



U. S. Department of Justice
United States Attorney
George E. B. Holding

Eastern District of North Carolina

NEWS RELEASE

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WILSON CROP INSURANCE AGENT PLEADS GUILTY TO
TOBACCO INSURANCE FRAUD SCHEME

RALEIGH - United States Attorney George E.B. Holding announced that in federal court today **ROBERT CARL STOKES**, of Wilson, North Carolina, pleaded guilty before United States District Judge James C. Dever, III, to conspiring to make false statements, in violation of Title 18, United States Code, Section 1014; to make material false statements, in violation of Title 18, United States Code, Section 1001; and to commit mail fraud and wire fraud, in violation of Title 18, United States Code, Section 1341 and 1343, respectively, all in violation of Title 18, United States Code, Section 371 and to conspiring to launder money, in violation of Title 18, United States Code, Section 1956(h) and to conspiring to launder money, in violation of Title 18, United States Code, Section 1956(h).

A Federal Grand Jury returned a Superseding Criminal Indictment on August 13, 2009.

STOKES, owner and operator of The Hallmart Agency, Inc., sold both federal and private crop insurance. ARMtech Insurance Services, a subsidiary of American Agri-Business Insurance Company

of Lubbock Texas, and Rural Community Insurance Services (RCIS), a subsidiary of the Rural Community Insurance Company of Anoka, Minnesota provided crop insurance services. Both companies contracted The Hallmart Agency, Inc., to act as a local independent insurance agent for the insurance policies.

From approximately 2003, to December, 2006, **STOKES** recruited farmers to enter into fraudulent schemes to defraud crop insurance companies of funds ultimately reimbursed by the United States of America by assuring the farmers of profitable insurance claims regardless of whether or not the farmers actually suffered any crop loss. **STOKES** and other co-conspirators then worked with the farmers to make false crop insurance claims, and to hide some or all of their tobacco production by selling it in nominee names or for cash to co-conspiring warehousemen. The co-conspiring farmer profited under the scheme because he was paid twice for each pound of tobacco: once through the false crop insurance claim, and also through the sale of the "hidden" tobacco. Other co-conspirators profited through other aspects of the double sales scheme, including the original insurance commission, collecting a share of the hidden tobacco's second sale, and profit margins derived from subsequent sales to larger tobacco companies.

STOKES, and other co-conspirators, misrepresented the truth of farm operations in a variety of documents, including applications, reports of actual production history, acreage reports, and claim forms made and submitted in support of crop insurance coverage and

claims that failed to truthfully show who had an insurable interest and who really suffered a loss and the extent of that loss, which were submitted to the Risk Management Agency and private entities. The Risk Management Agency is an agency of the United States Department of Agriculture.

STOKES and others further assisted co-conspiring farmers in making successful false crop insurance claims by fabricating, or causing to be fabricated, weight tickets. The false weight tickets were submitted as supporting documentation with loss claims, and purported to reflect the amount of crop the farmer successfully harvested from a particular farm.

To further facilitate the scheme, **STOKES** made payments to an adjuster for the adjuster's role in facilitating the false claims, and disguised those payments in the books and records of The Hallmart Agency, Inc. **STOKES** further assisted co-conspirators by directing and allowing them to cash checks made out to false payee names, at his check cashing business.

Mr. Holding commented, ***"The hard work and diligence of these investigators has paid off as they rooted out and followed the trail of this multi-million dollar scheme to defraud the United States government. With teamwork among the agencies we become an even more formidable force."***

Special Agent in Charge Jeannine A. Hammett, IRS Criminal Investigation, stated, *"This investigation highlights what occurs when law enforcement agencies coordinate their efforts. IRS-*

Criminal Investigation will continue to provide financial expertise to these joint investigations because Money Laundering is found in virtually all crimes for profit. Everyone benefits when we work together."

Thomas Ackerman, Acting Special Agent-in-Charge for USDA's Office of Inspector General, said *"The combined efforts of OIG, IRS, and USDA's Risk Management Agency have protected the integrity of the Federal Crop Insurance Program in North Carolina as reported crop insurance losses on tobacco dropped significantly the year after the investigation became known. OIG's investigative work led to the identification of the insurance agent, loss adjusters, warehousemen, check cashers, and farmers involved in the multi-million dollar insurance and money laundering scheme."*

According to the plea agreement, **STOKES** has agreed to forfeit \$56,000, which was seized on November 16, 2006, and his interest in real properties on Brookside Drive and Airport Boulevard in Wilson, North Carolina; Moonlight Drive, Atlantic Beach, North Carolina; and two residences on Aycock Street in Black Creek, North Carolina; and a Ford vehicle. Further, **STOKES** has agreed to forfeit accounts receivables totaling more than \$260,306.61.

For the charge involving false statements, wire fraud and mail fraud, the maximum penalty is up to five years imprisonment followed by up to three years of supervised release and a fine of up to \$250,000. For the money laundering charge, the maximum penalty is up to 20 years imprisonment followed by up to three

years of supervised release and a fine of up to \$500,000 or twice the value of the property involved in the transactions, whichever is greater.

There have been 11 other persons charged in connection with the scheme to defraud the Federal Crop Insurance Program. Those defendants have been sentenced or are awaiting sentencing in the upcoming months.

Investigation of this case was conducted by the United States Department of Agriculture, Office of the Inspector General, Risk Management Agency, Special Investigations Branch, and the Internal Revenue Service, Criminal Investigation Division. This case is being handled by the Office's Economic Crimes Section, with Assistant United States Attorney Banumathi Rangarajan assigned as the lead prosecutor and Assistant United States Attorney William M. Gilmore assigned as co-counsel.

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