

## Judge refuses harsh sentence for ex-HealthSouth CFO

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By Verna Gates

BIRMINGHAM, Alabama (Reuters) - A Birmingham judge refused on Thursday to send a former HealthSouth Corp. (HLS.N: [Quote](#), [Profile](#), [Research](#)) chief financial officer to jail for his part in a massive accounting scandal, even after a U.S. Court of Appeals ordered a resentencing.

U.S. District Judge Inge Johnson reinstated the sentence of six months home detention and five years probation for Malcolm "Tadd" McVay, saying he was a lightweight among the five former finance chiefs who pleaded guilty to taking part the \$2.7 billion accounting fraud that rocked the company.

The U.S. Attorney had appealed some of the light sentences handed down to former HealthSouth executives who had cooperated with the government's investigation as part of plea agreements. One ex-chief financial officer received a much harsher punishment on resentencing.

"Being cooperative does not serve as a get out of jail free card," Assistant U.S. Attorney James Ingram said after the judge's decision.

Ingram said the wrist slap was not a reasonable sentence. "He was the CFO of a Fortune 500 company who knowingly signed a false document," Ingram said.

The sentence may yet again be appealed by the U.S. Attorney's office.

Former HealthSouth CFO Mike Martin was sentenced to three years in prison on the government's third try. His first sentence carried no jail time and the second would have imprisoned him for one week.

A tanned but shaken McVay, who had served as CFO for five months, read a statement stating his remorse and saying that he had "learned a lot."

In all, 15 former executives pleaded guilty to taking part in a conspiracy to artificially inflate earnings to prop up the company's stock price, a fraud that nearly brought down the Birmingham-based operator of rehabilitation hospitals and surgical centers.

Former CFO William Owens, a longtime lieutenant of ex-Chief Executive

Richard Scrushy who recorded conversations with his boss for the FBI, was sentenced to five years in prison. Weston Smith, another former CFO, was sentenced to 27 months in jail.

Scrushy was acquitted of a long list of criminal charges by a Birmingham jury in June of 2005, despite testimony from the five former CFOs that Scrushy had been aware of and directed the fraud.

A former HealthSouth controller, Hannibal "Sonny" Crumpler, was sentenced to eight years in prison last June after being found guilty in a jury trial.

Most of the other executives who pleaded guilty and agreed to cooperate with prosecutors received little or no jail time, including the company's first finance chief, Aaron Beam, who got three months in prison.

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