

Jack Co. Family Hit with \$23M Cattle Fraud Verdict

By Natalie Posgate and Mark Curriden – (Jan. 24, 2017) – In what is believed to be one of the largest cattle fraud cases in Texas history, a Jack County jury has ruled that a North Texas cattle farming family perpetrated a check-kiting fraud scheme involving the purchase and sale of 50,000 head of cattle valued at \$87 million.



Chris Trowbridge

The seven-woman, five-man jury found that Tony Lyon, his parents and Perrin-based Lyon Farms were involved in a fraudulent conspiracy to steal millions of dollars from a Sidney, Nebraska, cattle brokerage firm.

The jury deliberated four hours before unanimously awarding Midwestern Cattle Marketing \$23 million – \$7 million in actual damages and \$16 million in exemplary or punitive damages.

“At its heart, this case was about the reputation of the Texas livestock industry,” said Chris Trowbridge, a partner in the Dallas office of Bell Nunnally who represents Midwestern Cattle in the litigation. “I told the jury they had the power to send a message to the rest of the country that Texans do not tolerate cattle fraud, and they would protect all people who buy and sell cattle in the Lone Star State.”

Lawyers for the defendants have not responded to an inquiry for comment.

Midwestern Cattle started doing business with the Lyons in 2011, conducting hundreds of transactions buying and selling cattle. The business model, according to Trowbridge, was for the cattle to be purchased when they are younger and smaller, feed them so they grow and

add weight – sometimes as much as 10 pounds a day – and then resell them. Midwestern acted as a broker or middleman.

In 2014, Tony Lyon informed Midwestern Cattle that he had developed a business relationship with Fort Worth-based George Cattle Company, which he said would aggressively purchase their cattle, according to lawyers involved in the litigation.

During that year, Tony Lyon – with the assistance of his parents, Owen and Monna Lyon – did about 133 transactions with Midwestern Cattle in which 50,000 head of cattle were allegedly bought and sold.

Each transaction and invoice, according to lawyers, kept getting bigger.

What Midwestern Cattle officials did not know, Trowbridge said, is that there was no George Cattle Co. and that Tony Lyon fabricated the existence of the company in order to facilitate monetary transactions that would cover overdrawn checks in his company’s bank accounts.

Lawyers for Midwestern Cattle say that Lyon’s parents knew about the scheme, were actually in charge of the bank accounts floating the checks and took specific and important steps in making the conspiracy happen.

“Lyon Farms sent fictitious invoices from the George Cattle Company that were then paid by Midwestern Cattle – thus inducing deposits into the Lyon Farms account,” Trowbridge said. “Lyon Farms took advantage of the float, overdrawing the Lyon Account and then using funds from Midwestern Cattle to make it appear positive before sending funds back to Midwestern. >

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“In reality, the Lyon Account at Legend Bank was consistently overdrawn,” he said.

The scheme backfired in June 2015 when Legend Bank officials informed Midwestern Cattle that there was no money in Lyon’s account to cover a \$5 million check.



Trowbridge said that Midwestern’s president drove all night from the company’s headquarters

in Nebraska to confront Lyon. Midwestern’s president testified during the trial that Tony Lyon confessed to him that “there were no cattle, there was no George Cattle Company, and there was no money to turn over.”

Lyon pleaded guilty in November to federal wire fraud charges and is awaiting sentencing in March.

The civil case is styled *Midwestern Cattle Marketing, LLC vs. Tony E. Lyon d/b/a Lyon Farms, Owen Lyon, and Monna Lyon*, Cause No. 15-07-061, in the 271st District Court in Jack County.

Other lawyers representing Midwestern Cattle are Bell Nunnally Partner Heath Cheek and local counsel Todd Parks of Walters Balido & Crain in Decatur, Texas.

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