Hip-Hop Probe
The U.S. attorney has launched a quiet probe into the hip-hop music business

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March 4 - As gunplay between two chart-topping gangsta rappers and the trial of a rap diva vie for top headlines this week, federal authorities are pressing a wide-ranging investigation into the $1.5-billion hip-hop music industry, NEWSWEEK has learned.

According to top industry insiders, federal investigators are digging into a playlist of crimes, ranging from extortion and robbery to the industry’s persistent violence and mounting casualties—including the unsolved murders of Tupac Shakur and Notorious BIG. Investigators are “asking about anyone in hip hop from what I understand,” says a top music lawyer. Another top lawyer and a prominent entertainment business manager also said they were aware of an investigation. In a NEWSWEEK interview, one influential executive who was questioned recently by investigators adds: “It’s a federal investigation of hip hop and the music business and the crimes that have come out of it.”

Although the probe is months, if not years, old, these sources say, buzz about it began to resonate within hip-hop circles in recent days, fueled by a fresh round of violence this week. Entourages for The Game, rap’s latest phenomenon, and 50 Cent, perhaps rap’s biggest star, allegedly engaged in a shooting match outside New York’s top hip-hop radio station on Monday. The encounter left a member of The Game’s posse with a minor gunshot wound, according to authorities. Later, several shots reportedly were fired in front of 50 Cent’s manager’s office. New York police are now taking precautions to try to prevent a rap war between the two camps, Raymond Kelly, New York City’s police commissioner, said this week.

Ironically, the latest shooting occurred on the same day that rapper Lil’ Kim went on trial for allegedly lying to a federal grand jury investigating a shootout in front of the same radio station in 2001. That firefight allegedly involved a longstanding rivalry between Lil’ Kim and rapper Foxy Brown. Federal investigators “are pissed off,” especially by the latest shooting outside the radio station, said one music industry insider who was contacted this week by the federal investigators.

As best can be determined, the U.S. attorney for Manhattan is leading the probe, either as part of a Justice Department Task Force, through a federal grand jury or both. “It’s a revolving grand jury that basically has been going on for a couple years now,” says the prominent entertainment attorney.

According to people familiar with the matter, Michael Scudder, an assistant federal prosecutor in Manhattan, is deeply involved. Asked about his role in the investigation, Scudder referred NEWSWEEK to a spokeswoman for U.S. attorney for the Southern District of New York. Citing Justice Department policy, she would neither confirm nor deny the existence of an investigation.

For some of those caught up in the current investigation, it’s a jarring experience. “It’s scary,” says the prominent industry executive who was recently questioned by investigators. This person, who isn’t suspected of any crimes, said he was asked generally, “what’s going on and what’s the story” about shootings and unsolved murders.

Based on his contact with the authorities, the executive said he believes the investigators “have found many people who’ve come forward” with evidence about artists being extorted and robbed. “They are looking at money coming into the business and going out of the business,” the executive said.

The executive said he was asked if he knew anything about two individuals in particular. One was Jimmy
Henchman Rosemond of Czar Entertainment, a prominent talent-management firm whose clients include, among others, The Game. Asked whether he was aware that federal investigators were inquiring about him or whether he’d been questioned by the authorities, Rosemond through his spokeswoman declined to comment. “If there is an investigation, we’re not concerned,” said the spokeswoman, Sibrena Stowe deFernandez. “We’re legitimate business executives.”

During their recent questioning of witnesses, investigators also have mentioned the recent indictment of Irv “Gotti” Lorenzo, cofounder of rap label The Inc. (formerly Murder Inc.). Last month, the federal government charged Gotti, as he is widely known, with using The Inc. to help launder drug money. (Hip-hop stars Ja Rule and Ashanti record for the label, but neither is implicated in the money-laundering case.)

During their questioning, investigators also expressed a deep familiarity with the case against Lil' Kim, say those who were recently interviewed. That investigators alluded to both the Lil' Kim and Gotti cases suggests that they might be linked to the broader investigation.

The hip-hop scene, most notably the gangsta rap music sub-genre, has long been plagued by violence. Hostility has been a staple of gangsta rap lyrics from the beginning, and many of rap’s top stars acknowledge that they were former drug dealers or gang members.

The violence first erupted into public view in the mid-1990s. That was the beginning of the so-called East Coast-West Coast rap wars pitting Sean "P. Diddy" Combs’s New York- based Bad Boy Entertainment against Suge Knight’s Los Angeles-based Death Row Records (now Tha Row). It took on all the bloodiness of a real war with the 1996 murder of Tupac Shakur, Death Row’s star, and the slaying a few months later of Notorious BIG, Bad Boy’s star. Both murders remain unsolved, despite massive investigations, including a long-running federal probe of Death Row Records and, according to sources, a second rap label that is highly familiar to the public. Since the murders of the genre’s two biggest stars, a spate of other killings, shootings, stabbings and assaults have left hip hop bloodstained. In 2002, Jam Master Jay of the pioneering rap group Run DMC was shot dead. Authorities have yet to charge anyone with his murder.

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