

Transcript for  
**In Search of the Good Corporate Citizen**  
**Interview: Aaron Beam, The Slippery Slope**

Tom Donaldson: All employees regardless of what company they work for can find themselves under pressure to cut corners. We sent our crew to Alabama to talk with someone who had succumbed to that pressure and found himself on a very slippery slope.

Aaron Beam: Before the fraud broke, people would ask me what did you do before you retired? And I would say I was the founder of HealthSouth. But today when people ask me I kind of look away and I say well I was an accountant.

Narrator: Aaron Beam a former chief financial officer learned first hand just how dangerous the slippery slope can be.

Aaron Beam: There is just a tremendous amount of pressure out there to do whatever you've got to do to get the numbers that the street is expecting.

Narrator: In 1984 Beam and Richard Scrusby were two of the founding members of what became one of the largest healthcare service providers in the United States.

Aaron Beam: Richard was able to convince Citicorp venture capital to invest a million dollars in his start up company. By 1994 we were in all fifty states. We had forty thousand employees, we were the largest company in the state of Alabama. We had almost ten years of uninterrupted earnings growth and we were rock stars. I was a rock star in Birmingham Alabama.

Narrator: As the stocks increased in value Beam and other founders were ensconced with all the trappings of their success.

Aaron Beam: Everything was fueled though by the company continuing to grow to keep the earnings, to keep delivering good numbers to Wall Street so the stock would stay up. But it was getting harder to do. And it was really time to tell the street that our earnings were going to slow down. But Richard just couldn't do it. By 1996, Bill Owens, who was my chief accountant and I ran the numbers and we had missed street expectations really badly. Bill and I went in and we told him that we are going to have to report bad numbers. Richard said no. He says I need you to get the numbers where they need to be. There is no way in my mind I could justify that and that was the point I should have not been on the slope I should have gotten off and I didn't.

And the ability to do my job was hard. The company was becoming more and more bogus. We weren't really doing what we said we were doing. Everybody's energy was put into quote cooking the books rather than minding the store.

Well what happened, of course, the next quarter rolled around and we missed our numbers again and we went into Richard, showed him the numbers, and he says you gotta do it one more time guys. I didn't have the ethical bearing, the courage, or, I was weak. I didn't want to disappoint the street. I didn't want to disappoint the stockholders. I liked making five hundred thousand dollars a year. I enjoyed that.

Narrator: Beam continued to go along with the deception. But this only delayed the inevitable and pushed HealthSouth deeper into fraud.

Aaron Beam: I remember when we started committing the fraud Richard made the comment to us look guys everybody does this. Everybody has quote crap on their books. And don't be so all high and mighty to not think that other people do this too. I constantly keep thinking about it like teenagers and peer pressure. I think it's the same way in the business world sometimes. You compromise yourself a lot easier if you think everybody is doing it.

Narrator: The situation left Beam without many options. He could continue on with the fraud or he could blow the whistle on Richard Scrushy.

Aaron Beam: I was afraid of Richard, literally intimidated by him.

Narrator: Scrushy had control over every aspect of the company's deception including heading up the audit committee.

Aaron Beam: And he told them what to audit and what not to audit. He headed up the compensation committee. He made all the decisions about compensation. The corporate board level it was the worse imaginable set of controls that there could be because Richard controlled everything. And I wanted out so I literally retired.

Narrator: For the first six years of Beams retirement. He thought just maybe he had gotten away with the fraud. But in 2003 Beam's worst fears came to light.

Aaron Beam: I was watching the evening news along with my wife and they said "Breaking News: Massive Accounting Fraud Exposed at HealthSouth."

Narrator: In the hope for a lesser sentence, Beam, and other HealthSouth executives agreed to testify against Richard Scrushy.

Aaron Beam: They tell you that if you testify against Richard and you are honest and truthful and helpful we'll take that into consideration when we recommend to the judge what kind of time we think you ought to serve.

Narrator: Beam was sentenced to three months. Following weeks of jury deliberations, Richard Scrushy was acquitted.

Aaron Beam: When I heard about it, it was hard, I, I cried. It was just really a blow that I was so discredited and he was walking around free. I was fined about a total of five hundred thousand dollars, I had to auction off my home that I was so proud of.

Narrator: The government left Beam with enough for a modest home. With his fortune now gone Beam came out of retirement to run a small landscaping business out of Loxley, Alabama.

Aaron Beam: We call it a landscaping company but basically it is one man and a lawnmower. My legacy is not a guy that started one of the largest health care companies in the history of the United States that is not my legacy. My legacy is that I'm a felon and I committed fraud. And that is what I'll be remembered for.