



**U.S. Department of Justice  
U.S. Attorney's Office  
Western District of Texas**

**Johnny Sutton, U.S. Attorney**

**FOR IMMEDIATE RELEASE  
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(Austin, Texas), **United States Attorney Johnny Sutton** announced today that former Texas Attorney General **Dan Morales** was charged in a twelve-count indictment with mail fraud, conspiracy, filing a false tax return, and making false statements on a loan application. Houston area attorney **Marc Murr** was also indicted by a federal grand jury for mail fraud and conspiracy.

The indictment alleges that Dan Morales perpetrated two schemes to defraud the State of Texas. One scheme involved the fraudulent conversion of campaign contributions to his own personal use and benefit. The second scheme, carried out with Marc Murr, involved efforts by Morales to fraudulently obtain millions of dollars for Murr disguised as attorney's fees.

"This is a case of an elected official charged with abusing the public trust. As Attorney General of Texas, Dan Morales had an obligation to the people of this state to be honest, loyal and fair; but he violated that trust by back dating contracts, forging government records and converting campaign contributions to personal use," stated **U.S. Attorney Johnny Sutton**.

### **The Tobacco Charges**

The indictment alleges that beginning in 1995, then Attorney General Dan Morales, decided to file a civil suit against several tobacco companies (Tobacco). Morales entered into a written contingency fee contract with five private attorneys (Private Counsel) to litigate the suit on behalf of the State of Texas. This contract provided that Private Counsel would pay all expenses of the litigation, up to \$10 million, and would receive a 15% contingency fee of any state recovery. According to the indictment Private Counsel actually spent millions of their own money preparing the state's case for trial. Had Private Counsel not been successful in obtaining a settlement for the State, they would not have been paid any money, nor reimbursed the millions spent in preparing for the trial.

Beginning in 1997 and continuing until approximately June 1999, Morales and Murr devised a scheme to defraud and obtain money and property by means of false and fraudulent pretenses. Morales used the authority, prestige and influence of the State and the Office of the Attorney General for the benefit and enrichment of his friend, Marc Murr. Morales solicited the payment of millions of dollars to Murr from Tobacco and from Private Counsel. He also sought an agreement with Tobacco that Murr would be allowed to present a claim for attorney's fees to the national arbitration panel which determined attorneys' fees for the Tobacco litigation. In connection with making these claims, Morales made misrepresentations about the nature and extent of work performed by Murr.

"This investigation underscores the FBI's commitment to uprooting public corruption at the highest levels and demonstrates that no one is above the law," stated **Steven C. McCraw, Special Agent in Charge**, Federal Bureau of Investigation.

### **The Misappropriation of Campaign Funds**

According to the indictment, in January 1998, Morales entered into a contract to purchase a \$775,000 home. In order to make the down payment and to pay for improvements to the home he transferred approximately \$400,000 from his campaign funds to his personal account.

Morales is also charged with making false statements in obtaining a \$600,000 mortgage loan in Count 12 of the indictment.

In Count 11 of the indictment, Morales is charged with signing a tax return under penalties of perjury when he did not believe that the return was true and correct in every material matter. According to the indictment, Morales reported a joint taxable income for 1998 of less than \$40,000, while he knew that his joint taxable income for that year was substantially more than reported.

“The investigation determined that Mr. Morales filed an income tax return with the IRS that he knew was false,” stated **Enrique Fasci, Special Agent in Charge**, IRS Criminal Investigation.

Each mail fraud and conspiracy count carries up to a 5 year term of imprisonment, a \$250,000 fine and 3 years of supervised released. Filing a false tax return is punishable by up to a 3 year term of imprisonment, a \$100,000 fine and 1 year of supervised release. Making a false statement in a loan application is punishable by up to a 30 year term of imprisonment, a \$1,000,000 fine and 5 years supervised release.

The case was investigated by the Federal Bureau of Investigation and the Internal Revenue Service Criminal Investigation Division. **An indictment is a formal accusation of criminal conduct, not evidence. A defendant is presumed innocent unless and until convicted through due process of law.**

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