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

IN THE UNITED STATES DISTRICT COURT

FOR THE NORTHERN DISTRICT OF ALABAMA

SOUTHERN DIVISION

UNITED STATES OF AMERICA,	)
	)
v.	)
	)
THOMAS CARMAN,	)
Defendant.	)

INFORMATION

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

Introduction

1. Defendant **THOMAS CARMAN** was employed at HealthSouth Corporation ("HealthSouth") beginning in April 1985 and eventually rose to the level of Executive Vice President.

2. HealthSouth was a corporation organized under the laws of the State of Delaware with its headquarters in Birmingham, Alabama. HealthSouth claimed to be the nation's largest provider of outpatient surgery, diagnostic imaging and rehabilitative healthcare services with approximately 1,800 locations in all 50 states, Puerto Rico, the United Kingdom, Australia, and Canada.

3. The "Saudi Foundation" was a private, not for profit organization funded by members of the Saudi Royal Family. In or about 1998, the Saudi Foundation began construction of a 450 bed rehabilitation hospital in Saudi Arabia ("the Saudi Hospital").

4. The "Foundation's Director General" was a Saudi national who exercised administrative control over certain of the Saudi Foundation's administrative activities, including the negotiation and execution of certain contracts.

The Negotiation and Execution of the Saudi Contract

5. In or around January 2000, HealthSouth and the Foundation began negotiating an agreement under which HealthSouth was to provide staffing and management services for the Saudi Hospital. The proposed contract ("the Saudi Contract") called for the Foundation to pay HealthSouth $10,000,000 annually over a five-year term.

6. The Foundation's Director General acted as the lead negotiator for the Saudi Foundation. A group of HealthSouth officers ("the HealthSouth Officers"), including CARMAN and several other members of HealthSouth's senior management, negotiated on behalf of HealthSouth.

7. In or around June 2000, the Foundation's Director General requested a "finder's fee" of $1,000,000 from HealthSouth, ostensibly for his efforts in having brought the Saudi Contract to the attention of HealthSouth. The HealthSouth Officers sought advice from an attorney outside HealthSouth ("the Outside Attorney") concerning the legality of making such a payment. On or about June 12, 2000, the Outside Attorney advised the HealthSouth Officers that payment could only be made with the written approval of the Foundation.

8. The HealthSouth Officers subsequently requested the Outside Attorney's advice about the propriety of paying the Foundation's Director General through a consulting contract with a HealthSouth-affiliated entity. The Outside Attorney advised the HealthSouth Officers, *inter alia*, that any such contract would require the Foundation's Director General to provide real

services in return, that the market value of those services equate to the amount the Foundation's Director General was paid, and that HealthSouth could not make any "backdoor" payment or provide any reimbursement to the affiliated entity to compensate that entity for its execution of a contract with the Foundation's Director General.

9. In or about July 2000, and acting in disregard of advice received from the Outside Attorney, the HealthSouth Officers agreed to pay the Foundation's Director General the sum of $500,000 per year for five years under a consulting contract with a HealthSouth-affiliated entity.

10. On or about July 17, 2000, one of the HealthSouth Officers signed the Saudi Contract on behalf of HealthSouth. The Foundation's Director General countersigned the Saudi Contract on or about August 12, 2000. The Saudi Contract called for HealthSouth to receive a $6,000,000 payment from the Saudi Foundation each January, with the remaining $4,000,000 to be paid at a later point during each of the succeeding five years.

11. HealthSouth advanced funds under a bogus consulting contract ("the Australian Consulting Contract") between the Foundation's Director General and a HealthSouth-affiliated entity located in Australia ("the Australian Entity"). Under the Australian Consulting Contract, dated September 25, 2000, the Foundation's Director General would be paid $500,000 each year for five years, in advance of any services being provided.

12. Over the course of the Australian Consulting Contract, HealthSouth funded the Australian Entity's payments to the Foundation's Director General by wiring funds to Australia after HealthSouth's receipt of the annual $6,000,000 payment from the Foundation. The Foundation's Director General performed few, if any, services under the Australian Consulting Contract.

COUNT ONE
False Statements to the FBI
Title 18, United States Code, Section 1001

13. On or about December 11, 2003, in Jefferson County, and within the Northern District of Alabama and elsewhere, the defendant

THOMAS CARMAN,

in a matter within the jurisdiction of the Federal Bureau of Investigation (FBI), an executive agency of the Government of the United States, did knowingly and willfully make a materially false, fictitious and fraudulent statement and representation in that defendant CARMAN, during the course of an interview by FBI agents, stated that the execution of the Australian Consulting Contract was unrelated to and not intended to satisfy the Foundation Director General's solicitation of a payment for delivering the Saudi Contract to HealthSouth when, in truth and in fact, and as defendant CARMAN there and then well knew, such statement was materially false, fictitious and fraudulent in that defendant CARMAN knew that the Australian Consulting Contract, from its inception, was intended to be used as and was used as a means to satisfy the Foundation Director General's solicitation of a payment in return for delivering the Saudi Contract to HealthSouth.

All in violation of Title 18, United States Code, Section 1001.

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