

# Tobacco-Deal Lawyer Indicted In Miss.

**BYLINE:** MICHAEL KUNZELMAN, Associated Press

**DATE:** November 29, 2007

An attorney who helped negotiate a multibillion-dollar settlement against tobacco companies in the 1990s and has sued insurers over unpaid Hurricane Katrina claims was indicted Wednesday in a suspected scheme to bribe a Mississippi judge.

The indictment accuses Richard "Dickie" Scruggs of conspiring to pay the judge \$50,000 to rule in his favor in a lawsuit brought by other attorneys who sought fees for work on Katrina insurance litigation.

Circuit Court Judge Henry Lackey reported the "bribery overture" to federal authorities and agreed to assist investigators in an "undercover capacity," according to the indictment.

Scruggs was indicted along with three other attorneys, including his son, who is his law partner, and a former Mississippi auditor. They face charges including one count of defrauding the federal government and two counts of wire fraud.

"I'm convinced that these guys did not do what they're accused of doing," said Joey Langston, a lawyer for Scruggs' firm.

Also named as defendants in the indictment are Zach Scruggs; Sidney Backstrom, a lawyer in Scruggs' firm; Timothy Balducci, a New Albany, Miss.-based lawyer; and former state auditor Steven Patterson, who works with Balducci.

Patterson resigned as auditor in 1996 after he was accused of lying on state documents to avoid paying taxes on a car tag.

Scruggs turned himself in to authorities Wednesday afternoon at a federal building in Oxford, Miss., where the grand jury handed up the indictments earlier in the day, Langston said.

After their arraignment Wednesday, Richard Scruggs was released on \$100,000 bail, while Zach Scruggs and Patterson each were freed on \$50,000 bail. Langston said Backstrom is expected to be arraigned Thursday, but he couldn't say when Balducci is expected to appear in court.

Langston said it was too early for him to comment on the details of the allegations.

"Right now, we've just got to get our arms around it," he said.

Richard Scruggs, whose brother-in-law is Sen. Trent Lott, R-Miss., earned millions from asbestos litigation and from his role in brokering a multibillion-dollar settlement with tobacco companies in the mid-1990s.

His case against the tobacco companies was portrayed in the 1999 movie "The Insider," starring Al Pacino and Russell Crowe.

After Katrina hit on Aug. 29, 2005, the Gulf Coast native sued insurers on behalf of hundreds of policyholders whose claims were denied after the storm.

On Tuesday, FBI agents searched Scruggs law offices and left with copies of computer hard drives, Langston said.

The alleged bribery scheme stems from a lawsuit filed in March against Scruggs by a Jackson, Miss., law firm, Jones, Funderburg, Sessums, Peterson & Lee in a dispute over \$26.5 million in attorneys' fees.

Scruggs created a legal team called the Scruggs Katrina Group to represent policyholders who sued their insurers after the hurricane.

In January, Scruggs' legal team reached a mass settlement of suits with State Farm Insurance Cos. that involved more than \$26 million in lawyers' fees.

The lawsuit accuses Scruggs of trying to "freeze out" lawyers from the Jackson law firm, including senior partner John G. Jones, and pay it a "ridiculously low figure" for its "substantial" work.

After the suit was filed, Balducci is accused of having several meetings and conversations with Lackey in which Balducci agreed to pay the judge for ruling in favor of Scruggs in the case, according to the indictment.

Scruggs allegedly tried to cover up the scheme by falsely creating documents that showed he hired Balducci to work on an unrelated case, when he was actually reimbursing him for the cash bribes, the indictment said.

The indictment includes excerpts of telephone conversations between Balducci and the judge that were presumably recorded by federal authorities.

Associated Press writer Holbrook Mohr in Jackson, Miss., contributed to this report.