

Ex-HealthSouth CEO settles with SEC

Mon Apr 23, 2007 7:34PM EDT

By Verna Gates

BIRMINGHAM, Alabama (Reuters) Ex-HealthSouth Corp. (HLS.N: [Quote](#), [Profile](#), [Research](#)) CEO Richard Scrushy agreed to pay an extra \$10 million to stockholders to settle U.S. Security and Exchange Commission charges, his attorney, Art Leach, said on Monday.

In all, Scrushy has agreed to pay \$81 million to settle charges he directed the company to overstate revenues by at least \$2.6 billion, the SEC said.

Scrushy has already paid more than \$71 million after court orders in Delaware and Alabama to settle the cases and has now agreed to pay the remaining \$10 million, Leach said.

"The Alabama judgment pretty much cleaned him out. He has the ability to go back and show he does not have the ability to pay," said Leach. "He has agreed to the (\$10 million) settlement."

The HealthSouth case was one of a number of high-profile fraud scandals including Enron and WorldCom which rocked the U.S. corporate world earlier this decade.

Scrushy, who agreed to settle the SEC's civil charges without admitting or denying any wrongdoing, will pay \$3.5 million and give up another \$77.5 million in disgorgement, said Jack Worland, an SEC supervisory trial attorney.

Under the terms of the settlement, Scrushy will be permanently barred from holding a position as director or an officer at a publicly traded company, but he will have the right to try to change that status after five years, said Chris Conte, SEC associate enforcement director.

The SEC accused Scrushy of directing financial fraud at HealthSouth between 1996 and 2002 that overstated revenues by at least \$2.6 billion and profits and net worth by between \$1.5 billion and \$2 billion.

SEC attorneys said Scrushy has faced numerous cases against him. Any money he pays to settle those cases will be deducted from his obligation to pay \$77.5 million, they said.

He would also be prohibited from seeking any insurance claims on those payments to either the SEC or to plaintiffs in other cases, SEC attorneys said.

Scrushy, a colorful businessman who was also a member of a country music band, founded HealthSouth in 1984 and built it into what at one time was the largest U.S. health-care provider.

He was acquitted in a massive U.S. criminal accounting fraud case involving HealthSouth in 2005. A year later he was convicted of bribery along with former Alabama Governor, Don Siegelman.

While awaiting appeals, he has been ordained as a minister and appears daily on an evangelical television show.

(Additional reporting by John Poirier in Washington)

© Reuters 2006. All rights reserved. Republication or redistribution of Reuters content, including by caching, framing or similar means, is expressly prohibited without the prior written permission of Reuters. Reuters and the Reuters sphere logo are registered trademarks and trademarks of the Reuters group of companies around the world.

Reuters journalists are subject to the Reuters Editorial Handbook which requires fair presentation and disclosure of relevant interests.