



JIM HOOD
ATTORNEY GENERAL

July 16, 2007

Honorable Alice F. Marlin
United States Attorney
Northern District, Alabama
1801 4th Avenue North
Birmingham, AL 35203
Sent Via Facsimile 205-244-2171

Re: E.A. Renfroe & Co., Inc. v. Moran et al, 2:06-CV-1762

Dear Ms. Martin:

I understand that the Honorable Judge William Acker has asked your office to consider pursuing a criminal prosecution against Richard Scruggs for contempt allegedly arising from Scruggs' conduct in the above-referenced case, currently pending in the U.S. District Court in Birmingham. Since Mr. Scruggs was a confidential informant, I respectfully request that you consider as a matter of comity the impact a criminal contempt prosecution will have upon our ability as prosecutors to fight white collar crime as well as the damage such a prosecution would cause to state whistle-blower protections.

By way of background, you are probably aware that Mr. Scruggs represents Coni and Kerri Moran, two sisters employed by Renfroe who were working as contractors for State Farm on the Mississippi Gulf Coast following Hurricane Katrina. The sisters became concerned with the apparently fraudulent practices they witnessed in the handling of Katrina claims and, in the spring of 2006, removed incriminating documents from State Farm's catastrophe office. Renfroe has sued the sisters for violating their employment contract and has demanded the return of the documents.

Mr. Scruggs represents the sisters and took custody of those documents. Copies were provided to our office and our local U.S. Attorney, Dunn Lampton. Importantly, Renfroe is on record as having no objections to the documents being provided to either state or federal law enforcement by Mr. Scruggs. In January 2007, Judge Acker ordered Mr. Scruggs to return the documents to Renfroe shortly before our grand jury convened in Jackson County, Mississippi to investigate the State Farm matter. Mr. Scruggs sent the documents to our office instead of returning them to the court; that is the allegedly contemptuous behavior for which your assistance has been requested.

Our investigation into the conduct of State Farm necessarily implicates Renfroe, because Renfroe is the preferred adjusting services provider used by State Farm and the direct link to the National Flood Insurance Program, the point at which we believe fraudulent claim assessments were passed on to the taxpayers for payment. The degree to which State Farm and Renfroe are intertwined in this situation is perhaps best demonstrated by the fact that,

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Exhibit A

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SF001746

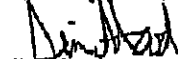
when asked to provide Judge Acker with a claims file for illustrative purposes, Renfro had to issue a subpoena to State Farm in order to acquire what are supposedly Renfro documents. Renfro has asserted repeatedly since Hurricane Katrina that they do not maintain any documentation of the catastrophe work they did for State Farm and that those documents are in the custody of State Farm. We view State Farm and Renfro as potential co-conspirators. Naturally this office is adamant that the subjects of a grand jury investigation should not be allowed to review the evidence against them before the grand jurors have an opportunity to do so.

Mr. Scroggs has functioned as a confidential informant for our investigation and is protected by state law as a whistle blower. Using those documents, my office has conducted an ongoing investigation into what we believe is State Farm's fraudulent conduct, not only toward their own policyholders, but also against the National Flood Insurance Program as well. Our investigation continues and in both of our reports to Congress, it has been our recommendation that federal racketeering charges should be considered. The prospect of bringing a federal prosecution against an out-of-state whistle blower, who has cooperated in state and federal criminal investigations in another state, raises serious family concerns.

Given your personal success as a prosecutor in convicting white collar criminals, you undoubtedly have an appreciation for the fact that most of the evidence may come from documents generated or used by defendants. Allowing a white collar criminal to somehow segregate evidence of their crimes by hiding behind confidentiality agreements or employment contracts sets a daunting and debilitating precedent for prosecutors. Certainly, a healthy business climate must provide protection for intellectual property and trade secrets, but that is not the sort of information Renfro is trying to conceal. In evaluating Judge Acker's request, I respectfully request that you consider the chilling effect a criminal prosecution would have on citizens' cooperation with law enforcement and the extremely damaging standard this would set for future white collar prosecutions.

Please feel free to contact me with any questions or concerns. Thank you for your time.

Sincerely yours,


Jim Hood
Attorney General

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**IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF MISSISSIPPI
HATTIESBURG DIVISION**

**STATE FARM FIRE AND CASUALTY
COMPANY and STATE FARM
MUTUAL AUTOMOBILE INSURANCE
COMPANY**

PLAINTIFFS

V.

CIVIL ACTION NO. 2:07CV188-KS-MTP

**JIM HOOD, IN HIS OFFICIAL
CAPACITY AS ATTORNEY GENERAL
OF THE STATE OF MISSISSIPPI**

DEFENDANT

DEFENDANT'S INITIAL DISCLOSURES

COMES NOW, Jim Hood, In His Official Capacity as Attorney General of the State of Mississippi, Defendant, by and through his counsel, and is hereby submits his Initial Disclosures in accordance with Fed. R. Civ. P. 26(a)(1).

A. Individuals likely to have discoverable information that the Defendant may use to support its claims or defenses, and the subject of the information known by each:

- 1) Jim Hood
Carroll Gartin Justice Building
P.O. Box 220
Jackson, Mississippi 39205-0220

Mr. Hood is the Attorney General of the State of Mississippi and has knowledge of the investigation of Plaintiffs as pertains to the Grand Jury Subpoena, August 23, 2007, in the Circuit Court of Jackson County, Mississippi. By the listing of Attorney General Hood herein, the Defendant does not waive any applicable privileges and/or immunities which may apply to Mr. Hood or his testimony, and Defendant reserves the right to seek any necessary protective orders and/or to seek *in camera* review of documents and/or other evidence.

- 2) James Tucker

Exhibit B

Butler Snow O'Mara Stevens & Cannada
210 E. Capitol Street
Jackson, Mississippi 39225

Mr. Tucker was the addressee and recipient of the January 23, 2007 letter from Attorney General Jim Hood to James Tucker.

- 3) Courtney A. Schloemer
Special Assistant Attorney General
P.O. Box 2
Jackson, Mississippi 39205

Ms. Schloemer is a Special Assistant Attorney General of the State of Mississippi and has knowledge of the investigation of Plaintiffs as pertains to the Grand Jury Subpoena, August 23, 2007, in the Circuit Court of Jackson County, Mississippi. By the listing of Special Assistant Attorney General Schloemer herein, the Defendant does not waive any applicable privileges and/or immunities which may apply to Ms. Schloemer or her testimony, and Defendant reserves the right to seek any necessary protective orders and/or to seek *in camera* review of documents and/or other evidence.

B. Documents which this Defendant may use to support its claims or defenses:

- 1) January 23, 2007 letter from Attorney General Jim Hood to James Tucker
- 2) Grand Jury Subpoena, August 23, 2007, Circuit Court of Jackson County, Mississippi

C. Computation of damages

This Defendant has not made a claim for damages, but reserves the right to seek prevailing party attorney's fees pursuant to 42 U.S.C. Section 1988.

D. Insurance Agreements

None.

RESPECTFULLY SUBMITTED, this the 29th day of October, 2007.

JIM HOOD, IN HIS OFFICIAL CAPACITY AS
ATTORNEY GENERAL OF THE STATE OF
MISSISSIPPI, DEFENDANT

/s/J. Lawson Hester

J. Lawson Hester

J. Lawson Hester (MS Bar No. 2394)
PAGE, KRUGER & HOLLAND, P.A.
Post Office Box 1163
Jackson, Mississippi 39215-1163
Telephone: (601)420-0333
Facsimile: (601) 420-0033

CERTIFICATE OF SERVICE

I, J. Lawson Hester, Counsel for Attorney General Jim Hood, do hereby certify that on October 29, 2007, and due to this case being under seal and unavailable on the ECF System, I electronically filed the foregoing with the Honorable David C. Bramlette, III, District Judge, via e-mail, with e-mail notification of such filing to the following:

Robert C. Galloway
Butler, Snow, O'Mara, Stevens, and Cannada, PLLC
Post Office Drawer 4248
Gulfport, Mississippi 39502
e-mail: bob.galloway@butlersnow.com

Jeffrey A. Walker
Butler, Snow, O'Mara, Stevens, and Cannada, PLLC
Post Office Box 22567
Jackson, Mississippi 39225-2567
e-mail: jeff.walker@butlersnow.com

THIS the 29th day of October, 2007.

/s/J. Lawson Hester
J. LAWSON HESTER