

financial crisis. One of the sub-programs created under TARP was the Capital Purchase Program ("CPP"), in which government funds were invested in financial institutions in exchange for preferred shares in those institutions. Financial institutions seeking TARP funds under the CPP applied through their primary bank regulator, and both an institution's eligibility and the amount of the CPP investment depended, in part, upon information reflected in the institution's financial statements.

4. On or about June 19, 2009, Farmers Enterprises, Inc., the holding company for Farmers Bank, received \$12,000,000 in TARP funding under the CPP. The United States Department of Treasury received subordinated debentures from the holding company, and Farmers Enterprises, Inc., was required to pay quarterly dividends to the United States Treasury until the subordinated debentures were redeemed.

5. On or about November 13, 2012, Farmers Enterprises, Inc., paid the United States Treasury \$11,439,252 to redeem the original TARP funding of \$12,000,000. This resulted in a shortfall of \$560,748.

COUNT 1

6. Paragraphs 1 through 5 are realleged and incorporated herein.

7. Beginning in or about March 2007, and continuing until in or about August 2010, the exact dates being unknown to the United States Attorney, in the District of Kansas and elsewhere, the defendant,

MICHAEL W. YANCEY

did knowingly and willfully combine, conspire, confederate, agree, and have a tacit understanding with B.W., and with other persons known and unknown to the United

States Attorney, to commit an offense against the United States in violation of Title 18, United States Code, Section 371, that is, making a false statement on a loan application, in violation of Title 18, United States Code, Section 1014.

8. The object of the conspiracy was for Defendant Yancey and B.W. to procure and maintain a business loan from Farmers Bank for Company A and Company B by falsely representing the terms of a real estate purchase in Basehor, Kansas. Through these false statements, Defendant Yancey and B.W. procured a loan in the amount of \$825,000 from Farmers Bank for Company A and Company B (hereinafter “the Basehor loan”).

MANNER AND MEANS

9. It was a part of the conspiracy that Defendant Yancey and B.W. falsely represented to Farmers Bank the actual purchase price paid by Company A and Company B in a financed commercial real estate transaction. Whereas the actual purchase price for the Basehor, Kansas, property was \$850,000, Defendant Yancey and B.W. stated that the purchase price was \$1,100,000 in order to make it appear that the Basehor loan conformed to a maximum 75 percent loan to value ratio. In truth and in fact, the \$825,000 B.W. loan accounted for approximately 97% of the purchase price.

10. It was a further part of the conspiracy that Defendant Yancey created an Application for Approval of Large Credit Facilities for the Farmers Bank Large Loan Committee that falsely stated that the real estate transaction underlying the Basehor loan involved a seller carryback in the amount of \$150,000 and a borrower equity injection in the amount of \$125,000.

11. It was a further part of the conspiracy that Defendant Yancey in subsequent years renewed the Basehor loan and consolidated it with other loans without correcting the false statements contained in the Farmers Bank loan file.

OVERT ACTS

12. In furtherance of the conspiracy and to accomplish its objectives, at least one of the conspirators committed and caused the following overt acts, among others, in the District of Kansas and elsewhere:

a. On or about March 9, 2007, B.W. sent to Defendant Yancey by facsimile a falsified contract of sale stating that the purchase price for the Basehor, Kansas real estate transaction was \$1,100,000. Defendant Yancey, knowing that the purchase price was falsified, accepted the contract of sale as part of the Farmers Bank loan file.

b. On or about March 9, 2007, Defendant Yancey prepared an Application for Approval of Large Credit Facilities that included false information regarding the purchase price and the existence of a seller carryback and a borrower equity injection in the transaction.

c. On or about March 21, 2007, Defendant Yancey presented the Basehor loan application, including the falsified purchase price, seller carryback, and borrower equity injection information, to the Large Loan Committee of Farmers Bank. The committee approved the Basehor loan at the request of Defendant Yancey.

d. On or about March 23, 2008, Defendant Yancey recommended a renewal of the Basehor loan without correcting the false statements contained in the Farmers Bank loan file.

e. On or about February 10, 2009, Defendant Yancey recommended the renewal of the Basehor loan and consolidation with other loans related to B.W. without correcting the false statements contained in the Farmers Bank loan file.

f. On or about June 30, 2010, Defendant Yancey recommended a further renewal of the consolidated Basehor loan without correcting the false statements contained in the Farmers Bank loan file.

13. This was all in violation of Title 18, United States Code, Section 371.

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(It is requested that the above captioned case be held in Kansas City, Kansas.)

PENALTIES

Count 1 (Conspiracy to make a false statement on a loan application)

- NMT 5 years imprisonment;
- NMT \$250,000 fine;
- NMT 3 years supervised release;
- \$100 special assessment.