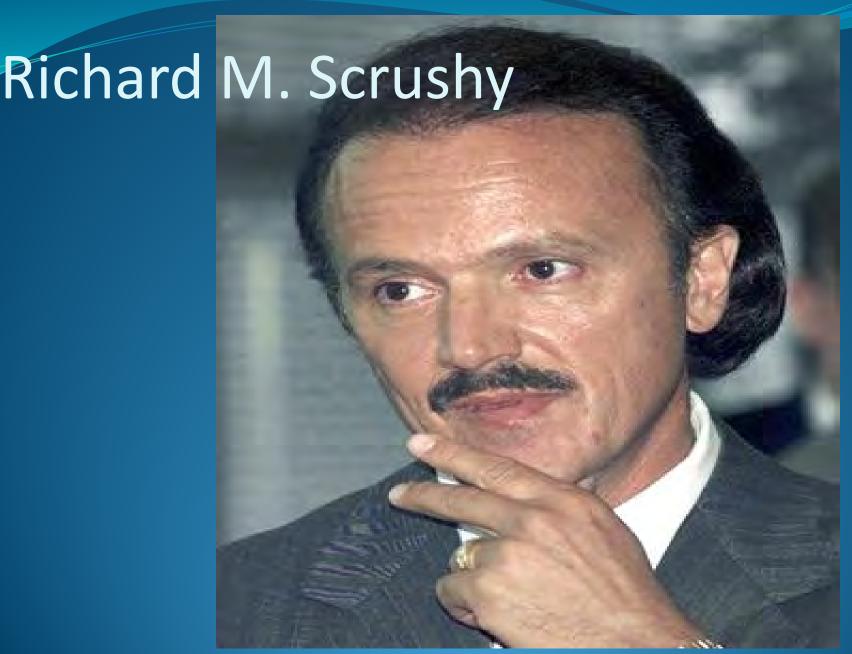


Ethel says "People rationalize unethical behavior so they can live with themselves."









#### 2,000,000 Shares

#### Common Stock

All of the shares of Common Stock offered hereby are being sold by HEALTHSOUTH Rehabilitation Corporation (the "Company"). Prior to this offering, there has been no public market for the Common Stock of the Company. See "Underwriting" for information relating to the method of determining the initial public offering price.

The Common Stock offered hereby involves a high degree of risk. See "Risk Factors".

#### THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

|           | Price to Public | Underwriting<br>Discounts and<br>Commissions (1) | Proceeds to<br>Company(8) |
|-----------|-----------------|--|---------------------------|
| Per Share | \$6.50          | 8,455  | \$6.045                   |
| Total (3) | \$13,000,000    | \$910,000  | \$12,090,000              |

- (1) For information regarding indemnification of the Underwriters, see "Underwriting".
- (2) Before deducting expenses payable by the Company, estimated at \$435,000.
- (3) The Company has granted the Underwriters a 30-day option to purchase up to 300,000 additional shares of Common Stock solely to cover over-allotments, if any. See "Underwriting". If such option is exercised in full, the total Price to Public, Underwriting Discounts and Commissions and Proceeds to Company will be \$14,950,000, \$1,046,300 and \$13,903,500, respectively.

The Common Stock is offered by the Underwriters as stated berein, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. It is expected that delivery of such shares will be made through the offices of Robertson, Colman & Stephens, San Francisco, California on or about October 1, 1986.

#### Robertson, Colman & Stephens

**Drexel Burnham Lambert** 

Alex. Brown & Sons

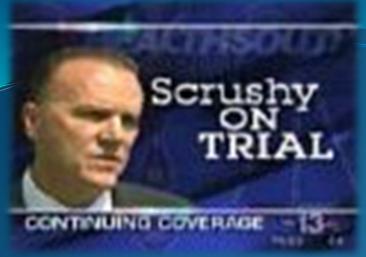
The date of this Prospectus is September 24, 1986







\$100,000 Coffee Mug





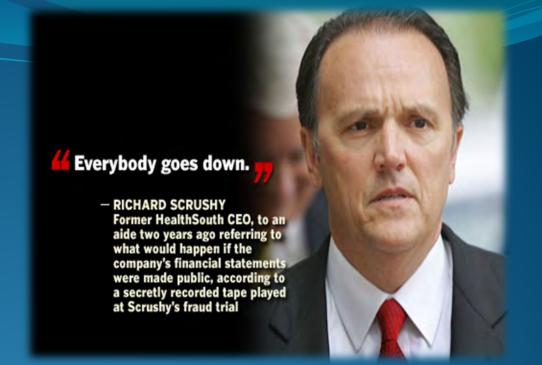














The Birmingham News

NOT GUILTY





#### **TRUST**

"A society without trust isn't a society. It's a collection of people who are continuously afraid of each other."

Dan Ariely

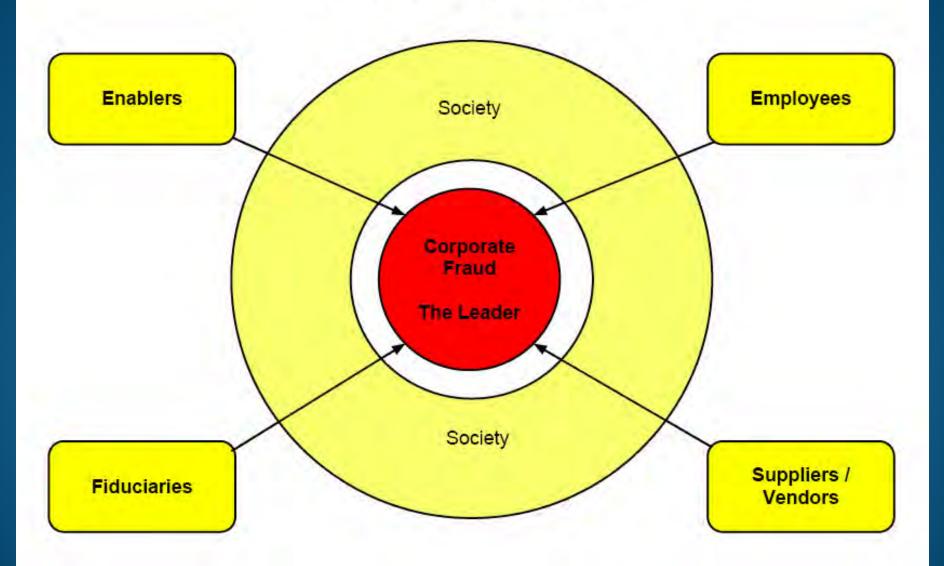
Duke Professor of Psychology and Behavioral Economics

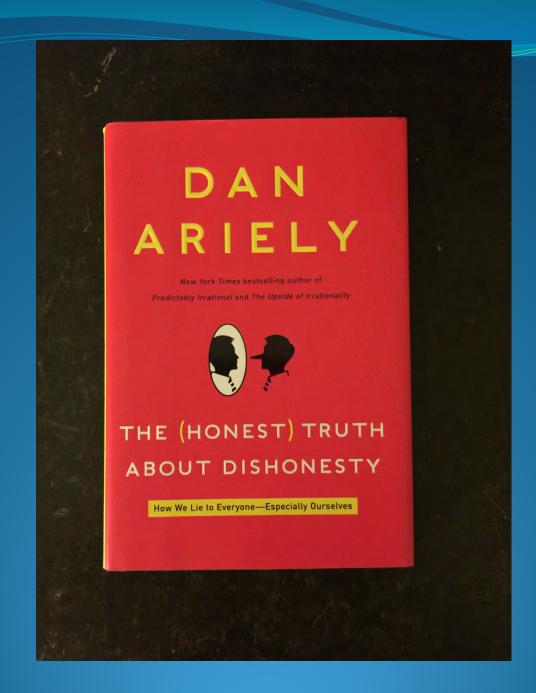
#### SUCCESS

In 1806 Webster's Dictionary defined success as "being generous, prosperous, healthy and kind."

Today, Webster's defines success as "the attainment of wealth, fame and rank."

#### Anatomy of a Fraud





#### Pilfering Office Supplies, Back Dating Stock Options, Insider Trading, etc.

Dishonesty increases when we are several steps removed from cash.

Fraudsters do not wake up one day and say "I am going to commit a huge corporate fraud today".

Fraud starts with pressure, starts small, grows over time, and has no way out.

# Pristine Accounting vs helping the Bottom Line

Some CEO's, whether they will admit it or not, will choose increasing the bottom line over financial statements that most accurately depict the true financial condition of the company.



"It's up to you now, Miller. The only thing that can save us is an accounting breakthrough."

# Complete abstinence is easier than perfect moderation.

Saint Augustine 400 AD

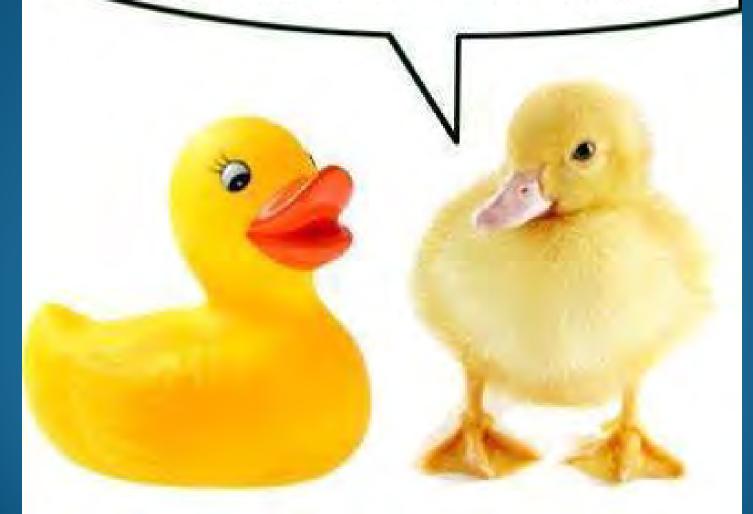
#### **Recommended Books About Ethics**

- 1. The Seven Signs of Ethical Collapse Marianne Jennings
- 2. The (Honest) Truth About Dishonesty Dan Ariely
- 3. The Sociopath Next Door Martha Stout
- 4. Blind Spots Max Bazerman
- 5. A.B.C.'s of Behavioral Forensics Sridhar Ramamoorti
- 6. Snakes In Suits Robert Hare
- 7. Whistleblowers Frederick Lipman
- 8. Giving Voice to Values Mary Gentile



Ethel says "A strong ethical culture helps retain the best employees."

# I CAN'T BELIEVE YOU GOT PLASTIC SURGERY!!!



#### Reminders

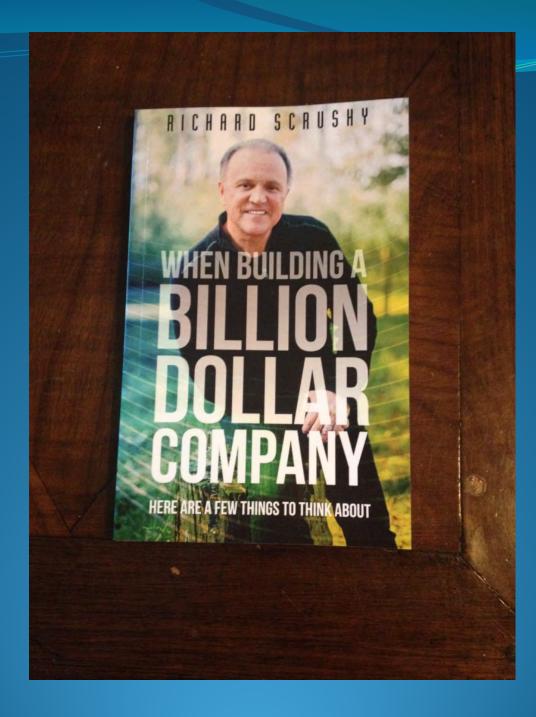
Cheating decreases when we are given reminders of ethical standards.

#### Consequences

Think through the consequence - right and wrong.

#### **Richard Scrushy**

www.richardscrushy.com







"I should have bought more crap."

### Why did Aaron Beam take part in the fraud at Healthsouth?

- It was fun being rich and running with the big dogs.
- I was proud of Healthsouth and let myself rationalize that breaking the rules was in the best interest of the company.
- I simply was not as ethical as I should have been.
- I gave into Wall Street pressures.
- I let Richard Scrushy intimidate me. I was a coward.
- Like a fool, in the heat of the battle, I let myself believe we would do it only once.
- Pressure to please everyone without concern for the long term problems the fraud would create.
- In the beginning, I did not believe I would be caught.

# What is right is right, even if no one is doing it.

#### DANIELS FUND ETHICS INITIATIVE

PRINCIPLES

Integrity

Act with honesty in all situations

Trust
Build trust in all stakeholder relationships

Accountability
Accept responsibility for all decisions

Transparency

Maintain open and truthful communications

Fairness

Engage in fair competition and create equitable and just relationships

Respect

Honor the rights, freedoms views, and property of others

Rule of Law

Comply with the spirit and intent of laws and regulations

Viability

Create long-term value for all relevant stakeholders

Fraud,
Lies and Hermes
Ties



# Just because it's legal doesn't mean it's ethical.

It is not what a lawyer tells me I may do: but what humanity, reason, and justice tell me I ought to do.

Edmund Burke (1729 – 1797)

## People want to feel good about themselves

People rationalize unethical behavior so they can live with themselves.

## Matthew 18:15 A Brother who sins

If your brother sins tell him his fault
If he listens you have won over your brother
If he does not listen take one or two others
along

If he refuses to listen to them tell the church If he refuses to listen even to the church then treat him as you would a Gentile or a tax collector





Ethel says "Doing the right thing often means more work."

#### The Seven Signs of Ethical Collapse

Understanding What Causes Moral Meltdowns in Organizations



Marianne Jennings, J.D.

### My Trip To The Church

2006 Attending Church with Phyllis 2011 RCIA classes 2012 Became a Catholic 2017 Made my Cursillo

# #1 Pressure to maintain those Numbers

### #1 Pressure to maintain those numbers

#### #2 Fear and Silence

- #1 Pressure to maintain those numbers #2 Fear and Silence
- #3 Young 'Uns and a Biggerthan-Life CEO

- #1 Pressure to maintain those numbers
- #2 Fear and Silence
- #3 Young 'Uns and a Bigger-than-Life CEO
- #4 Weak Board

- #1 Pressure to maintain those numbers
- #2 Fear and Silence
- #3 Young 'Uns and a Bigger-than-Life CEO
- #4 Weak Board

#### **#5** Conflicts

- #1 Pressure to maintain those numbers
- #2 Fear and Silence
- #3 Young 'Uns and a Bigger-than-Life CEO
- #4 Weak Board
- **#5 Conflicts**

#### #6 Innovation Like No Other

- #1 Pressure to maintain those numbers
- #2 Fear and Silence
- #3 Young 'Uns and a Bigger-than-Life CEO
- #4 Weak Board
- **#5 Conflicts**
- #6 Innovation Like No Other
- #7 Goodness in Some Areas

  Atones for Evil in Others

# Andrew Fastow speaking at 2013 ACFE Annual Conference

He said he understood the rules for moving forward with major accounting decisions:

- 1) Get management and Board of Director approval
- 2) Get a legal opinion
- 3) Get an accounting opinion
- 4) Make the appropriate disclosures
- 5) "I did all this and it's still fraud"

#### Fastow Quote

"Did I know it was wrong? Absolutely. I knew I was doing something wrong, but at the time I didn't know it was illegal."

"Once you start doing these type of transactions, when do you stop? I just didn't stop. "

## Ripple Effects of Fraud

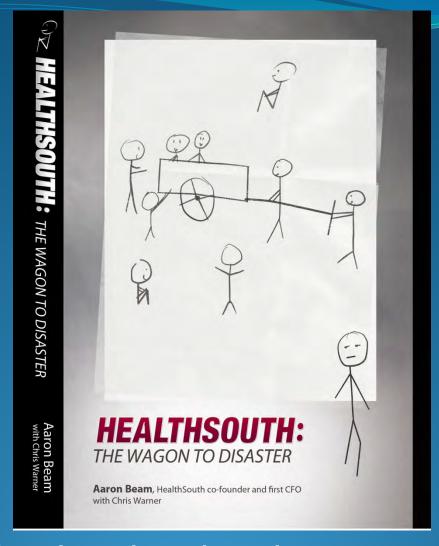
- Medicare Fraud
- Bank Fraud
- Comprised Due Diligence, resulting in bad acquisitions
- The need to make acquisitions to cover up the fraud
- Budget process and financial analysis compromised
- Employees morale declines as they become suspicious
- Overpayment of income and property taxes

## Factors Contributing to Healthsouth Fraud

- The VP of internal auditing reported directly to CEO.
- CEO became a darling of Wall Street before Wall Street knew his true colors.
- The Board of Directors simply did not do their job.
- Accounting practices in the for profit sector of Healthcare had a very poor track record.
- Wall Street's desire to "do deals" pushes companies to the edge of honesty.
- Wall Street Analyst rely too heavily on data from the companies they cover.
- Companies put lots of lipstick on the pig.

# Recent Quote by the Dean of the Harvard Business School.

"Character development is similar to the development of knowledge or wisdom-it is a lifelong process."



To order a book or inquire about speaking go to: www.aaronbeam.net