

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

UNITED STATES OF AMERICA)
)
v.)
)
AARON BEAM,)
Defendant)

INFORMATION

The United States Attorney charges, that at all times material to this Information:

Count 1
Bank Fraud
Title 18, United States Code, Section 1344 and
Title 18, United States Code, Section 2

INTRODUCTION

1. Defendant **AARON BEAM** (“**BEAM**”) was employed at HealthSouth Corporation (“HealthSouth”) as its Chief Financial Officer (“CFO”) and served on its Board of Directors from HealthSouth’s creation in or about 1984 until October 1997.

2. HealthSouth was a corporation organized under the laws of the State of Delaware with its headquarters in Birmingham, Alabama. HealthSouth claims to be the nation’s largest provider of outpatient surgery, diagnostic imaging and rehabilitative healthcare services with approximately 1800 locations in all 50 states, Puerto Rico, the United Kingdom, Australia, and

Canada.

3. HealthSouth reported the financial results of its operations in financial statements that include both an Income Statement and a Balance Sheet. A company's Income Statement reports, among other things, revenue recognized, expenses incurred, and income earned during a stated period of time – usually for a fiscal quarter or fiscal year. Within an Income Statement, expenses are generally subtracted from revenues to calculate net income. A company's Balance Sheet reports, among other things, the assets and liabilities of a company at a point in time, usually at the end of a fiscal quarter or the end of a fiscal year.

THE BANK FRAUD

4. Beginning in or about April 1996, and continuing until in or about October 1997, within the Northern District of Alabama, Southern Division, and elsewhere, the defendant,

AARON BEAM,

and others, including the then Chief Executive Officer (“CEO”), devised a scheme and artifice to obtain, by means of false and fraudulent pretenses and representations, money, funds, and credits owned by, and under the custody and control of, AmSouth Bank, the deposits of which were then insured by the Federal Deposit Insurance Corporation.

5. It was part of the scheme and artifice that, beginning at least in or about 1996, a group of HealthSouth’s senior officers, which included the defendant **BEAM** and the then Chief Executive Officer (the "CEO") (collectively, the "Senior Officers"), and others, recognized that HealthSouth's financial results were failing to produce sufficient earnings per share to meet or exceed Wall Street "earning expectations" or "analyst expectations." The Senior Officers and others recognized that the earnings shortfall created a substantial risk that, unless HealthSouth's

earnings per share were artificially inflated, HealthSouth's earnings would fail to meet analyst expectations and the market price of HealthSouth's securities would therefore decline.

6. It was a further part of the scheme and artifice that, beginning at least in or about 1996, the Senior Officers, including defendant **BEAM** and others, engaged in an illegal scheme to inflate artificially HealthSouth's publicly reported earnings and earnings per share and falsify reports of HealthSouth's financial condition. The Senior Officers, including defendant **BEAM** and others, caused HealthSouth to file publicly with the Securities and Exchange Commission annual reports and quarterly reports that materially misstated, among other things, HealthSouth's net income, revenue, earnings per share, assets, and liabilities during the period of defendant **BEAM'S** involvement in the scheme. In addition, when HealthSouth obtained extensions of credit, the Senior Officers, including defendant **BEAM** and others, caused false reports of HealthSouth's financial condition to be presented to banks and other lenders.

7. It was a further part of the scheme and artifice that, on or about April 18, 1996, HealthSouth entered into a Third Amended and Restated Credit Agreement ("Agreement") with a syndicate of 32 lenders from around the world, including AmSouth Bank of Birmingham, Alabama. This credit facility obligated the lenders to extend a line of credit totaling \$1.25 billion to HealthSouth. Of this total amount, AmSouth Bank agreed to loan \$55,000,000 to HealthSouth. The Agreement required HealthSouth to provide each lender with quarterly and annual financial statements which had been certified as true and accurate.

8. On or about August 14, 1996, and periodically thereafter, the defendant **BEAM** and others executed and attempted to execute the scheme and artifice set forth above in that the defendant **BEAM** and others caused HealthSouth, in connection with the Agreement, to make

financial statements available to AmSouth Bank knowing that the statements did not fairly present, in all material respects, the financial condition and results of operations of HealthSouth.

All in violation of Title 18, United States Code, Section 1344 and Section 2.

Count 2
Forfeiture
Title 18, United States Code, Section 981(a)(1)(C) &
Title 28, United States Code, Section 2461(c)

The United States Attorney further charges:

1. That Count One of this Information is incorporated by reference herein for the purpose of alleging criminal forfeiture pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c).

2. As a result of the foregoing offense alleged in Count One of this Information, the defendant, **AARON BEAM**, shall forfeit to the United States any property constituting or derived from proceeds traceable to said violations committed by the defendant, **AARON BEAM**. Such forfeitable interests include, but are not limited to, any and all interest and proceeds derived therefrom.

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, **AARON BEAM** –

- (1) cannot be located upon the exercise of due diligence;
- (2) has been transferred to, 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, **AARON BEAM**, up to the value of the above forfeitable property.

All pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c).

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