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Western District of Missouri

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Former Arkansas Lawmaker Pleads Guilty to \$4 Million Charity Scheme

Conspiracy Included Several Charity Executives

SPRINGFIELD, Mo. – Timothy A. Garrison, United States Attorney for the Western District of Missouri, announced that a former Arkansas state representative pleaded guilty in federal court today to his role in a conspiracy to embezzle more than \$4 million from a Springfield, Mo.-based health care charity.

Eddie Wayne Cooper, 51, of Melbourne, Ark., waived his right to a grand jury and pleaded guilty before U.S. Magistrate Judge David P. Rush to a federal information that charges him with one count of conspiracy to embezzle from the nonprofit organization.

By pleading guilty today, Cooper admitted that he conspired with several executives of Preferred Family Healthcare, Inc., a non-profit charity headquartered in Springfield, to use the charity's funds for unlawful political contributions, for excessive, unreported lobbying and to financially benefit themselves. Cooper received a total of at least \$387,501 from a lobbying firm and at least \$63,000 in kickbacks as a result of his participation in the conspiracy. Under the terms of today's plea agreement, Cooper must forfeit his gain from the conspiracy to the government.

Cooper was an Arkansas State Representative from 2006 through January 2011, and a lobbyist registered with the Arkansas Secretary of State beginning Jan. 20, 2011. On April 20, 2009, Cooper was hired to the full-time position of regional director for Preferred Family Healthcare. Cooper's employment with the charity ended on April 26, 2017. Cooper was a member of the charity's board of directors from October 2009 through April 2015; he also worked as a lobbyist.

Court documents cite, but do not identify by name, five additional co-conspirators who are not charged in the fraud scheme. Person #1, Person #2 and Person #3 – all residents of Springfield – were executives at the charity. They include the founder and chief financial officer of the charity, the charity's chief operating officer and the charity's chief executive officer. Person #4, a resident of Rogers, Ark., served as an executive for company operations in the state of Arkansas. Person #4 also operated two lobbying firms.

According to today's plea agreement, conspirators engaged in multiple schemes to unlawfully use the charity's funds to make political contributions, for excessive and unreported lobbying and political advocacy, and to unjustly enrich themselves. For example, conspirators caused personal contributions to elected officials and their political campaigns to be reimbursed by the charity. Such indirect contributions are prohibited by law just as if the payments had been made by the charity directly.

In order to provide a veneer of legitimacy for the kickbacks paid to themselves and others, and to disguise the nature and source of the payments, conspirators caused the payments to be described in

the records as business expenses, such as “consulting” and “training” services, and executed sham “consulting agreements.”

Part of the scheme involved \$3 million in payments and kickbacks with a company identified in court documents as Lobbying Firm A, an Arkansas firm owned and operated by Person #4 that also employed Cooper as a lobbyist.

Preferred Family Healthcare paid Lobbying Firm A to provide lobbying and advocacy services. Cooper and others solicited the assistance of elected and appointed officials regarding legislative issues that impacted the charity, in particular matters involving the charity, and in steering grants and other sources of funding to the charity from 2010 through 2017. These funding sources included proceeds from the Arkansas General Improvement Fund.

Preferred Family Healthcare paid Lobbying Firm A more than \$3 million from 2010 to 2017. These checks were falsely classified as a consulting expense in the books and records of the charity, when in fact the checks were payments for lobbying services, including direct contact with elected and appointed public officials, and for kickbacks paid to Person #1. From 2010 through 2015, the plea agreement says, Person #4 paid \$640,500 in kickbacks to Person #1 by way of checks, and on numerous additional occasions, paid kickbacks in cash.

Part of the scheme also involved nearly \$1 million in payments and kickbacks with a Philadelphia, Penn.-based lobbying firm. Donald Andrew Jones, also known as “D.A.” Jones, 62, of Willingboro, N.J., pleaded guilty on Dec. 18, 2017, to his role in the conspiracy.

Jones’s firm, D.A. Jones & Associates, based in Philadelphia, provides political and advocacy services, including consulting, analysis, and public relations. Jones admitted that he was paid approximately \$973,807 by Preferred Family Healthcare for illegal lobbying and political activity on behalf of the charity. Two co-conspirators received a total of \$264,000 in kickbacks from Jones.

According to court documents, Jones occasionally suggested that charity executives make political contributions to legislators they wanted to influence and/or thank for assistance. From time to time, Jones delivered their contribution checks directly to the legislators in Washington D.C., to increase the impact of the donations.

Between Jan. 12, 2012, and Jan. 17, 2017, Jones paid Person #4 a total of \$219,000 in kickbacks. Additionally, at the direction of Person #4, Jones paid Cooper kickbacks of \$25,000 on Jan. 8, 2013, and \$20,000 on Dec. 26, 2013. On Jan. 18, 2012, Person #4 caused Lobbying Firm A to issue an \$18,000 check Cooper, constituting Cooper’s share of Jones’s Jan. 2, 2012, kickback payment.

Under federal statutes, Cooper is subject to a sentence of up to five years in federal prison without parole. The maximum statutory sentence is prescribed by Congress and is provided here for informational purposes, as the sentencing of the defendants will be determined by the court based on the advisory sentencing guidelines and other statutory factors. A sentencing hearing will be scheduled after the completion of a presentence investigation by the United States Probation Office.

Preferred Family Healthcare & Dayspring Behavioral Health Services

Preferred Family Healthcare and its subsidiaries provide a variety of services to individuals, including mental and behavioral health treatment and counseling, substance abuse treatment and counseling, employment assistance, aid to individuals with developmental disabilities, and medical services. The charity, which reported more than \$180 million in total revenue in 2016, received Medicaid reimbursements from the states of Missouri, Arkansas, Kansas and Oklahoma. The federal portion of those payments totaled more than \$255 million from 2011 to 2016. The charity also received more than \$53 million from the federal government (the Departments of Health and

Human Services, Labor, Agriculture, Housing and Urban Development, Veterans Affairs, and Justice) under programs involving grants, contracts, loans, guarantees, insurance and other forms of federal assistance from July 1, 2010, to June 30, 2016.

Originally, and for most of its existence, Preferred Family Healthcare was known as Alternative Opportunities, Inc., which was incorporated in 1991. Alternative Opportunities merged with Preferred Family Healthcare of Kirksville, Mo., on May 1, 2015.

Dayspring Behavioral Health Services was an Arkansas company providing behavioral health services, which was acquired by Alternative Opportunities in 2007 and thereafter continued as a business alias of the charity. Doing business as Dayspring, the charity operated dozens of clinics throughout the state of Arkansas, offering a variety of behavioral health services to individuals, families, and groups.

This case is being prosecuted by Assistant U.S. Attorney Steven M. Mohlhenrich. It was investigated by IRS-Criminal Investigation, the FBI and the Offices of the Inspectors General from the Departments of Labor, Health and Human Services, Housing and Urban Development, Veterans Affairs, and the FDIC. This is a combined investigation with the Western District of Arkansas, the Eastern District of Arkansas, the Eastern District of Pennsylvania and the Public Integrity Section of the Department of Justice.