



U. S. Department of Justice

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United States Attorney

Eastern District of North Carolina

NEWS RELEASE

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**WILSON CROP INSURANCE AGENT SENTENCED FOR HIS PART IN A
TOBACCO INSURANCE FRAUD SCHEME**

RALEIGH - United States Attorney George E.B. Holding announced that in federal court today United States District Judge James C. Dever III, sentenced **ROBERT CARL STOKES**, of Wilson, North Carolina, to 30 months' imprisonment followed by three years' supervised release with the first 18 months of supervised release to be served under house arrest. In addition, **STOKES** was ordered to pay a total of \$16,582,215 in restitution, with \$15,803,109 due to the United States Department of Agriculture - Risk Management Agency, \$654,564 due to Rural Community Insurance Company, and \$124,542 due to American Agri-Business Insurance Company. **STOKES** did receive a reduction in his sentence of imprisonment based upon his cooperation in the on-going federal crop insurance fraud investigation in the Eastern District of North Carolina.

A Federal Grand Jury returned a Superseding Criminal Indictment on August 13, 2009. On October 21, 2009, **STOKES** pleaded guilty 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).

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, ***"Because of the teamwork among the agencies, we were able to ferret out and bring to justice those that have defrauded the United States Government in this multi-million dollar scheme."***

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."*

"USDA-OIG is committed to ensuring that fraud in the federal crop insurance program is thoroughly investigated. We will continue to work hand-in-hand with the US Attorney's Office and other federal agencies such as the USDA-RMA Special Investigations Branch and the IRS, Criminal Investigation Division, towards our universal goal of prosecution of individuals who commit fraud in government programs," stated Karen Citizen-Wilcox, Special Agent-in-Charge, USDA-OIG-Investigations. *"The sentencing in this case will prove as a strong deterrent to those committing fraud against the federal crop insurance program and will help protect the integrity of this program thus ensuring that taxpayer dollars are safeguarded. The investigation into crop insurance fraud in eastern North Carolina continues to unfold and a number of the schemes utilized have been*

exposed and stopped."

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.

There have been 21 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. Assistant United States Attorney Banumathi Rangarajan with the Office's Economic Crimes Section served as lead prosecutor on the case. Assistant United States Attorney William M. Gilmore served as co-counsel.

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