



## I N D I C T M E N T

### THE GRAND JURY CHARGES THAT:

#### Introduction

1. At all times relevant to the allegations in this Indictment, GEORGE L. YOUNG was an order buyer of cattle and provided cattle feeding and management services for clients. At all relevant times, KATHLEEN I. McCONNELL provided bookkeeping, accounting, cash management, and clerical services for YOUNG's business entities.

2. On or about September 16, 1984, YOUNG began employment with MFA Livestock Association, Marshall, Missouri, as a cattle order buyer/broker. YOUNG also operated his individually owned cattle feeding and management business with a large client base. Since the early 1990s, Defendant McCONNELL, doing business as Professional Business Services (PBS), provided bookkeeping and accounting services for YOUNG.

3.A. On or about June 13, 1991, YOUNG and McCONNELL incorporated PBS Inc., each owning 50% of the company.

B. In the early 1990's YOUNG purchased a one-third interest in a commercial feedlot and grazing operation, which was incorporated in the State of Kansas under the name Rio Baca, Inc. A separate corporation, Rio Timba, Inc., also one-third owned by YOUNG, was incorporated in the State of Iowa as the company owning the land on which the Rio Baca feedlot was located.

The Rio Baca/Rio Timba operation was physically located in Southwest Iowa.

C. On or about October 10, 1997, MFA Livestock Services, LLC, a Missouri domestic limited liability company, was formed as a separate business entity to purchase livestock for YOUNG's cattle feeding and management business clients, separate and distinct from MFA Livestock Association. MFA Livestock Services, LLC, was 75% owned by MFA Livestock Association and 25% was owned by PBS, Inc. On or about March 23, 2000, MFA Livestock Services, LLC's name changed to United Livestock Services, LLC, Kansas City, Missouri, as a result of the merger of MFA Livestock Association and Producers Livestock Assn. United Livestock Services, LLC ceased operations on August 10, 2001.

4. Defendants YOUNG and McCONNELL, through their various business entities were engaged in the purchase and sale of cattle as livestock dealers and thus were subject to the provisions of the Packers and Stockyards Act, 1921 (7 U.S.C. § 181).

5. YOUNG and McCONNELL, through their business, PBS, Inc., offered their clients a program providing the following services:

- \* Arranging for the purchase of cattle;
- \* Arranging for the care and feeding of said cattle, (this includes arranging for the delivery of the cattle to the feedlot, arranging appropriate medical care, vaccinations, placing the cattle in the feedlot and insuring that the feeder

provide the cattle all feed and supplements necessary to fatten the cattle as marketable beef);

- \* Providing the purchasing client with appropriate ownership documentation;

- \* Selling the cattle at the appropriate time;

- \* Collecting the proceeds of the sale; and

- \* Paying the clients their proceeds of the sale.

Defendant YOUNG individually was responsible for making the arrangements to feed the client's cattle and to negotiate the price clients paid for this service.

6. The major sources of funding for the defendants' cattle operations were:

- A. MFA Livestock Association, Inc., later known as United Producers, Inc.;

- B. United Livestock Services, LLC's lending institution, First National Bank of Omaha;

- C. YOUNG's and Rio Baca/Rio Timba's lending institution, US Bank; and

- D. Clients of YOUNG's cattle feeding and management business.

Funds obtained from these sources were mailed to defendants YOUNG and McCONNELL in the form of checks or were transferred by wire to accounts owned and controlled by the

defendants. The collateral used to secure this funding was livestock inventory and accounts receivable.

Purpose of the Scheme and Artifice

7. During the period from on or about June 8, 1995, to on or about July 25, 2001, in the Western District of Missouri and elsewhere, Defendants GEORGE L. YOUNG and KATHLEEN I. McCONNELL did knowingly devise a scheme and artifice to defraud and for obtaining money and property by means of material false and fraudulent pretenses, representations and promises in order to defraud numerous individuals, business associates including MFA Livestock Association, Inc., and federally insured financial institutions, including First National Bank of Omaha and US Bank, both located in Omaha, Nebraska.

The Scheme

8. It was part of the scheme and artifice to defraud and to obtain money and property by means of material false and fraudulent pretenses, representations and promises that the defendants, YOUNG and McCONNELL, through United Livestock Services, LLC and PBS, Inc., represented to their individual clients, their business associates and to financial institutions that their companies, were entities with the expertise, financial capacity, and industry contacts that consistently resulted in profits for clients when in truth and fact the defendants knew that their livestock operations were not generating sufficient

income to pay their obligations. These false and fraudulent representations were made to induce existing and new clients to invest in the defendants' cattle operations and to induce financial institutions to provide funding for the defendants' business operations.

9. It was part of the scheme and artifice to defraud and to obtain money and property by means of material false and fraudulent pretenses, representations and promises that Defendants YOUNG and McCONNELL, through United Livestock Services, LLC and PBS, Inc., often paid clients rates of return far above industry averages to induce their clients to invest in the defendants' livestock operations and to induce business associates and financial institutions to provide funding for the defendants' business operations, when, in truth and fact, the defendants well knew that their cattle operations were not generating the rates of return paid to the clients.

10. It was part of the scheme and artifice to defraud and to obtain money and property by means of material false and fraudulent pretenses, representations and promises that, in order to obtain funds when the cash flow was inadequate to cover the obligations of their business activities, Defendants YOUNG and McCONNELL knowingly falsely represented to clients, business associates and financial institutions that their inventory of cattle was far higher than it actually was, causing clients to

continue to invest money in the defendants' cattle operations and causing business associates and financial institutions to advance funds to the defendants.

11. It was a part of the scheme and artifice to defraud and to obtain money and property by means of material false and fraudulent pretenses, representations and promises, that Defendants YOUNG and McCONNELL would obtain money, via the United States Postal Service from clients to purchase cattle and have these cattle fattened for market. Rather than purchasing additional cattle for their clients, the defendants used their clients' funds to cover cash shortfalls, business expenses, and to pay other clients whose cattle had supposedly matured and been sold.

12. It was a part of the scheme and artifice to defraud and to obtain money and property by means of material false and fraudulent pretenses, representations and promises, that, beginning on or about June 8, 1995, the defendants obtained the funds needed to pay their business obligations by fraudulently accessing MFA Livestock Association's line of credit and funds through the use of Combination Check/Memo forms. These forms served two purposes: (1) the check portion was used to pay YOUNG's cattle feeding and management clients for the sale, of the client's cattle, real or imaginary, and settlement of their accounts, and (2) the memo portion of the form was used to

"fabricate" new cattle by falsely reporting that the check had been used to purchase additional cattle which would be carried on the defendants' books and records as inventory. The defendants would then use the fraudulently created cattle inventory as collateral to access funds from their existing lines of credit. Defendant McCONNELL constantly generated business documents, both legitimate and fraudulent. Once one false document was created, it was necessary to create numerous additional false documents so that the original document would appear to be legitimate. Defendants YOUNG and McCONNELL routinely created documents that recorded cattle transactions that did not occur and placed those false documents among other documents reflecting legitimate transactions, making it extremely difficult to differentiate the true versus fabricated transactions and documents.

13. It was part of the scheme and artifice to defraud and to obtain money and property by means of material false and fraudulent pretenses, representations and promises, that Defendants YOUNG and McCONNELL knowingly provided false statements, both orally and in writing, to First National Bank of Omaha and US Bank which deliberately concealed material information about the business's finances and the true number of cattle in inventory from bank representatives, loan officers, and inspectors. Among the false and fraudulent documents created by Defendants YOUNG and McCONNELL were false cattle inventory

reports, false cattle accounts receivable reports, and false financial statements, created to conceal the fact that the cattle inventories were substantially less than those represented to clients, business associates and financial institutions. These false representations were made to induce clients to invest with the defendants' businesses and to the financial institutions to continue their lending relationships with the defendants and their businesses and to obtain the maximum funding allowed by each line of credit.

14. It was part of the scheme and artifice to defraud and to obtain money and property by means of material false and fraudulent pretenses, representations and promises, that Defendants YOUNG and McCONNELL created documents called Borrowing Base Certificates which they knew contained false and fraudulent representations about cattle inventories and accounts receivable and which McCONNELL provided to First National Bank of Omaha by facsimile, mail, or both, on a monthly basis. The purpose of these false and fraudulent Borrowing Base Certificates was to induce First National Bank of Omaha to release funds to the defendants under United Livestock Services, LLC's line of credit at the bank. During the pendency of the scheme, the defendants claimed that a substantial portion of the transferred funds was used to buy cattle that they did not actually purchase.

15. It was part of the scheme and artifice to defraud and

to obtain money and property by means of material false and fraudulent pretenses, representations and promises, that Defendants YOUNG and McCONNELL forwarded falsified documents to First National Bank of Omaha and US Bank via United States Postal Service, private or commercial interstate carrier, or facsimile communication (wire). Upon receipt of the documents, the banks then wire transferred funds to an account designated by the defendants. During the pendency of the scheme, the defendants claimed that a substantial portion of the transferred funds were used to buy cattle that they did not actually purchase.

16. It was part of the scheme and artifice to defraud and to obtain money and property by means of material false and fraudulent pretenses, representations and promises, that Defendant McCONNELL prevented her staff at PBS, Inc., from detecting YOUNG's and McCONNELL's ongoing fraudulent activities and misrepresentations. The employees' duties did not overlap, positions did not rotate within the office, and employees did not communicate among themselves about their specific tasks, thus making it difficult, if not impossible, for the employees to discover the nature and scope of the fraud occurring within the businesses (United Livestock Services, LLC, and YOUNG's cattle feeding and management business).

17. It was part of the scheme and artifice to defraud and

to obtain money and property by means of material false and fraudulent pretenses, representations and promises that defendant YOUNG acted as the field person for the businesses. Defendants YOUNG and McCONNELL were careful to schedule inspection trips for clients and representatives of their financial institutions at different times. During the inspection trips, Defendant YOUNG made false statements to clients and bankers about the number of cattle they owned or that were being used as collateral for lines of credit. In truth and fact, as YOUNG well knew, the same cattle had been shown by YOUNG to other clients and bankers, with YOUNG making the same representations of ownership. YOUNG also showed clients and bankers cattle that he did not own or control, which belonged to others, making the same representations of ownership to clients and bankers. The cattle belonging to others were either located in the feedlots in which YOUNG placed cattle or in feedlots and pastures in close proximity.

18. At the time the defendants ceased doing business, on August 10, 2001, business records indicated that the defendants should have had about 343,937 head of cattle under their control. Instead, 16,946 actual head of cattle, valued at approximately \$9.2 million, existed. The loss suffered by the defendants' clients and the defendants' lending institutions as a result of the defendants' scheme and artifice to defraud, is approximately \$166,000,000. Victims of the fraud included banks which loaned

money directly to the defendants, or the defendants' businesses. Other victims included individual investors, ranchers, farmers and cattle companies who borrowed funds to buy cattle, and who then lost the collateral they had pledged to secure their loans when the defendants suddenly ceased operations in August of 2001. In some cases, the collateral pledged and lost included family farms which had been owned by the same families for over 100 years. Other individuals lost their retirement savings in the scheme. The defendants' scheme jeopardized the safety and soundness of at least two federally insured financial institutions.

#### **COUNT ONE**

1. The Grand Jury incorporates all of the preceding matters set out in paragraphs 1 through 18 of the "Introduction" as though fully set forth at this point.

2. On or about September 20, 1999, in Kansas City in the Western District of Missouri and elsewhere, the defendants, GEORGE L. YOUNG and KATHLEEN I. McCONNELL, aiding and abetting each other for the purpose of executing and attempting to execute the scheme and artifice to defraud and to obtain money by means of material false and fraudulent pretenses, representations and promises, deposited and caused to be deposited check number 02239 in the amount of \$1,202,381.83 payable to Robert Eggerling drawn on the account of MFA Livestock Services, L.L.C., at First

National Bank of Omaha, that check to be delivered by commercial interstate carrier, United Parcel Service, to Farmers' National Bank, a branch of Midwest Bank, N.A.; 105 N. Main Street; Pilger, Nebraska 68768, to induce Robert Eggerling to continue to invest his money and funds in the defendants' cattle feeding operations, all in violation of Title 18, United States Code, Sections 1341 and 2.

**COUNT TWO**

1. The Grand Jury incorporates all of the preceding matters set out in paragraphs 1 through 18 of the "Introduction" as though fully set forth at this point.

2. On or about March 14, 2000, in Kansas City in the Western District of Missouri, the defendants, GEORGE L. YOUNG and KATHLEEN I. McCONNELL, aiding and abetting each other for the purpose of executing the scheme and artifice to defraud, said scheme affecting a financial institution, U.S. Bank in Omaha, Nebraska, did transmit and cause to be transmitted in interstate commerce, by means of a wire communication a facsimile transmission requesting a \$336,937.28 cash transfer from a line of credit at U.S. Bank from the account of George Young, dba Young Farms, to the account of MFA Livestock Services, L.L.C., at First National Bank of Omaha, that facsimile transmission originating from Kansas City, Missouri, and received in Omaha, Nebraska, thereby causing U.S. Bank to transfer the requested

funds by wire to the account of MFA Livestock Services, L.L.C., as requested; all in violation of Title 18, United States Code, Sections 1343 and 2.

**COUNT THREE**

1. The Grand Jury incorporates all of the preceding matters set out in paragraphs 1 through 18 of the "Introduction" as though fully set forth at this point.

2. On or about July 25, 2001, in Kansas City in the Western District of Missouri and elsewhere, the defendants, GEORGE L. YOUNG and KATHLEEN I. McCONNELL, aiding and abetting each other for the purpose of executing and attempting to execute the scheme and artifice to defraud and to obtain money by means of material false and fraudulent pretenses, representations and promises, said scheme affecting a financial institution, First National Bank of Omaha, did place and cause to be placed in the post office, an authorized depository for mail matter, a Borrowing Base Certificate to be sent and delivered by the United States Postal Service to First National Bank of Omaha, ATTN: Michael Bauer, 16th & Dodge Streets, Omaha, Nebraska 68102, to induce First National Bank of Omaha to make an advance of funds in the amount of \$698,667.70 to United Livestock Services, L.L.C., against its \$23,000,000 line of credit at said bank, all in violation of Title 18, United States Code, Sections 1341 and 2.

**COUNT FOUR**

1. The Grand Jury incorporates all of the preceding matters set out in paragraphs 1 through 18 of the "Introduction" as though fully set forth at this point.

2. On or about August 17, 2000, at Kansas City in the Western District of Missouri, defendants GEORGE L. YOUNG and KATHLEEN I. McCONNELL, aiding and abetting each other knowingly, voluntarily and intentionally, with the purpose of violating a known legal duty, made and caused to be made a material false entry in an account, record or memorandum required to be kept by any person, partnership or corporation subject to Title 15, Chapter 2, Subchapter I, relating to the Federal Trade Commission, the Packers and Stockyards Act (7 U.S.C. § 181 et. seq.), that is, in a combined Check/Memo form for check no. 03416 drawn on the account of United Livestock Services, L.L.C., at the First National Bank of Omaha payable to Gerald Eggerling in the amount of \$105,751.96, falsely and fraudulently recorded a material fact in the "account of sale" portion of that document, the purchase of 162.75 cattle weighing 131,976 pounds, when, in truth and fact, the defendants well knew that 162.75 cattle had not been purchased with check no. 03416, all in violation of Title 15, United States Code, Section 50, and Title 18, United States Code, Section 2.

**COUNT FIVE**

1. The Grand Jury incorporates all of the preceding matters set out in paragraphs 1 through 18 of the "Introduction" as though fully set forth at this point.

2. Upon conviction of one or more of the offenses alleged in Counts One, Two, and Three of this of this Indictment, the defendants shall forfeit to the United States pursuant to 18 U.S.C. § 982, property constituting or derived from proceeds obtained directly or indirectly as a result of the said violations, including but not limited to the following: A sum of money equal to approximately \$24,539,320 in United States currency, representing the amount of proceeds obtained as a result of the offenses described in Counts One, Two and Three, as set forth above, for which the defendants are jointly and severally liable. If any of the above-described forfeitable property, as a result of any act or omission of the defendants:

(a) cannot be located upon the exercise of due diligence;

(b) has been transferred or sold to, or deposited with, a third party;

(c) has been placed beyond the jurisdiction of the court;

(d) has been substantially diminished in value; or

(e) has been commingled with other property which cannot be divided without difficulty; it is the intent of the United States, pursuant to 21 U.S.C. § 853(p) as incorporated by 18 U.S.C. § 982(b), to seek forfeiture of any other property of said defendant(s) up to the value of the forfeitable property described above.

A TRUE BILL.

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FOREPERSON OF THE GRAND JURY

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Kenneth E. Weinfurt  
Assistant United States Attorney

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J. Daniel Stewart  
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