



U. S. Department of Justice

George E. B. Holding

United States Attorney

Eastern District of North Carolina

NEWS RELEASE

FOR IMMEDIATE RELEASE:
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TOBACCO INSURANCE FRAUD SCHEME DEFENDANT SENTENCED

RALEIGH - United States Attorney George E.B. Holding announced that in federal court United States District Judge James C. Dever III, sentenced **MARK DAVIS PRIDGEN**, 62, of Wilson, North Carolina, received 18 months' imprisonment followed by three years' supervised release, with the first 18 months of supervised release to be under house arrest. Additionally, the Court ordered **PRIDGEN** to pay restitution to the following entities in the following amounts:

USDA/Risk Management Agency - \$10,079,814,

Rural Community Insurance Company - \$188,014,

American Agri-Business Insurance Company - \$13,007.

PRIDGEN received a significant reduction in his sentence based upon his cooperation in the federal crop insurance fraud investigation in the Eastern District of North Carolina.

A Criminal Information, filed by the United States Attorney's Office on October 9, 2009, charged **PRIDGEN**. On October 21, 2009, **PRIDGEN** pled guilty to conspiring to make false statements, to making material false statements, to committing mail fraud and wire fraud, and to conspiring to launder money.

PRIDGEN, along with farmers, warehousemen, crop insurance adjusters, crop insurance agents, and others, worked together to defraud crop insurance companies of funds by filing false loss claims; to defraud the United States government through the filing of false insurance claims ultimately reimbursed by the United States Department of Agriculture; by making material false statements in connection with the Federal Crop Insurance program; and to launder the proceeds and profits of the underlying fraud.

From 1987 to 1992, **PRIDGEN** was a partner in Beaufort Leaf Tobacco Company, a company formed for the purpose of buying and selling tobacco. In 1992, 1993, and 1998, **PRIDGEN** was an officer of Tobacco Insurance Agency, Inc., a North Carolina Corporation, formed for the purpose of selling crop insurance.

PRIDGEN and other co-conspirators 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.

PRIDGEN himself bought "hidden" tobacco and sold the tobacco

on contracts secured in other conspirators' names. At the time, **PRIDGEN** knew those other persons were not, in fact, farming. **PRIDGEN** used the proceeds from the sale of "hidden" tobacco to pay off farmers and to continue to buy "hidden" tobacco for sale on the false contracts.

PRIDGEN, who has not held a valid insurance license since 1991, sold federal multi-peril crop insurance and private crop hail insurance through The Hallmart Agency, Inc., and received commissions earned on the policies he sold. The commission payments to him were disguised by being paid through business entities in his wife's name. Between 2003 and 2006, The Hallmart Agency, Inc. paid entities belonging to **PRIDGEN** and his wife at least \$429,790.57.

In total, **PRIDGEN** received in excess of \$647,000 in criminal proceeds from the various fraud schemes.

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 Investigations. Assistant United States Attorney Banumathi Rangarajan handled the prosecution on behalf of the government.

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