) or Section 9.3 (in the case of Sigma) is not capable of being satisfied prior to the end of the period referred to in Section 8.1(b)(i).

8.2 Effect of Termination. In the event of termination of this Plan of Merger as provided in Section 8.1, this Plan of Merger shall forthwith become void and have no effect, without any liability or obligation on the part of any party, other than the provisions of Sections 7 and 8.6, and except to the extent that such termination results from the willful and material breach by a party of any of its representations, warranties, covenants or other agreements set forth in this Plan of Merger.

8.3 Amendment. This Plan of Merger may not be amended except by an instrument in writing signed on behalf of each of the parties.

8.4 Extension; Waiver. At any time prior to the Effective Time of the Merger, the parties may (a) extend the time for the performance of any of the obligations or other acts of the other parties, (b) waive any inaccuracies in the representations and warranties

contained in this Plan of Merger or in any document delivered pursuant to this Plan of Merger or (c) waive compliance with any of the agreements or conditions contained in this Plan of Merger. Any agreement on the part of a party to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party. The failure of any party to this Plan of Merger to assert any of its rights under this Plan of Merger or otherwise shall not constitute a waiver of such rights.

8.5 Procedure for Termination, Amendment, Extension or Waiver. A termination of this Plan of Merger pursuant to Section 8.1, an amendment of this Plan of Merger pursuant to Section 8.3, or an extension or waiver pursuant to Section 8.4 shall, in order to be effective, require in the case of HEALTHSOUTH, the Subsidiary, Sigma or the Shareholder, action by its Board of Directors or the duly authorized designee of the Board of Directors.

8.6 Expenses. All costs and expenses incurred in connection with this Plan of Merger and the transactions contemplated hereby shall be paid by the party incurring such expense.

Section 9. **Conditions to Closing.**

9.1 Mutual Conditions. The respective obligations of each party to effect the Merger shall be subject to the satisfaction, at or prior to the Closing Date of the following conditions (any of which may be waived in writing by HEALTHSOUTH and Sigma):

(a) None of HEALTHSOUTH, the Subsidiary, Sigma or the Stockholder nor any of their respective subsidiaries shall be subject to any order, decree or injunction by a court of competent jurisdiction which (i) prevents or materially delays the consummation of the Merger or (ii) would impose any material limitation on the ability of HEALTHSOUTH effectively to exercise full rights of ownership of the Common Stock of the Surviving Corporation or any material portion of the assets or business of Sigma.

(b) No statute, rule or regulation shall have been enacted by the government (or any governmental agency) of the United States or any state, municipality or other political subdivision thereof that makes the consummation of the Merger and any other transaction contemplated hereby illegal.

(c) The shares of HEALTHSOUTH Common Stock to be issued in connection with the Merger shall have been approved for listing on the Exchange.

(d) The transactions contemplated by the Purchase Agreement shall have been consummated, and Tallahassee Health Associates II, Ltd. and HEALTHSOUTH of Tallahassee Limited Partnership shall have entered into the New Lease (as defined in the Purchase Agreement).

9.2 Conditions to Obligations of HEALTHSOUTH and the Subsidiary. The obligations of HEALTHSOUTH and the Subsidiary to consummate the Merger and the other transactions contemplated hereby shall be subject to the satisfaction, at or prior to the Closing Date, of the following conditions (any of which may be waived by HEALTHSOUTH and the Subsidiary):

(a) Each of the agreements of Sigma to be performed at or prior to the Closing Date pursuant to the terms hereof shall have been duly performed in all material respects, and Sigma shall have performed, in all material respects, all of the acts required to be performed by it at or prior to the Closing Date by the terms hereof.

(b) The representations and warranties of Sigma set forth in this Plan of Merger that are qualified as to materiality shall be true and correct, and those that are not so qualified shall be true and correct in all material respects, as of the date of this Plan of Merger and as of the Closing as though made at and as of such time, except to the extent such representations and warranties expressly relate to an earlier date (in which case such representations and warranties that are qualified as to materiality shall be true and correct, and those that are not so qualified shall be true and correct in all material respects, as of such earlier date). HEALTHSOUTH and the Subsidiary shall have been furnished with a certificate, executed by a duly authorized officer of Sigma, dated the Closing Date, certifying in such detail as HEALTHSOUTH and the Subsidiary may reasonably request as to the fulfillment of the foregoing conditions.

9.3 Conditions to Obligations of Sigma. The obligations of Sigma to consummate the Merger and the other transactions contemplated hereby shall be subject to the satisfaction, at or prior to the Closing Date, of the following conditions (any of which may be waived by Sigma):

(a) Each of the agreements of HEALTHSOUTH and the Subsidiary to be performed at or prior to the Closing Date pursuant to the terms hereof shall have been duly performed, in all material respects, and HEALTHSOUTH and the Subsidiary shall have performed, in all material respects, all of the acts required to be performed by them at or prior to the Closing Date by the terms hereof.

(b) The representations and warranties of HEALTHSOUTH set forth in this Plan of Merger that are qualified as to materiality shall be true and correct, and those that are not so qualified shall be true and correct in all material respects, as of the date of this Plan of Merger and as of the Closing as though made at and as of such time, except to the extent such representations and warranties expressly relate to an earlier date (in which case such representations and warranties that are qualified as to materiality shall be true and correct, and those that are not so qualified shall be true and correct in all material respects, as of such earlier date). Sigma shall have been furnished with a certificate, executed by duly authorized officers of HEALTHSOUTH and

the Subsidiary, dated the Closing Date, certifying in such detail as Sigma may reasonably request as to the fulfillment of the foregoing conditions.

Section 10. Miscellaneous.

10.1 Survival of Representations and Warranties. The representations and warranties in this Plan of Merger or in any instrument delivered pursuant to this Plan of Merger shall survive the Closing and the Effective Time.

10.2 Notices. Any communications required or desired to be given hereunder shall be deemed to have been properly given if sent by hand delivery or by overnight courier to the parties hereto at the following addresses, or at such other address as either party may advise the other in writing from time to time:

If to HEALTHSOUTH or the Subsidiary:

HEALTHSOUTH Corporation
One HealthSouth Parkway
Birmingham, Alabama 35243
Attention: William W. Horton

If to Sigma or the Shareholder:

RPI, Inc.
Attention: Trantum Fitzpatrick
Margaret McPherson
2600 East South Boulevard, Suite 300
Montgomery, Alabama 36111

Robert C. Walthall, Esq.
Bradley, Arant, Rose & White
2001 Park Place North, Suite 1400
Birmingham, Alabama 35203-2736

All such communications shall be deemed to have been delivered on the date of hand delivery or on the next business day following the deposit of such communications with the overnight courier.

10.3 Further Assurances. Each party hereby agrees to perform any further acts and to execute and deliver any documents which may be reasonably necessary to carry out the provisions of this Plan of Merger.

10.4 Governing Law. This Plan of Merger shall be interpreted, construed and enforced in accordance with the laws of the State of Florida, applied without giving effect to any conflicts-of-law principles.

10.5 "Including". The word "including", when following any general statement, term or matter, shall not be construed to limit such statement, term or matter to the specific terms or matters as provided immediately following the word "including" or to similar items or matters, whether or not non-limiting language (such as "without limitation", "but not limited to", or words of similar import) is used with reference to the word "including" or the similar items or matters, but rather shall be deemed to refer to all other items or matters that could reasonably fall within the broadest possible scope of the general statement, term or matter.

10.6 "Knowledge". "To the knowledge", "to the best knowledge, information and belief", or any similar phrase shall be deemed to refer to the knowledge of the Chairman of the Board, Chief Executive Officer or Chief Financial Officer of a party (or of persons performing comparable functions for such party, irrespective of title) and to include the assurance that such knowledge is based upon a reasonable investigation, unless otherwise expressly provided.

10.7 "Material adverse change" or "material adverse effect". "Material adverse change" or "material adverse effect" means, when used in connection with Sigma or HEALTHSOUTH, any change, effect, event or occurrence that has, or is reasonably likely to have, individually or in the aggregate, a material adverse impact on the business or financial position of such party and its subsidiaries taken as a whole; provided, however, that "material adverse change" and "material adverse effect" shall be deemed to exclude the impact of changes in generally accepted accounting principles.

10.8 Taxes. For purposes of this Plan of Merger, the term "tax" or "taxes" shall mean all taxes, charges, fees, levies, penalties or other assessments imposed by any United States federal, state, local or foreign taxing authority, including, but not limited to, income, excise, property, sales, transfer, franchise, payroll, withholding, Social Security or other taxes, including any interest, penalties or additions attributable thereto. For purposes of this Plan of Merger, the term "tax return" shall mean any return, report, information return or other document (including any related or supporting information) with respect to taxes.

10.9 Captions. The captions or headings in this Plan of Merger are made for convenience and general reference only and shall not be construed to describe, define or limit the scope or intent of the provisions of this Plan of Merger.

10.10 Integration of Exhibits. All Exhibits attached to this Plan of Merger are integral parts of this Plan of Merger as if fully set forth herein, and all statements appearing therein shall be deemed disclosed for all purposes and not only in connection with the specific representation in which they are explicitly referenced.

10.11 Entire Agreement. This instrument, including all Exhibits attached hereto, together with the Purchase Agreement, contains the entire agreement of the parties and supersedes any and all prior or contemporaneous agreements between the parties, written or oral, with respect to the transactions contemplated hereby. It may not be changed or terminated orally, but may only be changed by an agreement in writing signed by the party or parties against whom enforcement of any waiver, change, modification, extension, discharge or termination is sought.

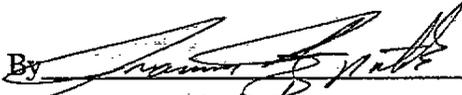
10.12 Counterparts. This Plan of Merger may be executed in several counterparts, each of which, when so executed, shall be deemed to be an original, and such counterparts shall, together, constitute and be one and the same instrument.

10.13 Binding Effect. This Plan of Merger shall be binding on, and shall inure to the benefit of, the parties hereto, and their respective successors and assigns, and no other person shall acquire or have any right under or by virtue of this Plan of Merger. No party may assign any right or obligation hereunder without the prior written consent of the other parties.

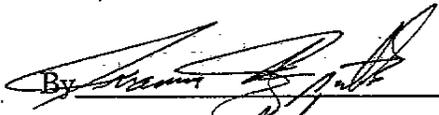
10.14 No Rule of Construction. The parties acknowledge that this Plan of Merger was initially prepared by HEALTHSOUTH, and that all parties have read and negotiated the language used in this Plan of Merger. The parties agree that, because all parties participated in negotiating and drafting this Plan of Merger, no rule of construction shall apply to this Plan of Merger which construes ambiguous language in favor of or against any party by reason of that party's role in drafting this Plan of Merger.

IN WITNESS WHEREOF, HEALTHSOUTH, the Subsidiary, Sigma and the Shareholder have caused this Plan and Agreement of Merger to be executed by their respective duly authorized officers, and have caused their respective corporate seals to be hereunto affixed, all as of the day and year first above written.

SIGMA HEALTH PROPERTIES, INC.

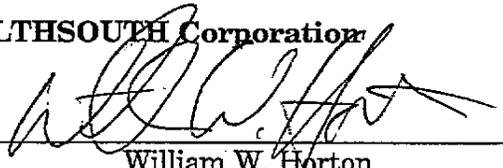
By 
Its President

RPI, INC.

By 
Its President

HEALTHSOUTH Corporation

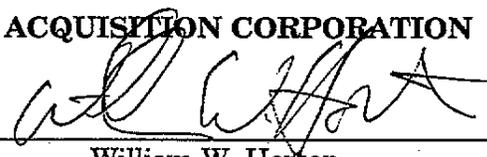
By _____



William W. Horton
Senior Vice President

SIGMA ACQUISITION CORPORATION

By _____



William W. Horton
Vice President