Investigative Report

Rockville Horse Slaughter Plant Entangled in Criminal, Civil and Regulatory Problems

by John Holland

Equine Welfare Alliance

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The much publicized plans for a horse slaughter plant in Rockville, Missouri have become hopelessly mired in a bizarre web of legal issues. Sue Wallis announced the plant in June saying it would open in late summer. Even though Wallis has made three such announcements in the past that did not materialize, this effort seemed to have the community support that she failed to get in Mountain Grove, Missouri or Wyoming.

In Mountain Grove the problem had been a resounding rejection by the town's people, which Wallis has chosen to characterize as "not a good fit". This time the press stories covering the announcement made it plain that Rockville was glad to slaughter horses, at least according to mayor Dave Moore. Even so, the announcement has once again turned out to rank somewhere between premature and wishful thinking.

The troubles in Rockville began well before the Wallis announcement. In February of 2010 the plant's long time operator West Missouri Beef, LLC, was forced to recall 14,000 pounds of beef that it had shipped over the previous three months. West Missouri's owner, Charles Slyter, subsequently sold the business to Six Bears, LLC, a company owned by the wife of Canadian Vincent Paletta, a resident of 201 Rattlesnake Hill Road, Butler, MO.

Paletta had formed American Beef on September 3rd, 2010, with himself as sole owner. But a month later Paletta formed Six Bears, LLC for which his wife Diana served as President and he served as Vice President. Interestingly, Six Bears was incorporated using a Lynchburg, Virginia address for Diana Paletta.

Shortly thereafter Six Bears purchased the plant from Slyter on a payment plan, giving Slyter a Deed of Trust against the $160,000 purchase price. Had Slyter filed this immediately, he would have had clear recourse to reclaim the plant if Six Bears failed to meet the terms of their repayment plan.

The reason for the forming of two companies was soon apparent. American Beef would operate the plant and Six Bears would own the assets. Thus any claims resulting from operations would not be able to get at the assets.

The scheme is exactly the same as that used by Chevideco in Kaufman, TX. When the town brought suit against the Dallas Crown horse slaughter plant over pollution, they found all the assets were in the name of a company called Waldo, Inc. The plant could therefore not be seized for the misdeeds of Dallas Crown.

At the Kaufman Board of Adjustments meeting about Dallas Crown, the inevitable joke emerged "where is Waldo?"

According to Slyter, Paletta asked him to delay filing the Deed of Trust so that it would not show up on credit reports when they applied for bank credit. Slyter should have realized that this would have been a potential case of fraudulent borrowing on the part of Paletta, but he did as Paletta asked.

Vincent Paletta, doing business as American Beef, then executed a promissory note for $350,000 to himself and his wife Diana doing business as Six Bears on March 9th, 2011.

On the surface it looked like American Beef had simply borrowed the $350,000 from a company called Six Bears, but there was a huge hole in Paletta's structure. Under Missouri law a spouse has 50% interest in all property of the other spouse, thus the Paletta's had simply borrowed the money from themselves, and each had 50% ownership in the plant and culpability for debts of both companies.

On the same day, Six Bears executed a Deed of Trust to Diana Paletta for $650,000. Now Diana had a means for grabbing the plant from her own shell company Six Bears if someone managed to threaten to do take it. There is no evidence that either Vincent Paletta or his wife had $1 million to loan themselves in these bizarre transactions, but the reason for the transactions has since become clear.

Thus the Palettas had put themselves in line ahead of Slyter if he or another creditor tried to grab the plant. When Slyter became suspicious and filed his Deed of Trust, it was already too late.

At this point, American Beef began processing beef but soon stopped paying its suppliers, truckers or contractors. Since the Palettas were being paid for their processed beef, the cash flow was undoubtedly very positive. The hapless Slyter even sold American Beef over $100,000 worth of cattle on credit.

By all appearances the Palettas expected civil claims to start hitting them, and probably felt that the bogus series of loans, shell companies and deeds of trust had protected them from having the plant seized. But on June 1st, 2011, Vincent Paletta was charged with two counts of felony stealing; one charge claims Paletta defrauded Slyter out of $130,596 for cattle he had failed to pay for, and the other charged he defrauded Martin Marriott out of almost $43,000.

Two months later Wasoba Trucking sued American Beef for unpaid hauling of its products. On September 16th, 2011, Elvin's Refrigeration filed a mechanics lien against American Beef for its unpaid invoices. The mechanics lien could have forced the liquidation of the plant, but the Paletta's had beaten Elvin's to the draw. The plant didn't even belong to American Beef.

On September 1st, 2011, Six Bears had sued American Beef for breach of contract (the Palettas sued themselves) for failing to repay the $350,000 note. The next day Vincent Paletta waived process (admitted culpability), causing the court to automatically file a judgment in favor of Six Bears for $374,023. On the surface, this looked like an ordinary case of creditors going after a failing company. However, a subsequent law suit claimed it was a scheme to prevent the honest creditors from getting their hands on any of the assets that were not part of the fixed property and therefore not owned by Six Bears.

The entire fraudulent scheme was discovered when Sue Wallis announced that she was making modifications to the plant and was going to begin slaughtering horses there by September. The announcement brought the plant's ownership under the scrutiny of Mountain Grove attorney Cynthia MacPherson. When MacPherson began looking into the various suits against American Beef, she uncovered the fraudulent transactions.

Dan Erdel, the Mexico, MO attorney and cohort of Sue Wallis, who had tried unsuccessfully to open a horse slaughter facility in Mountain Grove just months earlier, had discovered the Rockville slaughter plant and its tiny community eager to begin butchering horses. Erdel had formed Unified Equine (Missouri) on April 3rd and Rockville Processing on April 24th with the obvious intent to use them as the new operators of the plant.

The creation of the two shell companies by Erdel leads to the obvious possibility that Erdel and Wallis intended to play the "where's Waldo game" themselves.

There was a problem, however. Perhaps distracted by unexpected criminal charges, the Palettas had neglected to file their annual report for Six Bears. This meant that the corporation was not in good standing. Erdel took care of this detail for Six Bears by filing their annual report for them on May 4th, thus revitalizing Six Bears and its claim to the ownership of the plant.

This put Erdel in the unique position of being the attorney of record for both the fox and the hen house.

It does not seem plausible that Erdel knew about the obscure Six Bears shell company and American Beef, and didn't know how Six Bears had obtained the plant and had deviously tried to protect it from creditors. Clearly Erdel was eyeing getting the plant from Six Bears (or Diana Paletta) and was probably expecting the attractive discount traditionally offered by the purveyors of ill gotten goods.

Had Sue Wallis not brought the scrutiny of attorney Cynthia MacPherson to the situation by announcing her grand opening in September, Erdel might well have made a bid to buy the plant from Six Bears in the hopes that the whole sordid chain of ownership and his own conflict of interest would never be discovered. As it is, both Erdel and Paletta claim "earnest money" has changed hands, probably the most concrete thing they could do without clear title, but still meaningless.

As if this was not enough trouble, on June 28th Elvin's Refrigeration, Inc. filed a law suit under MUFTA (Missouri Uniform Financial Transactions Act). The suit asks that the court enjoin American Beef, Six Bears and the Palettas from disposing of any assets (the plant) until the creditors have been made whole. The suit charges that, inclusive of legal fees, Elvin's is owed approximately $25,000.

The suit also charges that the Palettas had planned from the beginning to use the plant as a way to defraud a wide range of creditors.

Shortly thereafter, Elvin's Refrigeration filed a Nonconsensual Common Law Lien against American Beef and/or Six Bears based on Chapter 428 (Fraudulent Conveyances and Liens) of Revised Statutes of Missouri. The lien is against all buildings and improvements on the grounds of the slaughter plant. It is no coincidence that Elvin's attorney in these filings is none other than Mountain Grove's Cynthia MacPherson.

The two criminal complaints charging Paletta with stealing $43,000 from Martin Marriot and over $130,000 from Slyter will have to be settled by the courts as well. In March, the Wasoba Trucking claim resulted in a judgment against American Beef for $59,752. Given that there is no legal distinction between the Palettas and their two shell companies, this claim could further threaten the plant. And there are still other creditors including the USDA.

When the USDA discovered that Paletta had not been paying for cattle he was slaughtering, and did not carry the required bond, it fined American Beef $36,000 for violation of the Packers and Stockyards act. But in January of this year Paletta managed to plea poverty and get all but $1,000 held in abeyance for five years until he could "get on his feet", thus adding the US Government to his list of victims.

The true ownership of the Rockville plant will likely have to be determined by a long series of court decisions, and there will in all probability be yet more filings as other creditors find out about the complex scheme.

Though Wallis has yet to acknowledge any deviance from her planned September opening, a records request shows that she and Erdel have not filed for any of the required permits with the Missouri Department of Natural Resources or with the Missouri Department of Agriculture, thus telegraphing that they know the project has jumped the rails (if it was ever really on them).

To Wallis, the reality of the business may not be important. She uses each announcement as a hook to get her pro-horse slaughter propaganda printed in the guise of news stories. On the other hand, Erdel may be beginning to realize that horse slaughter is no avenue to quick fortune.

More recently Wallis has announced her fifth and sixth planned horse slaughter plants. According to news accounts, the next one is scheduled to open at the end of summer in Oklahoma. The press has duly covered the announcement as credible, not noticing Oklahoma Statute §1-1136 stating;

"It shall be unlawful for any person to sell, offer or exhibit for sale, or have in his possession with intent to sell, any quantity of horsemeat for human consumption."

While Wallis supporters have hinted that they know about the law by saying "the meat will not be sold in Oklahoma", it is a feckless ploy. It was exactly such a law against selling horse meat (not against slaughter) that shut down the Texas plants in early 2007, and that law was challenged all the way to the Supreme Court.

If the past is any indication of the future, some media will undoubtedly continue to report the Wallis announcements without the least hint of journalistic skepticism. Each story will give her the chance to espouse her horse slaughter propaganda without being seriously challenged.

It has yet to be determined if Wallis actually has real investors or whether such a business could be run at a profit. The slaughter houses in the US before 2007 were all owned by the EU distributors of horse meat, as are the major plants in Canada and Mexico today. When Natural Valley Farms, a Canadian owned slaughter plant, tried to convert from cattle to slaughtering horses for the EU market, it went bankrupt in two years with a $42 million loss.

In reality, the successful return of horse slaughter to the US is very improbable. This was made clear in Mountain Grove earlier this year when executives of Chevideco, one of the two main distributors of horse meat in the EU, announced they would not invest in a plant in the US. Clearly, the many risk factors are evident to real business people leaving Wallis to continue the effort alone.