

**IN THE UNITED STATES DISTRICT COURT FOR THE  
WESTERN DISTRICT OF MISSOURI  
WESTERN DIVISION**

UNITED STATES OF AMERICA,  
  
Plaintiff,

v.

GARLAND JOSEPH NELSON,  
A/K/A JOEY NELSON  
[DOB: 04/30/1994]

Defendant.

Case No. 15-00375-01-CR-W-HFS

**COUNT ONE:**

***Fraud Using Property Mortgaged or Pledged  
to Farm Credit Agencies***

18 U.S.C. § 658

NMT: 5 Years Imprisonment

NMT: \$1,000 Fine

NMT: 3 Years Supervised Release

Class D Felony

\$100 Mandatory Special Assessment

**INFORMATION**

THE UNITED STATES ATTORNEY CHARGES THAT:

**BACKGROUND**

1. At all times material herein:
  - a. Defendant Garland (“Joey”) Nelson was a resident of Braymer, Missouri. He maintained a bank account, ending 9805, at Pony Express Bank in Braymer, Missouri. Defendant Nelson held out that he maintained a grazing operation for livestock. He contracted with farmers and ranchers to supervise their cattle and to allow grazing.
  - b. Defendant Nelson had a friend who maintained a checking account, ending 5663, at Bank Northwest in Polo, Missouri.
  - c. The United States Department of Agriculture (“USDA”) is a governmental agency that controls agriculture subsidies, loan programs, and other policies for farmers and ranchers within the United States.
  - d. The Agricultural Credit Insurance Fund funds the Government’s farm loan programs for farmers and ranchers who do not have available credit elsewhere and need aid. The Farm Service Agency (“FSA”) is a successor agency to the Farmers Home Administration. FSA administers the loan programs for family-sized farms and ranches. FSA is responsible for approving, collecting, servicing, and liquidating loans. The basic objective of the FSA loan programs is to provide credit and management assistance to farmers and ranchers to become operators of family-sized

farms or continue such operations when credit is not available elsewhere. One such FSA program provides operating loans for the purchase of livestock and equipment and to pay for minor real estate repairs and annual operating expenses.

- e. Requirements to obtain an FSA farm loan include:
  - i. an agreement for use of proceeds/release of chattel security, allowing the FSA to place a blanket lien on all items purchased with the loan, treating them as chattel and collateral;
  - ii. a security agreement on chattels and crops saying anything the borrower currently owns or acquires thereafter is pledged as collateral; and
  - iii. a promissory note indicating the rate of interest and the repayment terms.
- f. The required agreements mandate that a borrower must have FSA approval prior to the selling, exchanging, feeding or disposing of any collateral in which FSA has an interest. Both the FSA and borrower name must be listed on all checks, drafts or money orders received for the sale of collateral. A borrower must obtain permission from a loan officer prior to selling any livestock in a different way than described in the required business plan that was submitted in support of the application for the loan. A borrower also must keep the collateralized livestock safe, healthy, and well fed. The borrower must not place any additional liens or encumbrances on collateralized property without first obtaining FSA's permission.
- g. Farm Bureau Insurance provides insurance programs for life insurance, brokerage issues, and liability insurance for crops and animals.
- h. Tri-County Livestock Auction, Inc. ("Tri-County Livestock") is a business in various Missouri locations that specializes in the auctioning of livestock and feed.
- i. Grand River Livestock Market, LLC ("Grand River Livestock"), is a business in Chillicothe, Missouri, that specializes in auctioning livestock.
- j. St. Joseph Stockyards is a business in St. Joseph, Missouri, that specializes in auctioning livestock.
- k. Clarinda Livestock Auction, LLC ("Clarinda Livestock"), is a business in Clarinda, Iowa, that specializes in auctioning livestock.

- l. Aaron Wenger is a farmer who resides in Versailles, Missouri.
- m. Cyclone Cattle Company, LLC, is a farming company that has over 500 cattle and grows soybeans in Henderson, Iowa.
- n. Michael and Barbara Short are farmers and ranchers in Braymer, Missouri.

**THE PURPOSE OF THE SCHEME TO DEFRAUD**

2. Beginning on or about April 1, 2013, through June 2014, in the Western District of Missouri and elsewhere, defendant Nelson intentionally devised a scheme to sell at least 114 mortgaged head of livestock pledged to the Farm Service Agency (“FSA”), a farm credit agency, without notifying FSA of the sales, and he retained the funds through making material false and fraudulent pretenses, representations, and by concealing material facts, in violation of Title 18, United States Code, Section 658. Defendant Nelson also intentionally schemed to remove identification from, and convert and sell for his own benefit, cattle owned by others – Aaron Wenger, Cyclone Cattle Company, and Michael and Barbara Short – that had been placed in his care to graze. Defendant Nelson further made false statements to Farm Bureau Insurance for the purpose of collecting insurance proceeds on cattle he had insured. In total, defendant Nelson’s actions caused a combined loss of at least \$293,772.79, as follows:

<b>Victim</b>	<b>Loss Amount</b>
USDA Farm Service Agency (unpaid loans)	\$138,452.79
Farm Bureau Insurance	\$31,320.00
Aaron Wenger	\$32,000.00
Cyclone Cattle Company	\$63,000.00
Michael and Barbara Short	\$29,000.00

## **THE SCHEME AND ARTIFICE TO DEFRAUD**

3. It was part of the scheme that in March 2013, defendant Nelson applied for, and on April 1, 2013, received, two livestock operating loans under his legal name “Garland J. Nelson” from the United States Secretary of Agriculture, acting through the FSA, in the amounts of: (1) \$38,000; and (2) \$120,000. The limited purpose of the loans was to buy and raise cattle.

4. It was further part of the scheme that on March 10, 2013, defendant Nelson signed form FSA-2313, Notification of Loan Approval and Borrower Responsibilities. The form FSA-2313 outlined the purpose of the loans, the interest rates, and stated that the borrower must comply with form FSA-2040 as it related to the sale or release of chattel. Specifically, it stated that “[i]f the loan is secured by crops, livestock, or machinery, the FSA-2040 ‘Agreement for the Use of Proceeds/Release Of Chattel Security,’ which you signed is the agreement between FSA and you which explains what sales you plan to make, approximately when, and to whom those sales will be made, and how the proceeds from those sales will be used. You must obtain FSA consent if you deviate from this plan by selling to other parties or plan to use the proceeds differently. This agreement is updated at least every production cycle and you must cooperate with FSA to complete any new agreements.”

5. It was further part of the scheme that in order to receive the loans, defendant Nelson signed multiple security agreements and a promissory note, including (1) a use of proceeds/release of chattel security agreement; (2) a security agreement on chattels and crops; and (3) promissory notes for the two loans.

- a. The proceeds/release of chattel security agreement, form FSA-2040, specified that any money loaned by FSA for the purchase of chattel (mortgage on movable property) is considered collateral by the FSA. In the planned use of proceeds section, defendant Nelson indicated that he would sell 55 calves from April to December, and the proceeds would be used almost entirely to repay the FSA. Grand River Livestock in

Tina, Missouri, was listed as the location for approved sales. The FSA-2040 required, in part N, that both the FSA and the borrower must be listed on all checks, drafts or money orders received for the sale of collateral. The agreement also specified, under a section titled “What Changes Require Your Prior Approval?” that “If I want to use proceeds in a way not shown on the ‘Use of Proceeds’ section of this form, I must obtain permission from you before the proceeds are used. For example, if I listed that the proceeds from the sale of the crop would be used to pay on my debt with you and later find that the money is needed to pay another farm operating expense, I must obtain your permission before that expense is paid. You must grant permission and change the form if the proceeds will be used for essential farm living or operating expenses.”

- b. Through the security agreement on chattels and crops, form FSA 2028, the FSA obtained a security interest in defendant Nelson’s chattels and crops. The security agreement was essentially a blanket lien on all crops, land, equipment, and chattel that the borrower currently owned or acquired thereafter, which was pledged as collateral for the promissory note that he also signed. It specifically referenced two calves and five breeding cows, but also specified that it would apply to chattel subsequently obtained by defendant Nelson. The agreements specified that FSA approval must be acquired prior to the selling, exchanging, feeding, or disposal of any collateral in which FSA had an interest. It also specified that Nelson must notify the FSA of “any material change in the collateral or in the collateral’s location . . . change in any warranty or representation in this Security Agreement; change that may affect this security interest or its perfection; and any event of default.” FSA’s interest was perfected through FSA’s original UCC Financing Statement of 20100024843F, which was filed on March 10, 2010, with the Missouri Secretary of State. FSA thus held a first lien position on all of defendant Nelson’s property, livestock and equipment, including all proceeds and security he acquired thereafter.
- c. The promissory notes, forms FSA-2026, outlined the repayment schedule between defendant Nelson and the FSA.

6. It was further part of the scheme that on April 25, 2013, defendant Nelson signed an updated security agreement after he purchased 83 breeding cows with the FSA loan proceeds.

7. It was further part of the scheme that on April 29, 2013, defendant Nelson signed an updated security agreement after purchasing three bulls with the FSA loan proceeds.

8. It was further part of the scheme that on or about August 20, 2013, a senior farm loan officer conducted a site visit at Nelson's farm. Defendant Nelson indicated he owned 88 cows, 82 calves, 3 bulls, 7 ewes, and 5 items of equipment. Defendant Nelson signed an updated security agreement.

9. It was further part of the scheme that on August 5, 2014, a senior farm loan officer conducted a second site visit at defendant Nelson's farm. During the visit, the officer observed one cow and several items of equipment whose ownership interest appeared to be in question.

10. It was further part of the scheme that defendant Nelson reported only one authorized sale of collateralized property to the FSA, for one bull, for \$176.22.

11. It was further part of the scheme that from in or about April 2013 to July 2014, defendant Nelson conducted livestock sales in the name "Joey Nelson" to avoid detection while selling collateral signed over to the FSA from loans in the name of "Garland J. Nelson." He did not instruct the purchasers to list FSA on the checks, as was required by the FSA-2040. The proceeds were not submitted to the FSA but instead were used for defendant Nelson's personal use and enjoyment. The sales occurred on multiple dates, including:

- a. On April 11, 2013, Robert Morrison paid \$1,350 to Joey Nelson.
- b. On May 8, 2013, Grand River Livestock paid \$2,706.89 to Joey Nelson.
- c. On May 29, 2013, Grand River Livestock paid \$364.66 to Joey Nelson.
- d. On May 29, 2013, Grand River Livestock paid \$3,762.88 to Joey Nelson.
- e. On August 7, 2013, Grand River Livestock paid \$7,892.06 to Joey Nelson.
- f. On September 4, 2013, Grand River Livestock paid \$14,126.24 to Joey Nelson.
- g. On April 15, 2014, Clarinda Livestock paid \$2,292.06 to Joey Nelson.

- h. On April 24, 2014, Christopher Koenig paid \$400 to Joey Nelson.
- i. On May 7, 2014, Christopher Koenig paid \$2,100 to Joey Nelson.
- j. On May 20, 2014, Clarinda Livestock paid \$2,715.31 to Joey Nelson.
- k. On June 3, 2014, Clarinda Livestock paid \$16,013.22 to Joey Nelson.
- l. On June 17, 2014, Clarinda Livestock paid \$1,739.67 to Joey Nelson.

12. It was further part of the scheme that from in or about February 2014 to May 2014, defendant Nelson conducted livestock sales under the name of Nelson's Friend to avoid detection while selling collateral signed over to the FSA from loans under the name of "Garland J. Nelson." He did not instruct the purchasers to list FSA on the checks, as was required by the FSA-2040. The proceeds were not submitted to the FSA. The transactions included:

- a. On February 12, 2014, Tri County Livestock Stockyard paid \$5,691.67 to Nelson's Friend.
- b. On February 21, 2014, Tri County Livestock Stockyard paid \$16,929.97 to Nelson's Friend.
- c. On April 14, 2014, Tri County Livestock paid \$2,282.53 to Nelson's Friend.
- d. On May 2, 2014, Tri County Livestock paid \$4,878.09 to Nelson's Friend.

13. It was further part of the scheme that on or about February 12, 2014, St. Joseph Stockyards issued a check to "Joey Nelson and FSA." Defendant Nelson then called the stockyards back, and stated that there was a mistake and the check should have been made out to Nelson's Friend.

14. It was further part of the scheme that on or about February 15, 2014, a money order for \$4,700 was issued from Nelson's Friend's Bank Northwest account. On or about

15. February 18, 2014, it was deposited into defendant Nelson's Pony Express Bank account. Defendant Nelson then used the funds for his personal use and enjoyment. The proceeds were not submitted to FSA.

16. It was further part of the scheme that on or about February 21, 2014, a money order for \$17,329.97 was issued from Nelson's Friend's Bank Northwest account. On the same day, it was deposited into defendant Nelson's Pony Express Bank account. Defendant Nelson then used the funds for his personal use and enjoyment. The proceeds were not submitted to FSA.

17. It was further part of the scheme that beginning in or about June of 2014, defendant Nelson knowingly and intentionally devised a scheme to defraud three farming entities who had left cattle in his care. Defendant Nelson was paid by: (1) Aaron Wenger to feed and care for about 69 head of cattle; and (2) Cyclone Cattle Company, LLC ("Cyclone Cattle"), to feed and care for about 577 head of cattle. Thereafter, defendant Nelson commingled these cattle with his own, and he removed identification tags in order to sell livestock undetected. In addition, defendant Nelson commingled these cattle with those owned by his neighbor and landlord, Michael Short, and he sold some of Short's cattle as well.

18. It was further part of the scheme that defendant Nelson sold livestock in various locations, including Missouri and Iowa, without always knowing whether he, Aaron Wenger, Cyclone Cattle, or Michael Short owned the cattle he sold. Defendant Nelson deposited checks for the sales into his Pony Express Bank account.

19. It was further part of the scheme that on or about July 17, 2014, Cyclone Cattle sent farmhands to defendant Nelson's land due to complaints of cows getting into neighboring lands. They found emaciated cows, not properly fed, roaming around together. Many cattle had

their identification tags cut out of their ears. Cyclone Cattle could not identify who all the live cattle belonged to. They also found cows that had died with the identification tags cut out, which concealed who the dead cows belonged to. Further, many cattle were missing from Cyclone Cattle, Aaron Wenger, and Michael Short. Cyclone Cattle sorted out as many cattle as they could. In the end, some cattle could not be identified, and many others were missing.

20. It was further part of the scheme that Cyclone Cattle is missing 32 yearling steers, 8 cows, and 4 heifers, for a total of 44 head of cattle at an approximate value of \$63,000. Wenger is missing 3 cows and 13 calves for a total of 16 head of cattle at an approximate value of \$32,000. Short is missing 12 calves and 19 cows for a total of 31 head of cattle with an approximate value of \$29,000. These private rancher cattle losses total approximately \$124,000.

21. It was further part of the scheme that on or about December 13, 2013, defendant Nelson obtained a farm personal property and liability insurance policy on his cattle through Farm Bureau Insurance in case of livestock drowning, shooting, or theft without disclosing that the FSA had first lien on all of his chattel.

22. It was further part of the scheme that from on or about December 15, 2013 through on or about March 30, 2014, defendant Nelson knowingly and intentionally made fraudulent statements to Farm Bureau Insurance, by falsely indicating his livestock had drowned or been stolen. Each time he made a claim, defendant Nelson signed a false sworn statement in a proof of loss. In fact, he had not lost the livestock in the manners claimed, and he was selling numerous cows and calves to various auction houses.

23. It was further part of the scheme that on or about March 29, 2014, in furtherance of his scheme, defendant Nelson took a vacation to the Kansas City, Missouri, area. He asked his farmhand to check and count the cattle behind his home, and the farmhand counted 34 cows

and 34 calves. Defendant Nelson indicated that was incorrect and it should be much higher. He came home, purportedly early, and took the farmhand to a wire fence that was cut and pulled it aside. The farmhand saw no evidence of cow movement in the area outside the fence, and he had never seen the number of cattle defendant Nelson claimed behind Nelson's home. Defendant Nelson then falsely claimed to Farm Bureau Insurance that he had lost 40 cattle due to theft.

24. It was further part of the scheme that, without disclosing that the FSA had first lien on all of his chattel, defendant Nelson filed four loss claims to Farm Bureau Insurance, resulting in a loss of \$31,320, and the proceeds were not remitted to the FSA as was required under the terms of the loans.

<b>Date</b>	<b>Amount</b>	<b>Claim Number Person Made Out To</b>	<b>Livestock Claimed Lost Purported Reason</b>
12/15/2013	\$25,820	379403 Joey Nelson and Nelson's Friend	12 cows, 8 calves, 1 bull, drowning
01/04/2014	\$1,800	380408 Joey Nelson	1 cow, drowning
02/06/2014	\$3,700	381362 Joey Nelson	2 cows, drowning
03/29/2014			40 head of cattle, theft

25. It was further part of the scheme that defendant Nelson ceased making repayments on his FSA loans as of January 12, 2015. His outstanding principal balance is \$138,452.79, plus applicable interest and penalties. Defendant Nelson filed for Chapter 7 bankruptcy on June 25, 2015.

## COUNT ONE

26. By this reference, the allegations contained in Paragraphs 1 through 24 are re-alleged and incorporated by reference as if fully set forth herein.

27. From on or about April 1, 2013 through on or about July 17, 2014, in the Western District of Missouri and elsewhere, defendant Nelson knowingly and intentionally concealed and converted to his own use property mortgaged to the United States Secretary of Agriculture, acting through the Farm Service Agency, a successor agency to the Farmers Home Administration. He did so by selling livestock that was collateral to his two Farm Service Agency loans, by failing to obtain permission from the Farm Service Agency prior to making sales that were not authorized under his form FSA 2040 agreement, and by not repaying the FSA the vast majority of the proceeds, as was required. Defendant Nelson fraudulently obtained \$86,227.77 by selling at least 114 head of cattle during this time, including 50 cows and 64 calves.

28. In order to avoid repaying the proceeds from the livestock sales to the United States Secretary of Agriculture, acting through the Farm Service Agency, as was required, defendant Nelson intentionally concealed the sales by conducting them in names other than his legal name. Checks were recorded in the names of "Joey Nelson" and Nelson's Friend, and not Garland J. Nelson, which was the name on the loans.

29. Specifically, for purposes of this Information, on or about February 21, 2014, in the Western District of Missouri, defendant Garland J. Nelson did knowingly, intentionally and with intent to defraud the United States Secretary of Agriculture, dispose of and convert to his own use, 19 cows and 1 calf, which he had pledged as collateral to loans he obtained from the United States Department of Agriculture, acting through the Farm Service Agency, by selling the

chattel to Tri County Livestock, in Lathrop, Missouri, without notifying or obtaining permission from the Farm Service Agency prior to making the sale. In exchange for selling the calves, he received a check for \$16,929.97, payable to Nelson's Friend. Nelson did not inform the purchaser to list FSA on the check. The check was deposited into Nelson's Friend's account, ending 5663, at Bank Northwest. Prior to the deposit, the balance in the account, ending 5663, was \$425.30. Also on or about February 21, 2014, a bank money order for \$17,329.97 was issued drawn on the account ending 5663, and on the same date, it was deposited into defendant Nelson's Pony Express Bank account, ending 9805. Defendant Nelson then used the funds for his personal use and enjoyment. The proceeds were not remitted to the United States Department of Agriculture, acting through the Farm Service Agency, as was required.

All in violation of Title 18, United States Code, Section 658.

Tammy Dickinson  
United States Attorney

By: */s/ Daniel M. Nelson*

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Daniel M. Nelson  
Assistant United States Attorney

Dated: 11/30/2015  
Kansas City, Missouri

**UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF MISSOURI**

**CRIMINAL CASE COVER SHEET**

<b>Division of Filing</b> <input checked="" type="checkbox"/> Western <input type="checkbox"/> Central <input type="checkbox"/> Southwestern	<input type="checkbox"/> St. Joseph <input type="checkbox"/> Southern	<b>Place of Offense</b> <u>Jackson</u> County and elsewhere	<b>Matter to be Sealed</b> <input type="checkbox"/> Secret Indictment <input type="checkbox"/> Juvenile
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**Defendant Information**

Defendant Name Garland Joseph Nelson  
 Alias Name Joey Nelson  
 Birthdate 04/30/1994

**Related Case Information**

Superseding Indictment/Information  Yes  No if yes, original case number \_\_\_\_\_  
 New Defendant  Yes  No  
 Prior Complaint Case Number, if any \_\_\_\_\_  
 Prior Target Letter Case Number, if any \_\_\_\_\_

**U.S. Attorney Information**

AUSA Daniel M. Nelson

**Interpreter Needed**

Yes Language and/or dialect \_\_\_\_\_  
 No

**Location Status**

Arrest Date \_\_\_\_\_  
 Currently in Federal Custody  
 Currently in State Custody  
 Currently on Bond  
 Writ Required  Yes  No  
 Warrant Required  Yes  No

**U.S.C. Citations**

Total # of Counts 1

Set	Index Key/Code/Offense Level	Description of Offense Charged	Count(s)
1	18:658.F/4600/4	Prop Mortgaged or Pledged to Farm Credit Agency	1
2			
3			

(May be continued on reverse)

Date 11/30/2015

Signature of AUSA /s/ Daniel M. Nelson