

Received(Date): 8 OCT 2002 19:38:37

From: Rebecca_Seidel@judiciary.senate.gov (Rebecca Seidel) (
Rebecca_Seidel@judiciary.senate.gov (Rebecca Seidel) [UNKNOWN])

To: Karen.L.Wilson@usdoj.gov (Karen.L.Wilson@usdoj.gov [UNKNOWN]), Brett M. Kavanaugh
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CREATION DATE/TIME: 8-OCT-2002 19:38:37.00

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LOANS TO JUDGES PROBED

U.S. attorney, FBI investigate trial-lawyer link to judicial loans

By ANITA LEE,TOM WILEMON and BETH MUSGRAVE

THE SUN HERALD

Federal authorities are investigating whether state court judges took out
loans

that were repaid by nationally prominent trial lawyers from South
Mississippi

whose cases the judges handle.

Investigators believe the judges, including state Supreme Court Justice
Oliver

Diaz Jr. of Biloxi, borrowed thousands of dollars from The Peoples Bank,
which

has headquarters in Biloxi, and Merchants & Marine Bank in Jackson County.

Plaintiffs' attorneys who try multimillion-dollar cases before the judges
subsequently repaid the loans, investigators believe.

Paul Minor of Ocean Springs and Richard "Dickie" Scruggs of Pascagoula are
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investigated by the FBI and U.S. Attorney's Office in Jackson, according
to a

source close to the investigation. Attorney General Mike Moore, a longtime
associate of Scruggs, and Coast District Attorney Cono Caranna are

assisting
with the investigation, as are federal banking regulators.

At least one Harrison County official has been subpoenaed to produce court records for a federal grand jury that is expected to convene around the end of this month.

It should be emphasized that these matters are the subject of an investigation, meaning authorities are gathering information that may be presented to a federal grand jury, which would then determine the merits of the case. No charges have been made against any person at this point.

Repeated attempts to obtain comments from Minor, Scruggs and Diaz were unsuccessful. The timing of the investigation could influence the logjam over tort reform when the Legislature reconvenes today in Jackson. Wrangling over the contentious topic has occupied lawmakers for more than a month.

The implications of this investigation, because it involves a potential financial connection between judges and trial lawyers, could reverberate through legislative chambers and draw attention to some of the issues that have been at the heart of the argument made by those seeking to reform the state's civil justice system.

Mississippi has been identified by the U.S. Chamber of Commerce as the nation's worst offender for delivering multimillion-dollar judgments against business interests, including doctors. "Jackpot justice" has become a code for the special opportunities that are said to exist in Mississippi, where a combination of low-income jurors and sympathetic judges has delivered some of the nation's largest cash verdicts.

Scruggs first earned large fees and a national reputation successfully suing asbestos companies in the 1980s, but he is best known as the lead lawyer in the 1990s legal battle against the nation's tobacco companies. He has said that he expects to earn about \$844 million from tobacco settlements.

Over the years, Minor has won numerous multimillion-dollar settlements and is expected to receive about \$70 million from tobacco settlements.

The state of Mississippi is projected to receive \$4.2 billion over 20 years,

with money from the settlement deposited into an account that the state attorney general administers to pay health costs associated with tobacco use and for smoking prevention programs. Previously, Moore had hired Scruggs to represent the state in a lawsuit to recover the cost of removing asbestos from state buildings.

Minor and Scruggs have been significant contributors to political races in Mississippi, both judicial and statewide. Minor was a key supporter of Gov. Ronnie Musgrove and is said by many to be the governor's prime contact on the Coast. He is said to have a critical role in the appointment of judges on the Coast and is sometimes referred to as "the judge maker."

This nexus of judicial politics and tobacco litigation fees has helped make plaintiffs' lawyers major players in state politics. Political observers say that, currently in Mississippi, most of the money in important races is given by business interests on one side and trial lawyers on the other, making their support equal to or greater than the Republican or Democratic parties.

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202-828-1228
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P6/b(6)

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Subject:

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jeffrey_miller@judiciary.senate.gov, rebecca_seidel@judiciary.senate.gov

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