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Scrushy will pay \$81m to end SEC suit

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WASHINGTON -- HealthSouth Corp. founder Richard Scrushy will settle a U S Securities and Exchange Commission lawsuit for \$81 million, closing the book on a federal probe of the former executive's role in a \$2.7 billion accounting fraud.

Scrushy, who was also HealthSouth's chairman and chief executive , agreed to a \$3.5 million fine and will forfeit \$77.5 million in profits to end the suit filed in 2003, according to settlement documents filed yesterday at U S District Court in Birmingham, Ala .

The accord resolves much of Scrushy's liability for an accounting fraud that nearly forced the Birmingham-based chain of rehabilitation hospitals into bankruptcy. A federal jury acquitted him in 2005 of charges that he masterminded a plan to inflate profits at HealthSouth.

Scrushy, 54, ordered other managers to "fix" the numbers and "get them where they need to be," as earnings threatened to fall short of investor expectations in 1996, the SEC said in its lawsuit. In the following six years, he repeatedly released inflated figures and mislead investors on conference calls, the regulator said.

The penalties are "are small relative to the hundreds of millions of dollars the SEC was claiming" originally, Scrushy's attorney, David Russell of Parker, Hudson, Rainer & Dobbs LLP, said in a telephone interview. Still, "it's a lot for him and it may be too much for him."

Scrushy still faces as much as 30 years in prison for a June 2006 federal conviction for bribing former Alabama governor Don Siegelman. Jurors found Scrushy guilty of paying a \$500,000 bribe to Siegelman's campaign to create a state lottery in exchange for a seat on the state's hospital regulatory board. ■

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