

# Department of Justice

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Western District of Kentucky

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## **DYERSBURG, TENNESSEE MAN PLEADS GUILTY TO FRAUD AND MONEY LAUNDERING CHARGES**

***- Admits to committing \$634,000 fraud against Citizens Bank in Hickman, Kentucky and Tennessee Valley Authority***

LOUISVILLE, KY - Lloyd Aaron Smith, age 62, of Dyersburg, Tennessee, in Dyer County, pled guilty to bank fraud, mail fraud, and money laundering charges related to the misuse of loan proceeds obtained from the Citizens Bank of Hickman, Kentucky and the Tennessee Valley Authority, U.S. Attorney David L. Huber of the Western District of Kentucky and Richard Moore, Tennessee Valley Authority Inspector General, announced today. The loans restricted the use of the proceeds to expenditures related to the operation of a textile plant that Smith, and co-defendant, Neal Gordon Wall, opened in Hickman, Kentucky.

In September 2003, Smith obtained a \$5 million loan from Citizens Bank, the proceeds of which were to be used strictly for the operation of the textile plant, Hickman Mills. Despite that limitation, Smith admitted to expending approximately \$134,000 of the loan proceeds to pay off a debt owed by an unrelated business venture. This expenditure of funds was facilitated by the defendant causing fraudulent invoices to be issued to the company, Hickman Mills, which further caused checks to be issued on behalf of those invoices. The funds from those check were thereafter used to pay off a business loan on which Smith was a personal guarantor.

Smith also admitted to defrauding the Tennessee Valley Authority in November 2003, by obtaining a \$500,000 loan from the agency upon representation that the loan proceeds would be used to buy equipment for the Hickman Mills plant. Despite that representation, the defendant used the loan proceeds to pay off an overdraft that existed in an unrelated business account.

In addition to the fraud charges described above, Smith also pled guilty to conducting nine illegal money laundering transactions with the ill-gotten proceeds of the Citizens Bank loan to Hickman Mills. These illegal transactions included the deposit and withdrawal of checks issued from the Hickman Mills account as payment on the fraudulent invoices Smith caused to have been issued to the company.

The maximum potential penalties are 130 years imprisonment, a \$2.5 million fine, and supervised release for a period of 5 years. The case was prosecuted by Assistant United States Attorney Jim Lesousky, and it was investigated by the Internal Revenue Service, Criminal Investigations, the Tennessee Valley Authority, Office of Inspector General, the United States Department of Agriculture, Office of Inspector General-Investigations, and the Federal Bureau of Investigations.

The plea was entered before Thomas B. Russell, Judge, United States District Court, Paducah, Kentucky.

Smith is scheduled to be sentenced before Judge Thomas B. Russell on January 14, 2009, at 11:30 a.m., in Paducah, Kentucky.

The trial of co-defendant, Neal Gordon Wall, is scheduled to begin on November 3, 2008, in United States District Court, in Paducah, Kentucky.

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