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

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U.S. DISTRICT COURT
N.D. OF ALABAMA

UNITED STATES OF AMERICA,	)	
	)	**Case No.: CR-03-BE-0530-S**
	)	
v.	)	**Violations:**
	)	**18 U.S.C. § 371 – Conspiracy;**
RICHARD M. SCRUSHY,	)	**18 U.S.C. § 1341 – Mail Fraud;**
Defendant.	)	**18 U.S.C. § 1343 – Wire Fraud;**
	)	**18 U.S.C. § 1348 – Securities Fraud;**
	)	**18 U.S.C. § 1001 – False Statements;**
	)	**18 U.S.C. §§ 1350, 1349 – False**
	)	**Certification & False Certification**
	)	**Attempt;**
	)	**18 U.S.C. § 1957 – Money Laundering;**
	)	**18 U.S.C. §§ 981 and 982 – Forfeiture;**
	)	**18 U.S.C. § 2 – Aiding & Abetting;**
	)	**15 U.S.C. §§ 78j(b) and 78ff; 17 C.F.R.**
	)	**§ 240.10b-5 – Securities Fraud;**
	)	**18 U.S.C. § 1512 - Obstruction of Justice;**
	)	**18 U.S.C. § 1621 – Perjury**

SUPERSEDING INDICTMENT

THE GRAND JURY CHARGES:

COUNT 1
Conspiracy
Title 18, United States Code, Section 371

At all times material to this Indictment:

INTRODUCTION

1. HealthSouth Corporation (hereinafter "HealthSouth") was engaged in the business of providing various healthcare services to the public. HealthSouth was organized as a corporation under the laws of the State of Delaware in 1984, and headquartered in Birmingham, Alabama. It was founded by defendant **RICHARD M. SCRUSHY** and four other persons. By 2002, HealthSouth had grown to what defendant **RICHARD M. SCRUSHY** described as the nation's largest provider of outpatient surgery, diagnostic imaging, and rehabilitative healthcare

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services, with approximately 1,800 locations in all 50 states, Puerto Rico, the United Kingdom, Australia, and Canada.

2. From 1984 through early 2003, defendant **RICHARD M. SCRUSHY** was Chairman of the Board of Directors for HealthSouth. He was also the Chief Executive Officer (CEO) for all but a short time in late 2002 and early January, 2003, when a co-conspirator and aider and abetter was Chief Executive Officer. As CEO, **RICHARD M. SCRUSHY** was the highest ranking corporate officer responsible for the overall management of the company, and he owed a fiduciary duty to render honest services to HealthSouth, its shareholders, and its Board of Directors.

3. From 1996 through March 2003, defendant **RICHARD M. SCRUSHY** directly and indirectly controlled HealthSouth through his position with the company, and his influence and control over a small group of senior officers, including all of the corporate Presidents, Chief Operating Officers, Chief Financial Officers (CFOs), and Controllers, who, along with some members of the corporate accounting staff were co-conspirators and aiders and abettors. Defendant **RICHARD M. SCRUSHY** and these individuals received salaries, bonuses, stock options, and other benefits, some of which were tied, directly and indirectly, to the financial performance of HealthSouth.

Compensation of the Defendant

4. From 1996 through 2002, defendant **RICHARD M. SCRUSHY** received approximately $267 million in compensation from HealthSouth, including more than $7.5 million in base salary, more than $53 million in bonuses, and stock options valued at more than $206 million when exercised. Additionally, defendant **RICHARD M. SCRUSHY** received valuable benefits including company loans, and the use of automobiles, aircraft, and other HealthSouth assets. Defendant **RICHARD M. SCRUSHY** also caused HealthSouth to invest in, and do business with, other companies and ventures in which he had a personal interest, including entertainment ventures such as singing and musical groups.

5. The stock options that defendant **RICHARD M. SCRUSHY** received allowed him to purchase shares directly from the company at a pre-set price or "strike price." If the

market price of HealthSouth's stock increased above the strike price, defendant **RICHARD M. SCRUSHY** could "exercise" the options to purchase the stock, and then immediately sell the stock at a profit.

HealthSouth's Sale of Securities

6. HealthSouth raised millions of dollars in a variety of ways, including issuing and selling shares of stock and bonds, which became available for trading on various public markets, and borrowing money from banks. Stocks and bonds are known as "securities."

7. HealthSouth used the funds that it raised, in part, to acquire other healthcare providers, to expand into new markets, to pay operating expenses, and to pay down debt.

8. Thousands of individuals from all over the United States and many institutions, mutual funds, insurance companies, and retirement systems, including the Retirement System of Alabama and the HealthSouth employees who were members of the HealthSouth Stock Option Purchase Plan, purchased HealthSouth's securities.

Regulation of the Sale of Securities

9. The United States Securities and Exchange Commission (the SEC), headquartered in Washington, D.C., is an agency within the executive branch of the government of the United States, and is responsible for enforcing federal securities laws.

10. In order to sell securities to the public and to permit public trading of its securities, HealthSouth was required to register its securities with the SEC. HealthSouth was also required to comply with certain laws and SEC regulations designed to protect the public and to ensure that a company's financial information was accurately recorded and fairly disclosed. HealthSouth was further required to make and keep books, records, and accounts that accurately and fairly reflected its income, expenses, assets and liabilities, and to devise and maintain a system of internal accounting controls which would reasonably assure that these objectives were satisfied.

11. HealthSouth was required to and did file various periodic reports and other documents with the SEC, which included representations concerning its revenues, net income and losses, earnings, the value of its assets and the amount of its liabilities. These documents included:

a. Forms S-3, S-4, and S-8 registration statements filed in connection with the registration of HealthSouth's stocks and bonds;

b. Forms 8-K detailing material events;

c. Forms 10-Q, which included the quarterly report of its financial condition and the results of its operations; and

d. Forms 10-K, which included the annual report of its financial condition and the results of its operations.

12. HealthSouth filed its Forms 10-K, 10-Q, 8-K, S-3, S-4, and S-8 with the SEC in Washington, D.C. These documents were available for public review.

13. Beginning on or about July 30, 2002, a law, commonly referred to as the Sarbanes-Oxley Act, required, among other things, that each Form 10-K and 10-Q filed periodically with the SEC be accompanied by a written certification ("1350 certification") by the CEO and the CFO stating that information contained in the periodic reports fairly presented, in all material respects, the financial condition and results of operations of the issuer.

Accounting Principles and Practices

14. Financial statements produced by HealthSouth included both an Income Statement and a Balance Sheet.

> The Income Statements reported, among other things, the company's revenue and expenses incurred during a stated period of time, usually a three-month period or quarter, or a twelve-month period or year. The company's earnings per share (EPS) was generally calculated by dividing its net income by the number of its outstanding shares of stock.
>
> The Balance Sheets reported, among other things, the value of the company's assets and amount of its liabilities at the end of a reporting period, usually the last day of a quarter or the last day of a year.

15. As is customary in the healthcare industry, HealthSouth billed "third party payors," such as insurance companies, Medicare, and Medicaid, for healthcare services at amounts greater than it expected to collect. The total amount billed was entered into gross revenue accounts. The amount HealthSouth did not expect to collect was entered into separate "contractual adjustment" accounts. The amount in the contractual adjustment accounts was subtracted from the amount in the gross revenue accounts to help calculate net income.

Dissemination of Financial and Patient Statistical Information

16. Income Statements and Balance Sheets, which reflected the results of its operations and financial condition, were included in and with various documents HealthSouth filed with the SEC. HealthSouth and defendant **RICHARD M. SCRUSHY** also distributed Income Statements, Balance Sheets, Patient Statistical Information, and other financial information reflecting income, expenses and assets to HealthSouth's Board of Directors, employees, stockholders and bondholders, potential stockholders and bondholders, bond underwriters, market analysts, bankers, the media, and other interested parties, by a variety of means including conference calls, media interviews, press releases, internet web sites, conventions, investor meetings and corporate meetings.

17. The Board of Directors, employees, stockholders and bondholders, potential stockholders and bondholders, bond underwriters, market analysts, bankers, the media, and other interested parties relied on the information distributed by HealthSouth and defendant **RICHARD M. SCRUSHY** in making investments and other decisions.

18. HealthSouth and defendant **RICHARD M. SCRUSHY** at times also provided "guidance" to the investing public regarding its anticipated earnings, revenues, net income, earnings per share, cash flow, and assets. Relying in part on the company's "guidance," many professional securities analysts disseminated to their clients and the public their estimates of the company's expected performance. These estimates were often called "earnings estimates" or "analyst expectations." These "earnings estimates" and "analyst expectations" were reviewed by many investors who relied on the information to make investment decisions.

Internal Financial Reports

19. The corporate accounting staff at the company's headquarters building in Birmingham, Alabama, maintained HealthSouth's corporate books and records, including its general ledger and supporting databases. The staff used the general ledger and databases to capture the company's financial information. The staff also used the general ledger and databases to generate internal monthly, quarterly and annual reports which showed HealthSouth's current financial information, particularly its revenue, expenses, and net income and losses. These reports were delivered to, and reviewed by, and discussed with, defendant **RICHARD M. SCRUSHY** and other senior officers. Various components of HealthSouth also generated revenue reports which were provided to defendant **RICHARD M. SCRUSHY** and other senior officers on a weekly basis. Defendant **RICHARD M. SCRUSHY** often referred to these reports during Monday morning meetings he conducted with corporate officers.

20. During the period from 1996 to 2003, these internal reports showed that HealthSouth often failed to produce sufficient net income to meet its quarterly and annual "guidance," the consensus of Wall Street analysts' estimates, and HealthSouth's internal budgets. Defendant **RICHARD M. SCRUSHY** and other senior officers of HealthSouth would refer to such failures as "not making the numbers," and they believed that revealing the company's actual performance and shortfalls to the investing public and analysts would adversely affect the market price of HealthSouth's stock.

The Conspiracy

21. From in or about 1996, the exact date being unknown to the Grand Jury, to on or about March 19, 2003, within Jefferson County in the Northern District of Alabama, and elsewhere, defendant

RICHARD M. SCRUSHY

knowingly and willfully conspired with other persons, known and unknown to the Grand Jury, to commit offenses against the United States, that is to:

> (a) devise and intend to devise a scheme and artifice to defraud and to obtain money and property by means of materially false and fraudulent pretenses, representations and promises, and to execute and attempt to execute the scheme and artifice by placing and causing to be placed in a post office and an authorized

depository for mail matter to be sent and to be delivered by the United States Postal Service, and to deposit and cause to be deposited matter to be sent and delivered by a private and commercial interstate carrier, in violation of Title 18, United States Code, Sections 1341, 1346 and 2;

(b) devise and intend to devise a scheme and artifice to defraud and to obtain money and property by means of materially false and fraudulent pretenses, representations and promises, and to execute the scheme and artifice by transmitting and causing to be transmitted by means of wire communication in interstate and foreign commerce, writings, signs, signals, pictures and sounds, in violation of Title 18, United States Code, Sections 1343, 1346 and 2;

(c) execute and attempt to execute a scheme and artifice to defraud and to obtain, by means of materially false and fraudulent pretenses, representations and promises, money, funds and credits owned by and under the custody and control of federally insured financial institutions, in violation of Title 18, United States Code, Sections 1344 and 2;

(d) make and cause others to make materially false, fictitious and fraudulent representations in a matter within the jurisdiction of the executive branch of the Government of the United States, in violation of Title 18, United States Code, Sections 1001 and 2;

(e) willfully certify and cause to be certified and filed, statements required to be filed by Title 18, United States Code, Section 1350, with the SEC, knowing that the periodic report accompanying the statements did not comport with all the requirements set forth in that section, and attempt to do so, in violation of Title 18, United States Code, Sections 1349, 1350 and 2;

(f) knowingly execute and attempt to execute a scheme and artifice to defraud in connection with securities of HealthSouth, an issuer with a class of securities registered under Section 12 of the Securities Exchange Act of 1934 and required to file reports under Section 15(d) of said Act, in violation of Title 18, United States Code, Sections 1348, 1349 and 2;

(g) make and cause others to make untrue, false and misleading statements of material fact in reports and documents required to be filed under the Securities and Exchange Act of 1934 and the rules and regulations thereunder, in violation of Title 15, United States Code, Sections 78m(a) and 78ff and Title 17, Code of Federal Regulations, Section 240.13a-1 and 13a-13; and Title 18, United States Code, Section 2;

(h) falsify and cause others to falsify books, records and accounts of HealthSouth in violation of Title 15, United States Code, Sections 78m(b)(2)(A) & (B), 78m(b)(5) and 78ff; Title 17, Code of Federal Regulations, Section 240.13b2-1; and Title 18, United States Code, Section 2;

(i) make and cause others to make material false and misleading statements, and omit to state and cause others to omit to state material facts necessary in order to make the statements made, in light of the circumstances under which the statements were made, not misleading, to HealthSouth's outside auditors in connection with the preparation and filing of documents and reports required to be filed with the SEC, in violation of Title 15, United States Code, Sections 78m(b)(2) and 78ff; Title 17, Code of Federal Regulations, Section 240.13b2-2; and Title 18, United States Code, Section 2;

(j) use and employ and cause others to use and employ a device, scheme and artifice to defraud, utilizing the means and instrumentalities of interstate commerce, the mails, and the facilities of a national securities exchange, in connection with the purchase and sale, of HealthSouth's securities, in violation of Title 15, United States Code, Sections 78j(b) and 78ff and Title 17, Code of Federal Regulations, Section 240.10b-5; and Title 18, United States Code, Section 2.

Purpose of the Conspiracy

22. A purpose of the conspiracy was to unjustly enrich and benefit defendant **RICHARD M. SCRUSHY** and others by fraudulently inflating the results of operations and the financial condition that HealthSouth reported to others.

Manner and Means of the Conspiracy

23. It was part of the conspiracy that defendant **RICHARD M. SCRUSHY** and other co-conspirator HealthSouth officers and employees would and did participate in a scheme to fraudulently inflate the company's operating results and financial condition, including the net income and earnings per share that HealthSouth reported to its Board of Directors, employees, the SEC, bond underwriters, market analysts, bankers, the media, and the investing public.

24. It was further part of the conspiracy that defendant **RICHARD M. SCRUSHY** and other co-conspirators would and did cause false and fraudulent entries to

be made to HealthSouth's books and records, which added approximately $2.6 billion in fictitious income to the books and records during the course of the conspiracy.

25. It was further part of the conspiracy that defendant **RICHARD M. SCRUSHY** and other co-conspirators would and did fraudulently induce HealthSouth to pay salaries, bonuses, and stock options, and otherwise confer benefits upon themselves because of fraudulently inflated financial results and reports of financial condition.

26. It was further part of the conspiracy that defendant **RICHARD M. SCRUSHY** and other co-conspirators would and did fraudulently inflate HealthSouth's financial results in order to increase HealthSouth's stock price and thereby increase the value of their own HealthSouth stock and options.

27. It was further part of the conspiracy that defendant **RICHARD M. SCRUSHY** and other co-conspirators would and did fraudulently inflate HealthSouth's patient statistical information to support HealthSouth's fraudulently inflated financial results.

28. It was further part of the conspiracy that defendant **RICHARD M. SCRUSHY** and other co-conspirators would and did cause HealthSouth to issue fraudulently inflated financial reports to induce stock and bond investors, bank lenders and businesses to invest in HealthSouth's securities and to provide funds and other assets to HealthSouth.

29. It was further part of the conspiracy that defendant **RICHARD M. SCRUSHY** and other co-conspirators would and did meet and discuss HealthSouth's actual financial performance, the actual results of its operations, and the need to falsify those results before they were publicly reported.

30. It was further part of the conspiracy that after reviewing reports which showed that HealthSouth's actual financial results had failed to meet quarterly and annual income "guidance" and the consensus of Wall Street analyst expectations, defendant **RICHARD M. SCRUSHY** would and did cause co-conspirator senior officers to fraudulently inflate HealthSouth's reported income, operating results and financial condition.

31. It was further part of the conspiracy that one or more co-conspirator senior officers would and did convey defendant **RICHARD M. SCRUSHY's** instructions to members of the corporate accounting staff and discuss with them specific methods for falsifying HealthSouth's books, records and financial reports in order to fraudulently inflate its reported income, operating results and financial condition.

32. It was further part of the conspiracy that defendant **RICHARD M. SCRUSHY** and other co-conspirators, including members of the corporate accounting staff, would and did make and cause to be made, false entries to income statement accounts, including the contractual adjustment accounts, for the purpose of artificially and materially inflating net income and earnings per share on the publicly reported Income Statements. Certain co-conspirators would and did refer to the false entries as "filling the hole" or "filling the gap."

33. It was further part of the conspiracy that once false entries were made to various accounts to increase income, one or more co-conspirators, including members of the corporate accounting staff, in order to "balance" the books, would and did make and cause to be made, corresponding false entries to balance sheet accounts in HealthSouth's books and records, including, but not limited to: (a) Property, Plant and Equipment ("PP&E") accounts; (b) cash accounts; (c) inventory accounts; (d) intangible asset (goodwill) accounts; and (e) suspense accounts.

34. It was further part of the conspiracy that defendant **RICHARD M. SCRUSHY** and other co-conspirators would and did publicize and disseminate the fraudulently inflated financial information.

35. It was further part of the conspiracy that defendant **RICHARD M. SCRUSHY** and certain co-conspirators would and did sign, and caused to be filed with the SEC in Washington, D.C., Forms 10-Q, 10-K, 8-K, and other documents which contained materially false and fraudulent information about HealthSouth's income, operating results, financial condition, and earnings per share.

36. It was further part of the conspiracy that in order to avoid detection and exposure, the co-conspirators would and did make few, if any, fraudulent entries to accounts associated with

certain facilities located in states, where state regulators required separate audits for those facilities, and to certain accounts associated with facilities operated in partnership with physicians.

37. It was further part of the conspiracy that defendant **RICHARD M. SCRUSHY** and co-conspirators would and did cover up, conceal, and keep secret the fraud, by: (a) controlling and limiting access to HealthSouth's financial information; (b) controlling the internal distribution of financial results; (c) providing fraudulent documentation and false information to auditors; (d) providing false information to Federal and State taxing authorities; and (e) fraudulently using the acquisition of other companies to conceal fraudulent assets on HealthSouth's books and in its reports.

38. It was further part of the conspiracy that defendant **RICHARD M. SCRUSHY** would and did seek to control his co-conspirators, HealthSouth employees and the Board of Directors by: (a) threats; (b) intimidation; (c) taking various steps to monitor the activities of said persons, including obtaining and reading their e-mails and placing them under surveillance; (d) obtaining large compensation packages for co-conspirators; and (e) recommending the forgiveness of HealthSouth loans to co-conspirators.

39. It was further part of the conspiracy that defendant **RICHARD M. SCRUSHY** would and did cause co-conspirator senior officers to continue to sign and file false certifications and periodic reports by: (a) offering them financial and other inducements; (b) appealing to their loyalty to defendant **RICHARD M. SCRUSHY**, to HealthSouth and to its employees; (c) reminding them that they had already committed illegal acts; (d) stating that the company was making money and had a bright future; (e) suggesting that the falsity in the reports could be reduced over time; (f) suggesting that there was a "plan" to take care of the fraud; (g) suggesting that they could get away with it; (h) reminding them of the adverse consequences they and others might suffer if they abandoned the scheme; (i) reminding them of the benefits that would accrue if they continued the scheme; and (j) suggesting that continuing with the scheme was the "right" thing to do.

40. It was further part of the conspiracy that in order to avoid detection, exposure, and to prevent the SEC from delving into HealthSouth financial information defendant **RICHARD M. SCRUSHY** would and did meet with co-conspirators before and after testifying before the

SEC, to discuss his testimony and the need to conform testimony about the accuracy of the reports filed with the SEC and the accuracy of HealthSouth's financial numbers.

Overt Acts

In furtherance of the conspiracy and to achieve the objects thereof, the conspirators committed and caused to be committed the following acts, among others, in the Northern District of Alabama and elsewhere:

41. From in or about 1996 to on or about March 19, 2003, defendant **RICHARD M. SCRUSHY** and others reviewed and discussed internal consolidation work sheets and other documents setting forth the actual financial condition and results of operations at HealthSouth.

42. From in or about 1996 to on or about March 19, 2003, defendant **RICHARD M. SCRUSHY** and co-conspirator senior officers periodically discussed the falsification of HealthSouth's financial statements.

43. Co-conspirators, including members of the corporate accounting staff, made and caused to be made entries in the books and records of HealthSouth, which caused the following approximate amounts of fictitious income to be included in the annual reports to stockholders and SEC filings for the years 1996 through 2001, and intended to be included in the annual reports to stockholders and SEC filings for the year 2002, the total amount for each year being a separate overt act:

Year	Amount of Fictitious Income
1996	$ 89.36 million
1997	$ 396.04 million
1998	$ 603.04 million
1999	$ 402.96 million
2000	$ 348.95 million
2001	$ 576.03 million
2002	$ 225.43 million
Total	$ 2.641 billion

44. Co-conspirator corporate accounting staff members added and caused to be added fictitious assets to the books and records of HealthSouth which by December 21, 2002, totaled approximately $2.6 billion and included the following amounts, each inclusion being a separate overt act:

(a) Approximately $370 million in cash;

(b) Approximately $27 million in the stock of a publicly traded company;

(c) Approximately $13 million investment in an assisted living facility;

(d) More than $1 billion of fictitious assets recorded as "AP SUMMARY"; and

(e) More than $520 million in goodwill.

45. Co-conspirator corporate accounting staff members misclassified assets, including aircraft, and created fictitious assets, such as medical equipment, for the purpose of fraudulently inflating HealthSouth's balance sheet.

46. On or about each date set forth below, defendant **RICHARD M. SCRUSHY** signed a letter addressed to HealthSouth's outside auditors in which he represented in substance that he recognized that obtaining representations from management was a significant step for auditors to form an opinion as to whether the consolidated financial statements presented fairly in all material respects the financial position and results of operations of HealthSouth and in which he falsely represented that there were no material transactions that had not been properly recorded in the accounting records underlying the consolidated financial statements, each representation letter signing being a separate overt act:

<u>DATE</u>

a. February 24, 1997
b. March 25, 1997
c. August 21, 1997
d. August 29, 1997
e. September 18, 1997

f. February 25, 1998
g. March 26, 1999
h. March 28, 2000
i. November 14, 2000
j. March 23, 2001
k. March 20, 2002
l. May 10, 2002
m. August 13, 2002

47. In or about May, August, and November for each year from 1996 through 2001, and in or about May and August of 2002, defendant **RICHARD M. SCRUSHY** signed and caused to be signed a Form 10-Q on behalf of HealthSouth and thereafter caused it to be filed with the SEC, each signing and each filing constituting a separate overt act.

48. In or about March of each year from 1996 through 2002, defendant **RICHARD M. SCRUSHY** signed a Form 10-K and caused it to be filed with the SEC, each signing and each filing constituting a separate overt act.

49. On or about the dates set forth below, defendant **RICHARD M. SCRUSHY** knowingly and willfully caused materially false, fictitious and fraudulent statements and representations to be made about the amounts reported for net income for certain periods of time and the value of assets at the end of those periods, in documents filed with the SEC, namely HealthSouth's Form S-4 in connection with the registration of HealthSouth bonds, each Form S-4 filed with the SEC being a separate overt act:

Date	**HealthSouth's Form S-4**
November 9, 2000	HealthSouth's Form S-4, filed to register bonds with a face value of approximately $350 million
December 15, 2000	HealthSouth's amended Form S-4, filed in connection with the registration of the bonds on November 9, 2000
March 30, 2001	HealthSouth's Form S-4, filed to register bonds with a face value of approximately $375 million.
August 22, 2002	HealthSouth's amended Form S-4, filed in connection with the registration of the bonds on June 28, 2002

50. From in or about 1996 through on or about March 18, 2003, on or about each of the dates set forth below, defendant **RICHARD M. SCRUSHY** aided and abetted by his co-conspirators, transmitted and caused to be transmitted by means of wire communication in interstate commerce writings, signs, signals, pictures, and sounds, a conference call hosted by HealthSouth for the benefit of stockholders, investors, and other interested persons in Alabama and other states, to discuss HeathSouth's performance, each conference call constituting a separate overt act:

DATE

a. August 3, 1999
b. April 25, 2000
c. October 31, 2000
d. April 26, 2001
e. October 25, 2001
f. May 2, 2002
g. August 7, 2002
h. October 1, 2002
i. November 5, 2002

51. On or about February 27, 1997, defendant **RICHARD M. SCRUSHY** caused HealthSouth to issue a press release which falsely represented that HealthSouth had its tenth consecutive year of meeting or exceeding analyst expectations.

52. In or about April 1997, defendant **RICHARD M. SCRUSHY** falsely represented in the HealthSouth 1996 Annual Report sent to stockholders that:

> "Fully diluted income per share, excluding non-recurring expenses related to acquisitions, showed continued strong growth as we posted $0.75 per share for the year, a 38% increase over 1995."

53. On or about October 30, 1997, HealthSouth issued a press release in which defendant **RICHARD M. SCRUSHY** falsely represented that HealthSouth had achieved record profitability.

54. On or about November 3, 1997, HealthSouth issued a press release in which defendant **RICHARD M. SCRUSHY** falsely represented that HealthSouth had its 45th consecutive quarter of meeting or exceeding analysts' expectations.

55. In or about April 1998, defendant **RICHARD M. SCRUSHY** falsely represented in the HealthSouth 1997 Annual Report sent to stockholders that:

> "This year, we extended our record to 46 quarters of meeting market expectations, with a revenue increase of 17% over 1996."

56. On or about September 30, 1998, HealthSouth issued a press release in which defendant **RICHARD M. SCRUSHY** falsely represented that HealthSouth's Balance Sheet was among the strongest in the industry.

57. In or about March 1999, defendant **RICHARD M. SCRUSHY** appeared in a HealthSouth Corporate Show videotape which was distributed to employees, and touted the company's balance sheet and cash flow, and encouraged employees to buy HealthSouth stock.

58. In or about April 1999, defendant **RICHARD M. SCRUSHY** falsely represented in the HealthSouth 1998 Annual Report sent to stockholders that:

> "For the year, we completed 50 quarters of meeting market expectations, with revenue increasing 28% over 1997. Income excluding one-time expenses grew by 34%, while corresponding income per share increased by 18%."

59. In or about the summer of 1999, defendant **RICHARD M. SCRUSHY** reviewed a binder containing financial data which compared HealthSouth's true pre-tax income and EPS to HealthSouth's reported and projected pre-tax income and EPS and which demonstrated that HealthSouth's true pre-tax income and EPS was less than what HealthSouth had previously reported and was about to report.

60. In or about the summer of 1999, after reviewing the binder referenced in the preceding paragraph, defendant **RICHARD M. SCRUSHY** confronted the officer who had prepared the binder and told the officer that he could not tell defendant **SCRUSHY** how to run the company.

61. On or about March 7, 2000, HealthSouth issued a press release in which defendant **RICHARD M. SCRUSHY** falsely represented that HealthSouth continued to maintain earnings before interest, taxes, depreciation and amortization (EBITDA) margins well in excess of competitors.

62. In or about April 2000, co-conspirators caused HealthSouth to send to stockholders the 1999 Annual Report falsely reporting that earnings per share for the year exceeded $0.85, excluding effects of one-time expenses.

63. In or about June 2000, defendant **RICHARD M. SCRUSHY** appeared in a HealthSouth State of the Company videotape which was distributed to employees, and stated that "we have remained committed to prudent fiscal policy and the integrity of our balance sheet," and touted that HealthSouth had an "outstanding balance sheet."

64. In or about October 2000, defendant **RICHARD M. SCRUSHY** appeared on "Moneycast" in a televised interview and stated that HealthSouth had a "good strong balance sheet" and had "plenty of available cash."

65. In or about April 2001, defendant **RICHARD M. SCRUSHY** falsely asserted in the HealthSouth 2000 Annual Report sent to stockholders that:

> "In 2000, our stock rose to promising heights, closing up 203 percent for the year and earning HealthSouth recognition as a top–five performer in the S&P 500. We also fulfilled Wall Street expectations for another year, maintaining our position as the *Fortune 500* company with the second-longest streak for meeting or exceeding analysts' expectations."

66. In or about April 2002, defendant **RICHARD M. SCRUSHY** caused HealthSouth's 2001 Annual Report to be sent by U.S. mail to approximately 7,000 stockholders and in that report falsely represented that:

> "In 2001, we set new records as we pushed our revenues well over $4.3 billion and celebrated another year of fulfilling Wall Street expectations, maintaining our record as the second-longest streak for meeting or exceeding analysts' expectations."

67. On or about July 8, 2002, upon being told that a government agency communication regarding reimbursements for Medicare patients might reduce income, defendant **RICHARD M. SCRUSHY** told other co-conspirators that they could not reduce earnings projections.

68. On or about July 11, 2002, defendant **RICHARD M. SCRUSHY** caused HealthSouth to issue a press release reporting that it was comfortable with consensus Wall Street estimates for the remainder of the year, and had strong operating results through the first half of the year.

69. In or about August 2002, after some co-conspirator corporate accounting staff members had advised their supervisors that they would no longer make false entries, and after one of the senior officers who was required to sign the Form 10-Q to be filed that month balked at signing the report because it contained materially false information, defendant **RICHARD M. SCRUSHY** agreed to, and helped devise a plan to:

(a) Cease making phony entries to inflate net income;

(b) Publicly blame the resulting reduction in reported net income on the purported effect of an announcement by the government concerning Medicare reimbursements;

(c) Maintain the more than $1 billion in previously reported phony assets on the reported Balance Sheets, and look for ways to reduce this inflation over time without provoking undue attention;

(d) Solicit potential buyers to conduct a leveraged buy-out (LBO) of HealthSouth, or parts of HealthSouth, whereby the company or certain parts would be privately owned, therefore reducing public and governmental scrutiny; and

(e) Offer the senior officer who had balked at signing the Form 10-Q the position of CFO of a part of the company that was to be spun off from HealthSouth and which was believed "clean," that is, which was largely unaffected by the fraudulent entries, and promise the senior officer that they would "not play games anymore," to induce the senior officer to sign the form.

70. In 2002, defendant **RICHARD M. SCRUSHY** exercised stock options, sold stock on the open market, and transferred stock to HealthSouth in satisfaction of an executive loan.

71. On or about August 27, 2002, defendant **RICHARD M. SCRUSHY** announced: (a) that anticipated revenues would be reduced due to the purported effect of a directive known as

Transmittal 1753 concerning reimbursement for certain therapies for Medicare patients; (b) that HealthSouth would spin off a portion of the company; and (c) that the aforementioned co-conspirator senior officer would become CFO of the new spin-off company.

72. In or about the Fall of 2002, defendant **RICHARD M. SCRUSHY** met with two co-conspirator senior officers and discussed that HealthSouth's Balance Sheet overstated cash by hundreds of millions of dollars.

73. On or about November 14, 2002, defendant **RICHARD M. SCRUSHY** and other co-conspirators caused a statement falsely certifying that HealthSouth's Form 10-Q for the third quarter of 2002 fairly presented, in all material respects, the financial condition and results of operations of HealthSouth, to be transmitted and delivered from Birmingham, Alabama, to a publishing and filing company, for filing with the SEC in Washington, D.C.

74. In or about early 2003, defendant **RICHARD M. SCRUSHY** appeared at a HealthSouth 2003 managers' meeting and told the company's employees that HealthSouth did not have the same type of problems as WorldCom and Tyco.

75. In or about early 2003, defendant **RICHARD M. SCRUSHY** offered to "take care of" a co-conspirator's family if he would take the blame for the overstatements.

76. In or about January 2003, defendant **RICHARD M. SCRUSHY** asked a co-conspirator how long it would take to fix the cash on the Balance Sheet.

77. In or about February 2003, after defendant **RICHARD M. SCRUSHY** and some of his co-conspirators received subpoenas from the SEC, defendant **RICHARD M. SCRUSHY** met with at least one of the subpoenaed co-conspirators and discussed their upcoming testimony.

78. In or about March 2003, after HealthSouth approached an investment bank with the idea of an LBO of HealthSouth and the investment bank created a proposed plan that included using approximately $249.6 million in cash that appeared on HealthSouth's books and records to help finance the LBO, defendant **RICHARD M. SCRUSHY** ordered a co-conspirator to instruct the investment bank to propose a plan that did not include the use of such cash.

79. On or about March 17, 2003, defendant **RICHARD M. SCRUSHY** spoke with a co-conspirator senior officer, who was then cooperating with the government, and another co-conspirator, discussed the testimony he (**SCRUSHY**) had given on March 14, 2003, in an official

proceeding of the SEC, and told them that the SEC investigation of HealthSouth was focusing on possible insider trading and not on fraudulent numbers in HealthSouth's financial statements.

80. On or about March 17 and 18, 2003, defendant **RICHARD M. SCRUSHY** spoke with a co-conspirator senior officer, who was then cooperating with the government and attempted to persuade the senior officer to continue the scheme, not reveal it to others, and to sign an amended Form 10-Q.

81. The Grand Jury incorporates herein by reference the allegations as set forth in Counts 2 through 33 as overt acts committed by defendant **RICHARD M. SCRUSHY** and other co-conspirators in furtherance of this conspiracy.

All in violation of Title 18, United States Code, Section 371.

COUNT 2
Securities Fraud
Title 18, United States Code, Sections 1348(1) and 2

1. The Grand Jury repeats and re-alleges the allegations contained in paragraphs 1 through 20 of Count 1 of this Indictment as though fully set out herein.

2. The Grand Jury repeats and re-alleges the allegations contained in paragraphs 23 through 40 of Count 1 of this Indictment as describing the scheme and artifice to defraud holders of HealthSouth securities and others in connection with securities of HealthSouth, an issuer with a class of securities registered under Section 12 of the Securities Exchange Act of 1934 ("Act") that was required to file reports under Section 15(d) of the Act.

3. From in or about 1996, the exact date being unknown to the Grand Jury, to on or about March 19, 2003, within Jefferson County in the Northern District of Alabama, and elsewhere, defendant

RICHARD M. SCRUSHY

and others known and unknown to the Grand Jury, knowingly executed and attempted to execute the above-described scheme and artifice.

4. On or about August 14, 2002, within Jefferson County in the Northern District of Alabama, and elsewhere, defendant **RICHARD M. SCRUSHY**, and others, for the purpose of executing and attempting to execute the above-described scheme and artifice to defraud, filed and caused to be filed with the SEC a Form10-Q and other documents for the three-month and six-month periods ending June 30, 2002, which contained HealthSouth's fraudulently inflated financial statements.

All in violation of Title 18, United States Code, Sections 1348(1) and 2.

COUNT 3
Securities Fraud
Title 15, United States Code, Sections 78j(b) and 78ff;
Title 17, Code of Federal Regulations, Section 240.10b-5;
Title 18, United States Code, Section 2

1. The Grand Jury repeats and re-alleges the allegations contained in paragraphs 1 through 20 of Count 1 of this Indictment as though fully set out herein.

2. The Grand Jury repeats and re-alleges the allegations contained in paragraphs 23 through 40 of Count 1 of this Indictment by reference s though fully set forth herein.

3. From in or about 1996, the exact date being unknown to the Grand Jury, to on or about March 19, 2003, within Jefferson County in the Northern District of Alabama, and elsewhere, defendant

RICHARD M. SCRUSHY

and others known and unknown to the Grand Jury, knowingly and willfully, by use of the means and instrumentalities of interstate commerce, the mails, and the facilities of national securities exchanges, did directly and indirectly use and employ manipulative and deceptive devices and contrivances, to: (a) employ device, scheme, and artifice to defraud; (b) make and cause HealthSouth to make untrue statements of material facts and omit to state and cause HealthSouth to omit to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and (c) engage in acts, practices and courses of business that operated and would operate as a fraud and deceit upon purchasers and

sellers of HealthSouth securities; to wit, defendant **RICHARD M. SCRUSHY** and others caused the dissemination of false financial information into the marketplace in a HealthSouth Form 10-K filed on or about March 27, 2002, with the SEC that materially overstated the operating results and financial condition of HealthSouth by inflating net income and the value of assets at the end of the reporting period, in connection with the purchase and sale of securities, to-wit: defendant **RICHARD M. SCRUSHY's** sale of 5,275,360 shares of HealthSouth common stock for total proceeds of approximately $74,118,808.00 on May 14, 2002.

All in violation of Title 15, United States Code, Sections 78j(b) and 78ff; Title 17, Code of Federal Regulations, Section 240.10b-5; and Title 18, United States Code, Section 2.

COUNTS 4 - 16
Wire Fraud
Title 18, United States Code, Sections 1343, 1346 and 2

1. The Grand Jury repeats and re-alleges the allegations contained in paragraphs 1 through 20 of Count 1 of this Indictment as though fully set out herein.

The Scheme to Defraud

2. The Grand Jury repeats and re-alleges the allegations contained in paragraphs 23 through 40 of Count 1 of this Indictment as describing a scheme and artifice to defraud stockholders, bondholders, potential stockholders and bondholders, bond underwriters, HealthSouth, and others and to obtain money and property by means of materially false and fraudulent pretenses, representations and promises.

3. From in or about 1996, the exact date being unknown to the Grand Jury, to on or about March 19, 2003, within Jefferson County in the Northern District of Alabama, and elsewhere, defendant

RICHARD M. SCRUSHY

and others known and unknown to the Grand Jury, devised and intended to devise the above-described scheme and artifice.

Execution of the Scheme

4. On or about the dates set forth below for each of Counts 4 through 16, within Jefferson County in the Northern District of Alabama, and elsewhere, defendant **RICHARD M. SCRUSHY**, aided and abetted by others, knowingly and willfully, for the purpose of executing the above-described scheme and artifice, transmitted and caused to be transmitted by means of wire communications in interstate commerce writings, signs, signals, pictures and sounds, as described for each of said counts.

5. The allegations of paragraphs 1 though 4 above are re-alleged for each of Counts 4 through 16 below as though fully set out therein.

Count	Date	Transmission
4	April 27, 1999	A conference call hosted by HealthSouth, in the Northern District of Alabama, for the benefit of stockholders, investors, and other interested persons in Alabama and other states, to discuss HealthSouth's performance on which defendant Richard M. Scrushy made the following fraudulent representations, among others: **"I'm pleased to report that HealthSouth exceeded analysts' expectations for the first quarter of 1999."** **** **"We have a lot of new projects underway, and we feel good about being able to come out with this number, and exceed the analysts' 25 cents consensus that was out there."**

5	August 3, 1999	A conference call hosted by HealthSouth, in the Northern District of Alabama, for the benefit of stockholders, investors, and other interested persons in Alabama and other states, to discuss HealthSouth's performance on which defendant Richard M. Scrushy made the following fraudulent representations, among others: **"Second quarter earnings per share [were] 27 cents, in line with what the analysts had on the company."** **** **"So in summary, the company met the expectations of the street and in a very uncertain and difficult health care environment where many companies have had difficulty."**
6	April 25, 2000	A conference call hosted by HealthSouth, in the Northern District of Alabama, for the benefit of stockholders, investors, and other interested persons in Alabama and other states, to discuss HealthSouth's performance on which defendant Richard M. Scrushy made the following fraudulent representations, among others: **"[T]he company's proud to announce that our operating results for the quarter ending March 31, 2000, did exceed the analysts' expectations. Revenues were $1 billion, 1 million for the quarter; net income was about $65 million – $65.3 million. Earnings per share assuming dilution was 17 cents for the quarter."** **** **"In the 1st quarter of 2000, revenues, EBITA, and earnings per share all exceeded the estimates, as I said."**

7	July 18, 2000	A conference call hosted by HealthSouth, in the Northern District of Alabama, for the benefit of stockholders, investors, and other interested persons in Alabama and other states, to discuss HealthSouth's performance on which defendant Richard M. Scrushy made the following fraudulent representations, among others, about the operating results for the second quarter of 2000: **"Earnings per share assuming dilution was 17 cents for 2000 quarter, consistent with consensus Wall Street estimates, compared to 27 cents in the 1999 quarter."** **** **". . . . [W]e did meet the second quarter consensus of EPS estimate of 17 cents a share."**
8	October 31, 2000	A conference call hosted by HealthSouth, in the Northern District of Alabama, for the benefit of stockholders, investors, and other interested persons in Alabama and other states, to discuss HealthSouth's performance on which defendant Richard M. Scrushy made the following fraudulent representations, among others: **"I'd like to start by saying that we met the third quarter consensus EPS estimate of 18 cents. Again, up 13% over the third quarter of '99."**
9	March 6, 2001	A conference call hosted by HealthSouth, in the Northern District of Alabama, for the benefit of stockholders, investors, and other interested persons in Alabama and other states, to discuss HealthSouth's performance on which defendant Richard M. Scrushy made the following fraudulent representations, among others, about HealthSouth's operating results for the fourth quarter of 2000: **"Earnings per share, assuming dilution, were 19 cents for the [fourth] 2000 quarter, consistent with consensus Wall Street estimates, an increase of 19% as compared to income per share before unusual and nonrecurring expenses of 16 cents in the 1999 quarter."**

10	April 26, 2001	A conference call hosted by HealthSouth, in the Northern District of Alabama, for the benefit of stockholders, investors, and other interested persons in Alabama and other states, to discuss HealthSouth's performance on which defendant Richard M. Scrushy made the following fraudulent representations about HealthSouth's operating results for the first quarter of 2001, among others: **"Earnings per share assuming dilution were 19 cents for the 2001 quarter consistent with consensus Wall Street estimates, an increase of 12% as compared to earnings per share, assuming of dilution of 17 cents in the 2000 quarter."**
11	July 31, 2001	A conference call hosted by HealthSouth, in the Northern District of Alabama, for the benefit of stockholders, investors, and other interested persons in Alabama and other states, to discuss HealthSouth's performance on which defendant Richard M. Scrushy made the following fraudulent representations, among others, about HealthSouth's operating results for the second quarter of 2001: **"Again, we had a very strong second quarter result, operating earnings were up 27% versus the second quarter of last year 21 cents earnings per share exceeded consensus estimates of 20 cents a share, up 24% over the second quarter of last year."** **** **"I'm very pleased with the results and proud to be able to announce today that we beat the consistent estimates by one cent."**

12	October 25, 2001	A conference call hosted by HealthSouth, in the Northern District of Alabama, for the benefit of stockholders, investors, and other interested persons in Alabama and other states, to discuss HealthSouth's performance on which defendant Richard M. Scrushy made the following fraudulent representations, among others: **"Earnings per share assuming dilution were 20 cents for the 2001 quarter, consistent with consensus Wall Street estimates and representing an increase of 11% as compared to earnings per share assuming dilution of 18 cents in the 2000 quarter."** **** **"Again, we are very pleased that we met the Wall Street earnings expectations, and we continue to implement in our strategic plan."**
13	March 12, 2002	A conference call hosted by HealthSouth, in the Northern District of Alabama, for the benefit of stockholders, investors, and other interested persons in Alabama and other states, to discuss HealthSouth's performance on which defendant Richard M. Scrushy made the following fraudulent representations, among others: **"Now for 2001 year-end results, full-year earnings per share of 82 cents exceeded consensus earning estimates by 1 penny and that's up 15% versus 2000."** **** **"22 cents EPS, for those that came in late. We met our consensus estimate. Full year EPS of 82 cents. I'm giving you year end results here, just a quick summary. Full year EPS of 82 cents, exceeded consensus earnings estimates by one penny, up 15% versus 2000."**

14	May 2, 2002	A conference call hosted by HealthSouth, in the Northern District of Alabama, for the benefit of stockholders, investors, and other interested persons in Alabama and other states, to discuss HealthSouth's performance on which defendant Richard M. Scrushy made the following fraudulent representations, among others: **"So in summary, our first quarter results, 27 cents EPS, we met the estimates again, up 42% over first quarter. Had record quarterly revenues of $1.130 [billion]."**
15	August 7, 2002	A conference call hosted by HealthSouth, in the Northern District of Alabama, for the benefit of stockholders, investors, and other interested persons in Alabama and other states, to discuss HealthSouth's performance on which defendant Richard M. Scrushy made the following fraudulent representations, among others: **"Very strong second quarter results, 20 cents EPS met consensus estimates, up 33% over second quarter of last year."**
16	September 19, 2002	A conference call hosted by HealthSouth, in the Northern District of Alabama, for the benefit of stockholders, investors, and other interested persons in Alabama and other states, to discuss HealthSouth's performance on which defendant Richard M. Scrushy made the following fraudulent representations, among others: **"Before we go further, I would like to emphasize that the company is in solid financial health, and we continue to lead the industry in providing superior, cost effective clinical outcomes."**

All in violation of Title 18, United States Code, Sections 1343, 1346 and 2.

COUNTS 17-24
Mail Fraud
Title 18, United States Code, Sections 1341, 1346 and 2

1. The Grand Jury repeats and re-alleges the allegations contained in paragraphs 1 through 20 of Count 1 of this Indictment as though fully set out herein.

The Scheme to Defraud

2. The Grand Jury repeats and re-alleges the allegations contained in paragraphs 23 through 40 of Count 1 of this Indictment as describing a scheme and artifice to defraud stockholders, bondholders, potential stockholders and bondholders, bond underwriters, HealthSouth, and others and to obtain money and property by means of materially false and fraudulent pretenses, representations and promises.

3. From in or about 1996, the exact date being unknown to the Grand Jury, to on or about March 19, 2003, in Jefferson County in the Northern District of Alabama, and elsewhere, defendant

RICHARD M. SCRUSHY

and others known and unknown to the Grand Jury, devised and intended to devise the above-described scheme and artifice.

Execution of the Scheme

4. On or about April 12, 2002, within Jefferson County in the Northern District of Alabama, and elsewhere, defendant **RICHARD M. SCRUSHY**, aided and abetted by others, knowingly and willfully, for the purpose of executing the above-described scheme and artifice and attempting to do so, caused a proxy card, a notice of stockholders meeting, an annual report, and the Form 10-K for the year 2001 to be delivered by mail according to the directions thereon to the person described below for each of said counts, each delivery being within the Northern District of Alabama.

5. The allegations of paragraphs 1 though 4 above are re-alleged for each of Counts 17 through 24 below as though fully set out therein.

Count	Person
17	A person with the initials JE, who lived in Birmingham, Alabama
18	A person with the initials ER, who lived in Parrish, Alabama
19	A person with the initials GHT, who lived in Birmingham, Alabama
20	A person with the initials WDH, who lived in Birmingham, Alabama
21	A person with the initials CRK, who lived in Birmingham, Alabama
22	A person with the initials MPM, who lived in Birmingham, Alabama
23	A person with the initials DP, who lived in Birmingham, Alabama
24	AmSouth Bank, a financial institution, with offices in Birmingham, Alabama

All in violation of Title 18, United States Code, Sections 1341, 1346 and 2.

COUNTS 25-26
False Statements
Title 18, United States Code, Sections 1001 and 2

1. The Grand Jury repeats and re-alleges the allegations contained in paragraphs 1 through 20 of Count 1 this Indictment as though fully set out herein.

2. On or about the dates set forth below for each of Counts 25 through 26, within Jefferson County in the Northern District of Alabama, and elsewhere, defendant

RICHARD M. SCRUSHY

knowingly and willfully caused a materially false, fictitious and fraudulent statement and representation to be made in a matter within the jurisdiction of the executive branch of the government of the United States, that is, the amounts reported for net income for certain periods of time and the value of assets at the end of those periods, in documents filed with the SEC and incorporated statements and representations as described below for each of Counts 25 through 26,

in connection with the registration of HealthSouth bonds, were materially overstated as defendant **RICHARD M. SCRUSHY** then and there well knew and believed.

3. The allegations of paragraphs 1 and 2 above are re-alleged for each of Counts 25 through 26 as though fully set out therein:

Count	Date	Report
25	November 19, 2001	HealthSouth's Form S-4, filed to register bonds with a face value of approximately $600 million
26	June 28, 2002	HealthSouth's Form S-4, filed to register bonds with a face value of approximately $1 billion

All in violation of Title 18, United States Code, Sections 1001 and 2.

COUNT 27
False Certification
Title 18, United States Code, Sections 1350(c)(2) and 2

1. The Grand Jury repeats and re-alleges the allegations contained in paragraphs 1 through 20 of Count 1 of this Indictment as though fully set out herein.

2. On or about August 14, 2002, within Jefferson County in the Northern District of Alabama, and elsewhere, defendant

RICHARD M. SCRUSHY

did knowingly and willfully certify, and did cause HealthSouth's Chief Financial Officer to knowingly and willfully certify and to file with the SEC a statement required by Title 18, United States Code, Section 1350, that is,

> a statement certifying that the periodic report accompanying the statement, namely, a HealthSouth Form 10-Q (1) fully complied with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (2) that the information contained therein fairly presented, in all material respects, the financial condition and results of operations of the company,

while knowing that the periodic report so filed did not comport with all of the requirements of Title 18, United States Code, Section 1350, in that, as defendant **RICHARD M. SCRUSHY** and said officer, then and there, well knew and believed, the information therein did not fairly present, in all material respects, the financial condition and results of operations of HealthSouth because said information materially overstated HealthSouth's net income for each of the periods set forth in the report, and materially overstated the value of HealthSouth's assets at the end of each of said periods.

All in violation of Title 18, United States Code, Sections1350(c)(2) and 2.

COUNT 28
False Certification
Title 18, United States Code, Sections 1350(c)(2) and 2

1. The Grand Jury repeats and re-alleges the allegations contained in paragraphs 1 through 20 of Count 1 of this Indictment as though fully set out herein.

2. On or about November 14, 2002, within Jefferson County in the Northern District of Alabama, and elsewhere, defendant

RICHARD M. SCRUSHY

did knowingly and willfully cause HealthSouth's Chief Executive Officer and HealthSouth's Chief Financial Officer to knowingly and willfully certify and to file with the SEC a statement required by Title 18, United States Code, Section 1350, that is,

> a statement certifying that the periodic report accompanying the statement, namely, a HealthSouth Form 10-Q (1) fully complied with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (2) that the information contained therein fairly presented, in all material respects, the financial condition and results of operations of the company,

while knowing that the periodic report so filed did not comport with all of the requirements of Title 18, United States Code, Section 1350, in that, as defendant **RICHARD M. SCRUSHY** and said officer, then and there, well knew and believed, the information therein did not fairly present,

in all material respects, the financial condition and results of operations of HealthSouth because said information materially overstated HealthSouth's net income for various periods set forth in the report and materially overstated the value of HealthSouth's assets at the end of each of said periods.

All in violation of Title 18, United States Code, Sections 1350(c)(2) and 2.

COUNT 29
False Certification, Attempt
Title 18, United States Code, Sections, 1350 and 1349

1. The Grand Jury repeats and re-alleges the allegations contained in paragraphs 1 through 20 of Count 1 of this Indictment as though fully set out herein.

2. On or about March 18, 2003, within Jefferson County in the Northern District of Alabama, and elsewhere, defendant

RICHARD M. SCRUSHY

did knowingly and willfully attempt to cause HealthSouth's Chief Financial Officer to knowingly and willfully certify and to file with the SEC a statement required by Title 18, United States Code, Section 1350, that is,

> a statement certifying that the periodic report accompanying the statement, namely, a HealthSouth Amended Form 10-Q (1) fully complied with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (2) that the information contained therein fairly presented, in all material respects, the financial condition and results of operations of the company,

while knowing that the periodic report so filed would not comport with all of the requirements of Title 18, United States Code, Section 1350, in that, as defendant **RICHARD M. SCRUSHY** and said officer, then and there, well knew and believed, the information therein did not fairly present, in all material respects, the financial condition and results of operations of HealthSouth, in that

said information materially overstated HealthSouth's net income for various periods set forth in the report and materially overstated the value of HealthSouth's assets at the end of each of said periods.

All in violation of Title 18, United States Code, Sections 1350(c)(2), and1349.

COUNT 30
Perjury
Title 18, United States Code, Section 1621

1. The Grand Jury repeats and re-alleges the allegations contained in paragraphs 1 through 20 of Count 1 of this Indictment as though fully set out herein.

2. On or about March 14, 2003, within Jefferson County in the Northern District of Alabama, and elsewhere, defendant

RICHARD M. SCRUSHY

having taken an oath before a competent officer of the SEC during an investigation authorized by the SEC, namely: the case entitled In the Matter of HEALTHSOUTH CORP., File No. A-02772, a case in which Title 15, United States Code, Sections 77s(c) and 78u(b) authorizes an oath to be administered, that he would testify truly, did willfully and knowingly and contrary to said oath, state material matter which he did not believe to be true, that is to say:

3. The SEC was conducting an investigation of HealthSouth and others, concerning, among other things:

> (A) the offer and sale, and in connection with the purchases and sale of securities, directly and indirectly, may have employed devices, schemes and artifices to defraud; and may have obtained money and property by means of and otherwise made, untrue statements of material fact and omitted to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; and may have engaged in transactions, acts, practices and courses of business which operated and would operate as a fraud and deceit upon purchasers of HealthSouth's securities, to-wit: HealthSouth and others may have, among other things: (1) effected transactions in the securities of HealthSouth while in possession of material, nonpublic information concerning, among other things, the public announcement on or about August 27, 2002, that HealthSouth projected a reduction of HealthSouth's 2002 earnings by

approximately $175 Million; and (2) made and caused to be made false, and misleading statements and omissions in HealthSouth's quarterly reports, and in HealthSouth's press releases, concerning, among other things, its consolidated historical and future expected revenues.

(B) may have filed and may have caused to be filed, certain reports required to be filed with and submitted to the SEC pursuant to Section 13(a) of the Exchange Act of 1934 that contain and incorporate financial statements and related disclosures that contain untrue statements of material fact, omit to state material facts necessary in order to make the statement made, in light of the circumstances in which they were made, not misleading, and omit to disclose information required to be disclosed.

4. In particular, **RICHARD M. SCRUSHY**, appeared as a witness and gave testimony in the case entitled In the Matter of HEALTHSOUTH CORP., File No. A-02772, before an officer of the SEC, while being questioned about HealthSouth's 10-K for fiscal year 2001, defendant **RICHARD M. SCRUSHY** gave the following false answers to the following questions:

> Q. In this document [the HealthSouth 10-K filed for fiscal year 2001], was there ever anything in it that you felt was not true and accurate.
>
> A. Not to my knowledge.
>
> Q. Let me ask –
>
> Q. Let's restate that question not as a negative. To the best of your knowledge, was the 10-K filed for year 2001, fiscal year 2001 true and accurate?
>
> A. As far as I know, yes, sir.

Whereas, in truth and in fact, defendant **RICHARD M. SCRUSHY**, then and there, well knew and believed, that the 10-K filed for fiscal year 2001 falsely and materially overstated HealthSouth's net income and the value of HealthSouth's assets at the end of fiscal year 2001.

All in violation of Title 18, United States Code, Section 1621.

COUNT 31
Perjury
Title 18, United States Code, Section 1621

1. The Grand Jury repeats and re-alleges the allegations contained in paragraphs 1 through 20 of Count 1 of this Indictment as though fully set out herein.

2. On or about March 14, 2003, within Jefferson County in the Northern District of Alabama, and elsewhere, defendant

RICHARD M. SCRUSHY

having taken an oath before a competent officer of the SEC during an investigation authorized by the SEC, namely: the case entitled In the Matter of HEALTHSOUTH CORP., File No. A-02772, a case in which Title 15, United States Code, Sections 77s(c) and 78u(b) authorizes an oath to be administered, that he would testify truly, did willfully and knowingly and contrary to said oath state material matter which he did not believe to be true, that is to say:

3. The SEC was conducting an investigation of HealthSouth and others, concerning, among other things:

> (A) the offer and sale, and in connection with the purchases and sale of securities, directly and indirectly, may have employed devices, schemes and artifices to defraud; and may have obtained money and property by means of and otherwise made, untrue statements of material fact and omitted to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; and may have engaged in transactions, acts, practices and courses of business which operated and would operate as a fraud and deceit upon purchasers of HealthSouth's securities, to-wit: HealthSouth and others may have, among other things: (1) effected transactions in the securities of HealthSouth while in possession of material, nonpublic information concerning, among other things, the public announcement on or about August 27, 2002, that HealthSouth projected a reduction of HealthSouth's 2002 earnings by approximately $175 Million; and (2) made and caused to be made false, and misleading statements and omissions in HealthSouth's quarterly reports, and in HealthSouth's press releases, concerning, among other things, its consolidated historical and future expected revenues.
>
> (B) may have filed and may have caused to be filed, certain reports required to be filed with and submitted to the SEC pursuant to Section 13(a) of the Exchange Act of 1934 that contain and incorporate financial statements and related disclosures

that contain untrue statements of material fact, omit to state material facts necessary in order to make the statement made, in light of the circumstances in which they were made, not misleading, and omit to disclose information required to be disclosed.

4. In particular, **RICHARD M. SCRUSHY**, appeared as a witness and gave testimony in the case entitled In the Matter of HEALTHSOUTH CORP., File No. A-02772, before an officer of the SEC, while being questioned about the accuracy of HealthSouth's financial information, defendant **RICHARD M. SCRUSHY** gave the following false answers to the following questions:

> Q. Has anybody, in your memory, come to you and said we need for you to - - or come to you and given you any reason to believe that a specific line item was not accurate?
>
> A. No, sir.
>
> Q. I'm going to – let me just ask: Did you ever tell anyone to change a number?
>
> A. Oh, absolutely not, no, sir.
>
> Q. Or that a number needed to be different for some corporate purpose?
>
> A. No, sir.
>
> . . . .
>
> Q. . . . . Did you ever instruct anyone to -- did you ever tell anyone or suggest to anyone at the company what numbers you wanted to see at the end of a particular quarter?
>
> A. No, sir.
>
> Q. How about at the end of a particular year end?
>
> A. Absolutely not.
>
> . . . .

Q. Have you ever signed a document that was filed with the Securities and Exchange Commission that you believed or understood or realized was not accurate with respect to financial information included in that document?

A. No.

Whereas, in truth and in fact, defendant **RICHARD M. SCRUSHY**, then and there, well knew and believed, that he had met with other HealthSouth officers and discussed HealthSouth's actual financial performance, the actual results of its operations, and the need to falsify those results before filing reports of the results of operations and financial condition with the SEC.

All in violation of Title 18, United States Code, Section 1621.

COUNT 32
Perjury
Title 18, United States Code, Section 1621

1. The Grand Jury repeats and re-alleges the allegations contained in paragraphs 1 through 20 of Count 1 of this Indictment as though fully set out herein.

2. On or about March 14, 2003, within Jefferson County in the Northern District of Alabama, and elsewhere, defendant

RICHARD M. SCRUSHY

having taken an oath before a competent officer of the SEC during an investigation authorized by the SEC, namely: the case entitled In the Matter of HEALTHSOUTH CORP., File No. A-02772, a case in which Title 15, United States Code, Sections 77s(c) and 78u(b) authorizes an oath to be administered, that he would testify truly, did willfully and knowingly and contrary to said oath state material matter which he did not believe to be true, that is to say:

3. The SEC was conducting an investigation of HealthSouth and others, concerning, among other things:

> (A) the offer and sale, and in connection with the purchases and sale of securities, directly and indirectly, may have employed devices, schemes and artifices to defraud; and may have obtained money and property by means of and otherwise made, untrue statements of material fact and omitted to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading; and may have engaged in transactions, acts, practices and courses of business which operated and would operate as a fraud and deceit upon purchasers of HealthSouth's securities, to-wit: HealthSouth and others may have, among other things: (1) effected transactions in the securities of HealthSouth while in possession of material, nonpublic information concerning, among other things, the public announcement on or about August 27, 2002, that HealthSouth projected a reduction of HealthSouth's 2002 earnings by approximately $175 Million; and (2) made and caused to be made false, and misleading statements and omissions in HealthSouth's quarterly reports, and in HealthSouth's press releases, concerning, among other things, its consolidated historical and future expected revenues.
>
> (B) may have filed and may have caused to be filed, certain reports required to be filed with and submitted to the SEC pursuant to Section 13(a) of the Exchange Act of 1934 that contain and incorporate financial statements and related disclosures that contain untrue statements of material fact, omit to state material facts necessary in order to make the statement made, in light of the circumstances in which they were made, not misleading, and omit to disclose information required to be disclosed.

4. In particular, **RICHARD M. SCRUSHY**, appeared as a witness and gave testimony in the case entitled In the Matter of HEALTHSOUTH CORP., File No. A-02772, before an officer of the SEC, while being questioned about HRC Exhibit No. 57, a copy of HealthSouth's June 30, 2002, Form 10-Q, which was filed with the SEC, defendant **RICHARD M. SCRUSHY** gave the following false answer to the following question:

> Q. At the time you signed it, did you understand that you were vouching for the accuracy of the disclosures in this 10-Q, Exhibit 57?

A. I was signing it because these had to be filed and I was signing it on behalf of the company. And I believed when I signed it that the information given to me was accurate.

Whereas, in truth and in fact, defendant **RICHARD M. SCRUSHY**, then and there, well knew and believed that HRC Exhibit No. 57, a copy of HealthSouth's June 30, 2002, Form 10-Q, falsely and materially overstated HealthSouth's net income, the value of HealthSouth's assets, and falsely reported HealthSouth's operating results and financial condition.

All in violation of Title 18, United States Code, Section 1621.

COUNT 33
Obstruction of Justice
Title 18, United States Code, Section 1512(b)(1)

1. The Grand Jury repeats and re-alleges the allegations contained in paragraphs 1 through 20 of Count 1 of this Indictment as though fully set out herein.

2. In or about August 2002, the SEC began investigating defendant **RICHARD M. SCRUSHY's** sales of large blocks of stock prior to HealthSouth's announcement that a Medicare provision, known as Transmittal 1753, would adversely affect the profitability of HealthSouth.

3. On February 18, 2003, as part of the SEC's investigation, the SEC issued subpoenas requiring defendant **RICHARD M. SCRUSHY**, William (Bill) Owens, and other HealthSouth officers to provide documents and testimony to the SEC in the case entitled In the Matter of HEALTHSOUTH CORP., File No. A-02772.

4. In or about February 2003, after the HealthSouth officers received subpoenas from the SEC, in order to avoid detection, exposure, and to prevent the SEC from delving into HealthSouth's financial information, defendant **RICHARD M. SCRUSHY** met with one of his co-conspirators, namely Bill Owens, to discuss the fact that they would have to testify before the SEC, and that they would have to tell consistent stories during their upcoming testimony about,

among other things, the accuracy of the reports filed with the SEC, and the accuracy of HealthSouth's financial information.

5. On or about March 17, 2003, after defendant **RICHARD M. SCRUSHY** had testified before the SEC, in an effort to obstruct the SEC's official proceeding, defendant **RICHARD M. SCRUSHY** met with Bill Owens and another HealthSouth officer and co-conspirator, namely, Kenneth Livesay, and advised them of the nature of the SEC's investigation, certain of the examiners' questions and his responses to those questions. During this conversation, defendant **RICHARD M. SCRUSHY** stated, in part:

R. Scrushy:	I'm okay. I'm gonna to talk, talk to ya'll just real, this conversation did not take place. Okay?
B. Owens:	I understand.
R. Scrushy:	It ain't happened.
B. Owens:	Okay.
R. Scrushy:	Swear to it. I went to the SEC, you need to hear this because you were sitting under the CFO for a long time.
Ken Livesay:	Uh, huh.
R. Scrushy:	Bill, they ain't got nothing. It, they, they're on a witch hunt. They ain't got shit, they ain't got nothing, they didn't ask me nothing about the numbers, all they asked me about was uh, they, they, they, showed, they believe, that we knew, here's the theory, and I, I figured it out about halfway through, his theory is that we bel, he, he we knew, that, that the law had changed back three years ago. Back when Qui Tam, you know, you know, understood and that we should have been billing differently than we 'd been billing them so that for two or three years we were billing wrong.
B. Owens:	Right.
R. Scrushy:	And I just tore his ass up on that. I said look, I said the law changed 1753, and it was effective on July 1st, and if it didn't change and it wadn't effective on July 20, 21st, then why did they put out a change and why did they say that it

was effective July 1st? And he said, well, wadn't it always uh, different? I said no, I said here's the change. He said, what's change? I said read the language. The law, you didn't, never said before, even if you have separate diagnosis, and I said, that's the change.

B. Owens: Yeah.

. . . . . .

R. Scrushy: So that was, so he says when, when he got into it, he says, this, this 10-Q here, he says, did you sign that? And I said yeah. He said do you believe it's accurate? And I said, well yeah, it's accurate. I said, sure I believe it. And I, and I was trying to still, trying to figure out why did he ask me about that. Well, the reality is, he says, claims we misbilled. So then, when he's figured out he didn't have a case on that, he dropped all that and started talking about, when I sold and sort of what I knew and what and when he went through that. Bill, Bill, he had booked me till 6:00 that night, and at 4:00, he said I'm through. I don't have any questions. He hadn't. And all he had was, he pulled out a newspaper article by the Birmingham News and he said,

. . . . .

R. Scrushy: And . . . Bill, he just, he didn't have it. He just, he moved that stuff around on his desk and tried to bring it and finally he stood (UI), nice meeting you. I, I enjoyed it. And said, thank you.

B. Owens: So, it's just, just trading.

R. Scrushy: That's it. That's all I talked about.

B. Owens: That's good news.

R. Scrushy: Yeah.

R. Scrushy: . . . Now, he would show me the 10-Q and say, you signed that, who else signed it? . . . He said, do you think it's accurate? And I said, sure it's accurate. . . . To the best of my knowledge, everything we ever reported was accurate. We went on. That's your answers, to the best of my knowledge, everything in this report is accurate, yeah.

B. Owens: Yeah.

R. Scrushy: Hell yeah. What are you going to say? You, you, you some ain't, ain't accurate? Hell no. It's all accurate. Sure it's accurate. He don't know shit from shinola. He ain't read it. He didn't ask me . . . one question out of any those documents. . . . But his deal is, that, the numbers aren't accurate because we knew about group billing, all along. All we've got to do is just blow that theory and then you're back to accurate numbers. It's very possible.

6. On or about March 17, 2003, within Jefferson County in the Northern District of Alabama, and elsewhere, defendant

RICHARD M. SCRUSHY

did knowingly attempt to corruptly persuade another person, namely, William Owens, with intent to influence the testimony of William Owens in an official proceeding, to-wit: to give materially false and misleading testimony, in the case entitled In the Matter of HEALTHSOUTH CORP., File No. A-02772, about, among other things, the accuracy of reports HealthSouth had filed with the SEC, and the accuracy of HealthSouth's financial information.

All in violation of Title 18, United States Code, Section 1512(b)(1).

COUNTS 34-46
Money Laundering
Title 18, United States Code, Sections 1957 and 2

1. On or about the dates set forth below, within Jefferson County in the Northern District of Alabama, and elsewhere, defendant

RICHARD M. SCRUSHY

did knowingly engage in a monetary transaction by, through, and to a financial institution, affecting interstate and foreign commerce, in criminally derived property of a value greater than $10,000.00, that is, the transfer of funds by wire and monetary instrument as listed below in the amounts listed below, such property having been derived from specified unlawful activity, that is, a scheme and artifice to defraud stockholders, bondholders, potential stockholders and bondholders, bond underwriters, HealthSouth, and others, in violation of Title 18, United States

Code, Sections 371, 1341, and 1343, and Title 15, United States Code, Sections 78j(b) and 78ff, as alleged in Counts 1 and 3 through 26 of this Indictment.

2. The allegations set out in paragraph 1 above are re-alleged and incorporated in each Count as though fully set out therein:

Count	Date	Amount	Method of Transfer	Purpose
34	February 1, 2000	$360,000.00	Bank Debit	Purchase of 360 acres of real property in Wilcox County, AL
35	March 30, 2000	$290,808.00	Wire Transfer	Purchase of 2002 Skater 40-foot racing boat "Monopoly"
36	February 7, 2000	$30,775.00	Check	Design and art work on 2002 Skater 40-foot racing boat "Monopoly"
37	August 29, 2000	$79,000.00	Wire Transfer	Purchase of 2000 GMC Yukon and 2000 GMC Denali
38	November 22, 2000	$45,000.00	Wire Transfer	Purchase of armoring package for 2000 GMC Denali
39	October 30, 2000	$302,950.75	Wire Transfer	Purchase of four (4) bronze statutes and seven (7) classic automobiles, including a 1929 Cadillac Dual Cowl Phaeton
40	January 9, 2001	$329,062.53	Check	Purchase of 2000 Rolls-Royce Corniche
41	November 15, 2001	$120,300.00	Check	Purchase of four (4) antique Persian-style rugs
42	May 1, 2002	$214,223.00	Wire Transfer	Purchase of 2002 38-foot Intrepid Walkaround boat
43	June 28, 2002	$266,323.00	Wire Transfer	Purchase of 2003 42-foot Lightning boat, with motor and trailer

44	October 28, 2002	$2,811,524.48	Wire Transfer	Purchase of thirty (30) acres of real property in Gulf Shores, AL
45	December 27, 2002	$370,000.00	Check	Purchase of 21.81 carat emerald-cut diamond platinum ring
46	July 29, 2003	$3,225,000.00	Wire Transfer	Purchase of 2001 Cessna Citation 525 aircraft

All in violation of Title 18, United States Code, Sections 1957 and 2.

COUNT 47
Criminal Forfeiture
Title 18, United States Code, Section 981(a)(1)(C)
and Title 28, United States Code, Section 2461(c)

1. Counts 1, 3 through 26 of this Indictment are incorporated by reference herein for the purpose of alleging forfeiture pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United State Code, Section 2461(c).

Forfeiture

2. As a result of the foregoing offenses alleged in Counts 1, 3 through 26 of this Indictment, defendant

RICHARD M. SCRUSHY

shall forfeit to the United States any property, real or personal, which constitutes or is derived from proceeds traceable to said offenses. Such forfeitable interests include, but are not limited to the aggregate sum of $278,727,674.35 and all interest and proceeds derived therefrom, including but not limited to:

a. Residence and compound located at 2406 Longleaf Street, Birmingham, Alabama 35243, including adjoining real properties located at 2410 Longleaf Street, 2320 Longleaf Way, and 2300 Marin Drive, Birmingham, Alabama, together with all improvements, fixtures, and appurtenances thereon;

b. Residence and real property located at 1470 Willows End, Alexander City, Alabama 35010, more particularly described as Lots 19, 20, and 21, Willow Point Phase XII, Tallapoosa County, Alabama;

c. Residence and real property located at 30524 River Road, Orange Beach, Alabama 36561, more particularly described as Lot 101, Unit 1, Ono Island Subdivision, Baldwin County, Alabama, together with all improvements, fixtures, and appurtenances thereon;

d. Residence and real property located at 1000 N. Lake Way, Palm Beach, Palm Beach County, Florida 33480, together with all improvements, fixtures, and appurtenances thereon;

e. One (1) 1992 92-foot Tarrab yacht, "Chez Soiree," Hull No. XED09219D102;

f. One (1) 1998 Cessna Caravan 675 aircraft, FAA Reg. No. N208MM, together with amphibious floats, and other equipment;

g. Certain real property and commercial building located at 415 Fifth Street, West Palm Beach, Florida 33401, together with all improvements, fixtures, and appurtenances thereon;

h. Four items of diamond jewelry:

   (i) One (1) diamond bracelet, with 30 emerald-cut stones (totaling 48.71 carats);
   (ii) One (1) fancy yellow radian-cut diamond ring (9.69 carats), with two (2) white trillions (1.40 carats);
   (iii) One pair of round-cut diamond stud earrings (6.08 carats); and
   (iv) One (1) fancy yellow diamond bracelet with 48 diamonds (14.06 carats);

i. Certain real property known as the "Bissell property," located on Highway 180, Gulf Shores, Baldwin County, Alabama;

j. Certain real property known as Walker Marina, Orange Beach, Baldwin County, Alabama 36561, together with all improvements, fixtures, and appurtenances thereon; and

k. One (1) 2003 Lamborghini Murcielago, VIN ZA9BC10U33LA12454.

3. If any of the property described above as being subject to forfeiture pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), as a result of any act or omission of the defendant **RICHARD M. SCRUSHY**

(1) cannot be located upon the exercise of due diligence;

(2) has been transferred or sold to, or deposited with, a third person;

(3) has been placed beyond the jurisdiction of the Court;

(4) has been substantially diminished in value; or

(5) has been commingled with other property that cannot be subdivided without difficulty;

it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), to seek forfeiture of any other property of said defendant **RICHARD M. SCRUSHY** up to the value of the above forfeitable property.

All pursuant to Title 18, United States Code, Section 981and Title 28, United States Code, Section 2461.

COUNTS 48-58
Criminal Forfeiture
Title 18, United States Code, Section 982(a)(1)

1. Counts 1 and 3 through 26 of this Indictment are incorporated by reference herein for the purpose of alleging forfeiture pursuant to Title 18, United States Code, Section 982(a)(1).

Forfeiture

2. As a result of the foregoing offenses alleged in Counts 34 through 46 of this Indictment, as identified below, defendant

RICHARD M. SCRUSHY

shall forfeit to the United States any property, real and personal, involved in such offenses, or any property traceable to such property; to-wit:

Count	Property Involved in Offense, or Traceable to Offense	Offense Count
48	360 acres of real property located near Highway 21, Wilcox County, Alabama (known as "Marin Plantation"), together with all fixtures, improvements, and appurtenances thereon	34
49	One (1) 2002 Skater 40-foot racing boat, "Monopoly," Hull No. DUX00665C004042, Alabama Decal No. AL2185SP	35, 36
50	(a) One (1) 2000 GMC Yukon, VIN 3GKGK26U0YG219700, Alabama license number 1C5968M (b) One (1) 2000 GMC Denali, VIN 1GKEK63R6YR216069, Alabama license number 1B5906W	37, 38
51	One (1) 1929 Cadillac Dual Cowl Phaeton, VIN 334647	39
52	One (1) 2000 Rolls-Royce Corniche, VIN SCAZK29E3YCX68035	40
53	(a) One (1) antique rug from Persia (b) One (1) antique rug from India (c) One (1) antique rug from Turkey (d) One rug from Egypt.	41
54	One (1) 2002 38-foot Intrepid Walkaround water craft, Hull No. 1BW37075B202, Alabama Decal No. 1389AV	42
55	One (1) 2003 42-foot Lightning boat, Hull No. FGQ42518DD203, with 2003 Mercruiser motor, Serial No. 0M053088, and 2001 Vanguard trailer, Serial No. 45JC2H93311000879	43
56	Thirty (30) acres of real property located along Highway 182 (also known as Perdido Beach Boulevard), Gulf Shores, Baldwin County, Alabama	44
57	One (1) 21.81 carat emerald-cut diamond platinum ring	45
58	One (1) 2001 Cessna Citation 525 aircraft, FAA Reg. No. N525BR or N525WS, together with two (2) Williams FJ441A engines, bearing serial numbers 1901 and 1902, respectively	46

If any of the property described above in Counts 48-58 as being subject to forfeiture pursuant to Title 18, United States Code, Section 982, as a result of any act or omission of the defendant, **RICHARD M. SCRUSHY**,

(1) cannot be located upon the exercise of due diligence;

(2) has been transferred or sold to, or deposited with, a third person;

(3) has been placed beyond the jurisdiction of the Court;

(4) has been substantially diminished in value; or

(5) has been commingled with other property that cannot be subdivided without difficulty;

it is the intent of the United States, pursuant to Title 18, United States Code, Section 982(b)(1), to seek forfeiture of any other property of said defendant

RICHARD M. SCRUSHY

up to the value of the above forfeitable property.

All pursuant to Title 18, United States Code, Section 982.

SENTENCING ALLEGATIONS

a. With respect to counts 1-32 of the Indictment with which he is charged:

(1) **RICHARD M. SCRUSHY** was a leader and organizer of a criminal activity that involved five or more participants and was otherwise extensive; and

(2) **RICHARD M. SCRUSHY** abused his position of public and private trust.

b. With respect to counts 1-32 of the Indictment,

(1) the loss exceeded $400 million;

(2) the offense involved more than minimal planning;

(3) the offense involved a scheme to defraud more than 250 victims;

(4) the offense involved sophisticated means;

(5) the offense was committed through mass marketing; and

(6) the offense was committed for the purpose of concealing and obstructing justice in respect to another criminal offense.

c. With respect to counts 1-32 of the Indictment,

(1) the offense affected a financial institution;

(2) **RICHARD M. SCRUSHY** derived more than $1 million in gross receipts from the offense; and

(3) the offense substantially endangered the solvency and financial security of an organization that during the offense was a publicly traded company and had more than 1,000 employees.

(4) the offense involved a violation of securities law and, at the time of the offense, **RICHARD M. SCRUSHY** was an officer and a director of HealthSouth, a publicly traded company.

d. With respect to Counts 34-46 of the Indictment, the offense involved sophisticated laundering.

e. With respect to Count 33 of the Indictment, the offense resulted in substantial interference with the due administration of justice.

A TRUE BILL.

Foreperson

ALICE H. MARTIN
United States Attorney
Northern District of Alabama

JOSHUA R. HOCHBERG
Chief, Fraud Section
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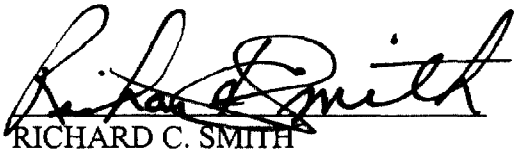

RICHARD C. SMITH
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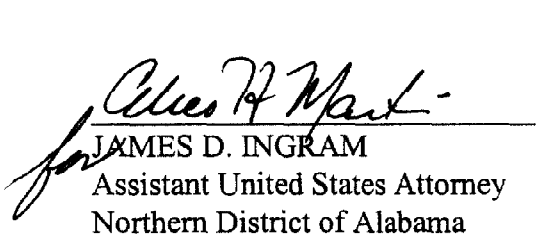

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