

# **AGRICULTURE DECISIONS**

**Volume 76**

**Book One**

**January – June 2017**



UNITED STATES DEPARTMENT  
OF AGRICULTURE

## **AGRICULTURE DECISIONS**

*Agriculture Decisions* is an official publication by the Secretary of Agriculture that consists of decisions and orders issued in adjudicatory proceedings conducted for the Department under various statutes and regulations. Selected court decisions concerning the Department's regulatory programs are also included. The Department is required to publish its rules and regulations in the *Federal Register*; therefore, rules and regulations are not included in *Agriculture Decisions*.

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The Office of Administrative Law Judges (OALJ) publishes a comprehensive volume of *Agriculture Decisions* for each calendar year. Two books comprise the annual volume: Book One, which contains the decisions and orders issued from January through June of that year; and Book Two, which contains decisions and orders issued from July through December.

Each *Agriculture Decisions* book is divided into four sections, or "Parts." Part One is organized alphabetically, by statute, and contains general decisions and orders (*i.e.*, all decisions and orders other than those that pertain to the Packers and Stockyards Act or to the Perishable Agricultural Commodities Act). Part Two covers decisions and orders relating to the Packers and Stockyards Act. Part Three contains decisions and orders that involve the Perishable Agricultural Commodities Act, including reparations decisions. Part Four includes an alphabetical list of decisions and orders reported and a subject-matter index.

Parts One, Two, and Three of *Agriculture Decisions* incorporate the following: (1) Initial Decisions issued by the Administrative Law Judges, along with any corresponding appeal decisions by the Judicial Officer; (2) a list of Miscellaneous Orders entered by the Administrative Law Judges and complete texts of any Miscellaneous Orders entered by the Judicial Officer; (3) a list of Default Decisions issued by the Administrative Law Judges; and (4) a list of Consent Decisions. While *Agriculture Decisions* generally does not include full texts of Miscellaneous Orders, Default Decisions, or Consent Decisions, those decisions and orders are available in their entirety, in portable document format (pdf), via the OALJ website: <http://www.dm.usda.gov/oaljdecisions/decision-index.htm>.

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Published decisions and orders (*i.e.*, those that appear in *Agriculture Decisions*) may be cited by providing the volume number, page number, and year [*e.g.*, 1 Agric. Dec. 472 (U.S.D.A. 1942)]. Further, decisions and orders posted on the OALJ website may also be cited as primary sources. When citing to a decision or order that appears on the OALJ website but has not yet been published in *Agriculture Decisions*, the docket number and date of decision or order should be included [*e.g.*, *Smith*, Docket No. 15-0123 (U.S.D.A. Oct. 1, 2015)].

## CONTACT

For inquiries regarding publication, please contact the Editor of *Agriculture Decisions*.

Editor, *Agriculture Decisions*  
Office of Administrative Law Judges  
United States Department of Agriculture  
Room 1057 South Building  
Washington, D.C. 20250-9200

[editor.oalj@dm.usda.gov](mailto:editor.oalj@dm.usda.gov)

(t): 202-720-6645

(f): 202-690-0790

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**Volume 76**

**Book One**

Part One (General)

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SECRETARY OF AGRICULTURE AND THE COURTS  
PERTAINING TO STATUTES ADMINISTERED BY THE  
UNITED STATES DEPARTMENT OF AGRICULTURE



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**ANIMAL WELFARE ACT**

**COURT DECISIONS**

**ANIMAL LEGAL DEFENSE FUND v. VILSACK.**

**No. 16-cv-00914 (CRC).**

**Court Decision.**

**Signed February 15, 2017.**

**AWA – Animal welfare – Enforcement – License.**

**APA – Administrative procedure – Interested party – Interested person – Intervene, motion to – Intervention – Rules of Practice.**

[Cite as: No. 16-cv-00914 (CRC), 2017 WL 627379 (D.C. Cir. Feb. 15, 2017)].

**United States District Court,  
District of Columbia.**

The Court vacated the decision of the Judicial Officer, who had upheld the denial of Animal Legal Defense Fund’s (ALDF’s) Motion to Intervene in an enforcement action against a zoo on the basis that ALDF’s interests were beyond the scope of the proceeding. The Court ruled that, contrary to the Judicial Officer’s decision—which did not identify or address those interests—ALDF’s stated interests in animal welfare and the health and treatment of the zoo’s animals fell within the scope of the proceeding. Additionally, the Court held that the Judicial Officer’s determination did not constitute a blanket prohibition on third-party intervention in violation of the Administrative Procedure Act (APA). The Court remanded the case back to USDA for consideration of the Motion to Intervene in light of this opinion and the factors relevant to third-party intervention under the APA.

**MEMORANDUM OPINION**

**CHRISTOPHER R. COOPER, UNITED STATES DISTRICT JUDGE,  
DELIVERED THE OPINION OF THE COURT.**

The United States Department of Agriculture (“USDA”) is in the midst of an administrative enforcement action against a family-owned zoo in Iowa for alleged violations of the Animal Welfare Act. The Animal Legal Defense Fund (“ALDF”), which has long criticized the zoo’s care and handling of its animals, sought to intervene in that proceeding but was prevented from doing so by the presiding administrative law judge. After the agency Judicial Officer upheld the ALJ’s decision on the grounds that

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the ALDF's stated interests were beyond the scope of the proceeding, ALDF challenged the Judicial Officer's ruling in this Court. It principally contends that the Judicial Officer's decision was contrary to Section 555(b) of the Administrative Procedure Act ("APA"), which allows "interested persons" to participate in agency proceedings "so far as the orderly conduct of public business permits." Both sides now move for summary judgment.

The Court finds that ALDF's demonstrated interest in the welfare of the zoo's animals falls squarely within the scope of the USDA enforcement proceeding. The Judicial Officer's finding to the contrary was therefore arbitrary and capricious under the APA. Because the Judicial Officer did not address whether ALDF's participation would otherwise impede "the orderly conduct of public business," there is no basis in the record to uphold the denial of its motion to intervene under APA Section 555(b). The Court will, accordingly, grant ALDF's motion, vacate the Judicial Officer's ruling, and remand the case to the agency for a more thorough consideration of ALDF's motion in light of factors relevant to third-party participation in agency proceedings under Section 555(b).

### I. Background

The Animal Welfare Act of 1966 ("AWA"), 7 U.S.C. § 2131 *et seq.*, establishes minimum standards for the humane care and treatment of animals that are exhibited to the public. The USDA, through the Animal and Plant Inspection Service ("APHIS"), licenses animal exhibitors under the AWA and enforces compliance with the Act's care and treatment standards. A.R. 4.

The Cricket Hollow Zoo is a family-owned menagerie in Manchester, Iowa. The zoo has custody of some 200 animals, including lions, tigers, and bears. A.R. 74. Since obtaining its exhibitor license from APHIS in 1994, the zoo has had a checkered history of compliance with the AWA. In 2004, APHIS issued an "Official Warning" to the zoo for failing to maintain adequate shelter and wholesome food supplies for its animals. *Id.* at 81. The zoo subsequently paid two separate monetary penalties to settle alleged AWA violations stemming from periodic APHIS inspections. A.R. 5.

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In 2014, ALDF brought separate lawsuits against Cricket Hollow and USDA. The former alleged that the zoo had violated the Endangered Species Act's prohibition on the "taking" of protected animals. *See* Compl., *Kuehl v. Sellner*, 14-cv-2034 (N.D. Iowa June 11, 2014). The suit against USDA challenged AHPIS's continued renewal of Cricket Hollow's exhibitor license in light of the zoo's habitual non-compliance with the AWA. *See* Compl., *ALDF v. Vilsack*, 14-cv-1462 (D.D.C. Aug. 25, 2014). A fellow judge of this Court ultimately resolved that suit in USDA's favor, holding that the agency lawfully adopted and applied a license renewal scheme that does not condition renewal on an exhibitor's compliance with the AWA's animal welfare standards. *See ALDF v. Vilsack*, 169 F.Supp.3d 6, 8 (D.D.C. 2016).<sup>1</sup>

While ALDF's suit against the Department was pending, APHIS initiated the present enforcement action against the zoo. APHIS re-alleged many of the same violations it had previously cited, and further accused the zoo of willfully violating AWA provisions and associated regulations pertaining to veterinary care. A.R. 5. ALDF sought to participate in the enforcement action by offering to provide APHIS attorneys with evidence generated from discovery in ALDF's Endangered Species Act litigation against the zoo. A.R. 121-22. APHIS declined the offer, contending that it was inappropriate given ALDF's pending lawsuit against APHIS over its renewal of Cricket Hollow's license.

Thus rebuffed, ALDF filed a motion to intervene in the enforcement proceeding. A.R. 50. ALDF based its motion on Section 555(b) of the APA, which allows "interested persons" to participate in agency proceedings "so far as the orderly conduct of public business permits." 5 U.S.C. § 555(b). The presiding administrative law judge denied the motion. A.R. 126-27. In a brief opinion, the ALJ noted that the authority to find violations of the AWA and impose appropriate penalties "rests solely with the Secretary [of Agriculture]." *Id.* at 126. Intervention by ALDF, the ALJ continued, "would interfere with that authority." *Id.*

ALDF appealed the ALJ's ruling to USDA's Judicial Officer. In addition to arguing that the ALJ erred in denying intervention under Section 555(b) of the APA, ALDF also maintained that it was entitled to

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<sup>1</sup> That ruling is currently on appeal to the D.C. Circuit.

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intervene under APA Section 554(c)—which permits “interested parties” to intervene in formal agency adjudications—and under USDA’s Rules of Practice Governing Formal Adjudicative Proceedings (“Rules of Practice”). A.R. 132.

The Judicial Officer denied ALDF’s administrative appeal. With respect to intervention under Section 555(b), he ruled that, even assuming ALDF was an “interested person,” its appearance in the proceeding would disrupt “the orderly conduct of public business.” A.R. 216. Echoing the reasoning of the ALJ, the Judicial Officer explained that the purpose of the enforcement proceeding was solely to determine whether the zoo violated the AWA and, if so, what the proper sanction should be. *Id.* ALDF’s “stated interests,” in his view, were “beyond the scope of this proceeding.” *Id.* Moving to intervention under APA § 554(c), the Judicial Officer found that because ALDF was not “entitled as a matter of right to be admitted as a party” to the proceeding, it had not met the APA’s definition of “party,” *see* APA § 551(3), and therefore was not an “interested party” as required for the intervention under Section 554(c). *Id.* at 215. Finally, the Judicial Officer concluded that USDA’s Rules of Practice “do not explicitly provide for intervention by third parties, and the Judicial Officer has long held that [they] do not provide for intervention by third parties.” *Id.* at 217. ALDF then filed suit in this Court challenging the Judicial Officer’s rulings, and both sides now move for summary judgment.

## II. Legal Standards

Summary judgment may be granted if “the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law.” Fed. R. Civ. P. 56(a). A fact is material if it is capable of affecting the outcome of litigation. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 247–48, 106 S. Ct. 2505, 91 L.Ed.2d 202 (1986). A dispute is genuine if the evidence is such that a reasonable jury could return a verdict for the non-moving party. *Id.*

Summary judgment is the proper stage for determining whether, as a matter of law, an agency action is supported by the administrative record and is consistent with the APA. *Richards v. INS*, 554 F.2d 1173, 1177 (D.C. Cir. 1977). The APA provides that “[t]he reviewing court shall ... hold unlawful and set aside agency action, findings, and conclusions found

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to be arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with the law....” 5 U.S.C. § 706(2)(A). Arbitrary and capricious review is “narrow.” *Citizens to Preserve Overton Park, Inc. v. Volpe*, 401 U.S. 402, 416, 91 S. Ct. 814, 28 L.Ed.2d 136 (1971). The Court is not to “substitute its judgment for that of the agency.” *Motor Vehicle Mfrs. Ass’n of U.S., Inc. v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 43, 103 S. Ct. 2856, 77 L.Ed.2d 443 (1983). Rather, the Court must determine whether the agency “examine[d] the relevant data and articulate[d] a satisfactory explanation for its action including a rational connection between the facts found and the choice made.” *Id.* But even if the agency did not fully explain its decision, the Court may uphold it “if the agency’s path may reasonably be discerned.” *Bowman Transp., Inc. v. Arkansas–Best Freight System, Inc.*, 419 U.S. 281, 285–86, 95 S. Ct. 438, 42 L.Ed.2d 447 (1974). The Court’s review is limited to the administrative record, *Holy Land Found. For Relief and Dev. v. Ashcroft*, 333 F.3d 156, 160 (D.C. Cir. 2003), and the party challenging an agency’s action bears the burden of proof, *City of Olmsted Falls v. Fed. Aviation Admin.*, 292 F.3d 261, 271 (D.C. Cir. 2002).

### III. Discussion

ALDF’s summary judgment motion challenges the Judicial Officer’s decision as arbitrary and capricious and contrary to law under Section 706(2) of the APA. The organization advances three primary arguments in support of its motion: First, ALDF maintains that it is an “interested person” under APA § 555(b), and that the Judicial Officer erred in finding that its participation under § 555(b) would disrupt the orderly conduct of public business. Second, it argues that the Judicial Officer incorrectly applied the APA’s definition of “party” in concluding that ALDF could not intervene as an “interested party” under APA § 554(c). Finally, it asserts that the Judicial Officer’s observation that it “has long held that [USDA’s] Rules of Practice do not provide for intervention by third parties” amounted to an impermissible “categorical ban on third party participation” in USDA proceedings. Pl.’s Mem. Supp. Mot. Summ. J. (“MSJ”) 4.

#### A. Section 555(b)

Section 555(b) of the APA is the provision most frequently invoked by

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third parties seeking to participate in agency proceedings. *See* Jeffrey D. Litwack, *A Guide to Federal Agency Adjudication* 73 (2d ed. 2012). It provides that “[s]o far as the orderly conduct of public business permits, an *interested person* may appear before an agency or its responsible employees for the presentation, adjustment, or determination of an issue, request, or controversy in a proceeding, whether interlocutory, summary, or otherwise, or in connection with an agency function.” 5 U.S.C. § 555(b) (emphasis added). Section 555(b) applies to “all forms of agency action.” *Friends of the Bow v. Thompson*, 124 F.3d 1210, 1220 (10th Cir. 1997); *see also Block v. S.E.C.*, 50 F.3d 1078, 1085 (D.C. Cir. 1995) (“[Section] 555(b) is universally understood to establish the right of an interested person to participate in an on-going agency proceeding.”).

The APA does not define the term “interested person.” The D.C. Circuit has held that an individual or organization with standing to seek judicial review of an agency’s decision “clearly qualifies as an ‘interested person’ who normally may intervene in the administrative proceeding.” *Nichols v. Bd. of Trustees of Asbestos Workers Local 24 Pension Plan*, 835 F.2d 881, 896 (D.C. Cir. 1987). But Article III standing is not required. “Federal agencies may, and sometimes do, permit persons to intervene in administrative proceedings even though these persons would not have standing to challenge the agency’s final action in federal court.” *Envirocare of Utah, Inc. v. Nuclear Regulatory Comm’n*, 194 F.3d 72, 74 (D.C. Cir. 1999); *see also id.* (“Agencies, of course, are not constrained by Article III of the Constitution; nor are they governed by judicially-created standing doctrines restricting access to federal courts. The criteria for establishing ‘administrative standing’ therefore may permissibly be less demanding than the criteria for ‘judicial standing.’”) (citations omitted).

A lower threshold for participation under § 555(b) comports with “the important role played by citizens['] groups in ensuring compliance with the statutory mandate that [agency proceedings] serve the public interest.” *Bilingual Bicultural Coalition on Mass Media, Inc. v. FCC*, 595 F.2d 621, 624 n.4 (D.C. Cir. 1978). Indeed, the D.C. Circuit has recognized that intervenors representing the public interest “must not be treated as interlopers.” *Id.* (quoting *Office of Communication of the United Church of Christ v. F.C.C.*, 425 F.2d 543, 546 (D.C. Cir. 1969)). Because nearly every agency decision—including those made by the agency in individual adjudications—implicates public policy, broad participation in agency



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proceedings, and thus a more expansive interpretation of “interested person” in § 555(b), is often necessary. *See* Charles H. Koch Jr., *Administrative Law and Practice* § 5.20 (3d ed. 2010).

The Judicial Officer assumed that ALDF was an “interested person” for purposes of his decision, but did not make that finding explicitly. A.R. 216. ALDF refers to itself as “a national non-profit organization dedicated to protecting animals, including animals exhibited by zoos and menageries.” A.R. 50 (“ALDF Mot. Intervene”). The organization further contends that it “has a longstanding interest in the problem of captive animal mistreatment at roadside zoos, generally, and specifically at Cricket Hollow Zoo.” *Id.* at 55. ALDF also represents that it “has spent extensive time, money, and other resources” on lawsuits against the Cricket Hollow Zoo and the USDA. *Id.* at 55; Compl., *ALDF v. Vilsack*, 14-cv-1462 (D.D.C. Aug. 25, 2014) (alleging that USDA’s renewal of the zoo’s license violated the AWA); Compl., *Kuehl v. Sellner*, 14-cv-2034 (N.D. Iowa June 11, 2016) (alleging that the zoo’s treatment of animals violated the Endangered Species Act). Based on these uncontested representations, the Court easily finds that ALDF qualifies as an “interested person” under § 555(b).

But as the preamble to § 555(b) suggests, agencies have broad discretion to limit the participation of interested individuals and organizations in agency proceedings. Even if ALDF qualifies as an “interested person,” it “had a right to intervene only if [its] participation in the administrative process dovetailed with the ‘orderly conduct of public business.’ ” *Nichols*, 835 F.2d at 897 (quoting 5 U.S.C. § 555(b)). Courts have interpreted this qualifying language as “accord[ing] agencies broad discretion in fashioning rules to govern public participation.” *Id.* Indeed, many agencies have adopted rules governing third-party intervention. *See, e.g.*, 49 C.F.R. § 1113.7 (Surface Transportation Board rule providing that “[l]eave to intervene will be granted only when the [would-be intervenor] addresses issues reasonably pertinent to the issues already presented and which do not unduly broaden them”). USDA, however, appears not to have promulgated any such rules, and as the Judicial Officer noted, its Rules of Practice are silent on intervention governing formal adjudications. A.R. 217. Thus, ALDF’s right to participate here is governed by § 555(b) itself and cases interpreting it, rather than by agency regulations or guidance.

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When considering requests to intervene under § 555(b), courts “have for the most part permitted denials [of intervention] ... when, for example, other parties to the proceeding adequately represent the would-be intervenor’s viewpoint or intervention would broaden unduly the issues considered, obstruct or overburden the proceedings, or fail to assist the agency’s decisionmaking.” *Nichols*, 835 F.2d at 897. The D.C. Circuit has cautioned, however, that “[a]s a general rule ... courts will not rubberstamp a challenged denial based merely upon an assertion of justification, especially if the agency contends simply that intervention would prove impermissibly dilatory or burdensome.” *Id.* The agency must refrain from employing its discretion “in an unreasonably overbroad or otherwise arbitrary manner.” *Id.*

Again, the Judicial Officer found that ALDF’s participation in the Cricket Hollow proceeding would “disrupt the orderly conduct of public business.” A.R. 216. The sole reason offered for that conclusion was that “[ALDF]’s stated interests ... are beyond the scope of [the] proceeding.” *Id.* That a third-party’s interests exceed the scope of the relevant proceeding is a valid ground for denying intervention. *See Nichols*, 835 F.2d at 897. The question here, however, is whether the Judicial Officer’s finding in that regard is supported by the record that was before him. The Judicial Officer did not identify what ALDF’s “stated interests” were in the Cricket Hollow enforcement action. But ALDF’s Motion to Intervene revealed at least three.

First, ALDF sought to intervene to compel the agency to rescind the zoo’s exhibitor license due to its repeated violations of the AWA’s animal welfare standards. A.R. 51–53 (“Mot. Intervene”). As noted above, however, USDA maintained the position that its regulatory scheme for renewing licenses, which does not require a zoo to comply with the AWA, was permissible under the AWA—a view that has since been vindicated by a federal court. *ALDF v. Vilsack*, 169 F.Supp.3d 6, 17 (D.D.C. 2016). The administrative renewal of the zoo’s license was thus indeed beyond the scope of the enforcement proceeding.

But ALDF also identified two other interests in the proceeding, namely a general interest in animal welfare and a specific interest in the health and treatment of the animals at the Cricket Hollow Zoo. A.R. 55 (“Mot.

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Intervene”). These combined interests, which the agency does not dispute, appear to be squarely implicated by the enforcement proceeding. They would be impaired if APHIS failed to prove the alleged violations or negotiated a settlement that did not provide for the adequate care of the zoo’s animals, or if the ALJ imposed a penalty that did not sufficiently sanction the zoo’s conduct. The Judicial Officer’s failure to identify, let alone consider, this rather obvious alignment of interests was arbitrary and capricious.

Having found that ALDF’s interests were beyond the scope of the proceeding, the Judicial Officer had no occasion to analyze whether the organization’s participation would otherwise impede “the orderly course of public business.” As discussed above, courts and commentators have identified a range of factors that agencies typically consider in making that determination, including: the nature of the contested issues; the prospective intervenor’s precise interest; the adequacy of representation provided by the existing parties to the proceeding; the ability of the prospective intervenor to present relevant evidence and argument; the burden that intervention would place on the proceedings; and the effect of intervention on the agency’s mandate. *See Nichols*, 835 F.2d at 897; *Koch*, *supra*, at § 5.20.

Several of these considerations appear relevant here. As an individualized enforcement action against a single respondent, the nature of the proceeding is more targeted in nature than, say, a formal rulemaking or licensing proceeding that affects a wide range of consumers and competitors. As the ALJ noted, the purpose of such proceedings is simply to determine whether the respondent violated the law and, if so, what remedy should follow. The usefulness of appearances by third parties to weigh in on the broader economic or policy implications of the agency’s action is limited. Yet, there may be occasions where a third party can offer relevant evidence as to liability or expertise with respect to appropriate remedies, as ALDF claims is the case here.

Relatedly, agencies themselves are usually best equipped to enforce their own regulations. When that is so, it may be that the agency can adequately represent the interests of would-be intervenors. The Government devotes considerable attention in its briefs before this Court trying to debunk ALDF’s contention that APHIS has failed to vigorously

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enforce the AWA's animal care standards against the zoo in the past and, therefore, cannot be trusted to do so in the present enforcement proceeding. The Government may be correct. But the ALJ or Judicial Officer should consider that issue in the first instance.

Finally, the agency should consider the extent to which ALDF's participation would assist its decision making. ALDF contends, for example, that it has helpful evidence concerning the nature of the zoo's handling of animals, which agency lawyers rejected, and can provide useful input on fashioning an appropriate remedy for any violations found. ALDF's input might well be original and beneficial. On the other hand, it might be entirely duplicative of the agency's existing evidence and remedial capabilities. But it is not a priori "irrelevant" as the ALJ found in denying ALDF's motion to intervene. A.R. 126–27.

It bears repeating that participation in agency proceedings under Section 555(b) does not necessarily entail full-fledged party intervention. Rather, agencies have ample "authority to shape the manner in which intervenors will participate." *Nichols*, 835 F.2d at 897 n.115. Should the agency here find that some degree of participation by ALDF would be consistent with the "orderly conduct of public business," it may reasonably limit and direct the manner of that participation in consideration of all relevant factors.

Accordingly, the Court will vacate the Judicial Officer's ruling and remand the case to the agency for consideration of ALDF's motion in light of factors relevant to participation under APA § 555(b).

### B. APA Section 554(c)

APA Section 554(c), which applies only to formal adjudications, provides:

The agency shall give all interested parties opportunity for—the submission and consideration of facts, arguments, offers of settlement, or proposals of adjustment when time, the nature of the proceeding, and the public interest permit; and to the extent that the parties are unable so to determine a controversy by consent,

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hearing and decision on notice and in accordance with sections 556 and 557 of this title.

5 U.S.C. § 554(c). ALDF contends in its summary judgment motion that the Judicial Officer erred in finding that it did not qualify as an “interested party” entitled to intervene under APA § 554(c). Pl.’s MSJ 25–26. Even though APHIS enforcement proceedings have all the hallmarks of formal adjudication, the government takes the position in its cross-motion for summary judgment that Section 554(c) does not apply to enforcement proceedings under the AWA because the statute does not *require* USDA to conduct formal adjudications. Def.’s CMSJ 16–17.<sup>2</sup> Accepting that proposition in its Reply brief, ALDF invites the Court to “decide the intervention issue solely on the basis of section 555(b) and whether ALDF sufficiently qualifies as an ‘interested person.’” Pl.’s Reply 13. Accordingly, the Court need not consider the Judicial Officer’s determination that ALDF is not an “interested party” under Section 554(c).

C. The Judicial Officer’s Interpretation of the USDA Rules of Practice

Finally, ALDF challenges the Judicial Officer’s determination that ALDF could not intervene under the USDA Rules of Practice. *See* Pl.’s MSJ 30. ALDF argues that the Judicial Officer’s finding constitutes an unlawful blanket prohibition on third-party participation in USDA proceedings, in violation of sections 554(c) and 555(b). Courts have indeed interpreted these provisions to prevent an agency from imposing a “flat ban” on third-party participation in agency proceedings. *See Nichols*, 835 F.2d at 898. But the Judicial Officer’s interpretation of the Rules of Practice does no such thing. As USDA observes, the Judicial Officer only addressed the Rules of Practice because ALDF had argued that they provide a separate basis for intervention, *in addition to* sections 554(c) and 555(b) of the APA. A.R. 148–49. The Judicial Officer disagreed, noting that “while the Rules of Practice do not explicitly foreclose intervention, [they] do not explicitly provide for intervention by third parties, and the Judicial Officer has long held that [they] do not provide for intervention by third parties.” A.R. 217. Facially, at least, this statement is not an outright ban because it was directed to ALDF’s alternative argument that

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<sup>2</sup> The Court takes no position on this issue, the resolution of which is not self-evident.

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intervention was permitted under the Rules. In other words, even if the Rules of Practice do not allow for third-party intervention, a third party can still participate under sections 554(c) and 555(b) so long as the would-be intervenor meets the requirements of those provisions. In this case, the Judicial Officer appears to have considered each ground for relief separately. *See* A.R. 218 (“[T]he Administrative Procedure Act does not require that the Chief ALJ allow the Animal Legal Defense Fund to intervene in this proceeding and neither the Animal Welfare Act nor the Rules of Practice provide for intervention.”). Thus, the Court construes the Judicial Officer’s opinion not as a flat ban on third-party participation, but rather as an application of the relevant statutory standards to this specific case. The Court therefore holds that this finding was not arbitrary, capricious, or contrary to law.

### IV. Conclusion

For the foregoing reasons, the Court will grant ALDF’s Motion for Summary Judgment and deny USDA’s Cross-Motion for Summary Judgment. The Court hereby vacates the Judicial Officer’s decision, and remands the case back to USDA for further consideration of ALDF’s Motion to Intervene consistent with this opinion.

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**PEOPLE FOR THE ETHICAL TREATMENT OF ANIMALS v.  
USDA.  
No. 16-2029.  
Court Opinion.  
Decided June 28, 2017.**

**AWA – Enforcement – Exhibitors – License renewal.  
Administrative procedure – *Chevron* deference.**

[Cite as: 861 F.3d 502 (4th Cir. 2017)].

**United States Court of Appeals,  
Fourth Circuit.**

The Court affirmed the ruling of the district court, holding that USDA’s license renewal process for animal exhibitors—which allows a licensee to renew his or her license despite

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noncompliance with the Animal Welfare Act (AWA)—is permissible under the Administrative Procedure Act (APA). The Court found that USDA was entitled to *Chevron* deference and ruled that, because the AWA does not directly address license renewal yet expressly authorizes USDA to promulgate renewal standards, its interpretation of the renewal process was reasonable.

**OPINION**

**STEPHANIE DAWN THACKER, UNITED STATES CIRCUIT JUDGE,**  
WROTE THE OPINION OF THE COURT, IN WHICH JUDGE J. HARVIE  
WILKINSON AND JUDGE BARBARA MILANO KEENAN JOINED.

People for the Ethical Treatment of Animals (“PETA”) challenges the license renewal process for animal exhibitors promulgated by the United States Department of Agriculture (“USDA”), through which the USDA may renew such license despite a licensee’s noncompliance with the Animal Welfare Act (“AWA” or “the Act”). PETA argues that such renewal process undermines a key purpose of the Act, that is, ensuring the humane treatment of animals. The district court granted the USDA’s Rule 12(c) motion for judgment on the pleadings, concluding that the USDA’s interpretation was owed deference under *Chevron, U.S.A., Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837, 104 S. Ct. 2778, 81 L.Ed.2d 694 (1984). Because the AWA does not directly address license renewal but does expressly authorize the USDA to promulgate and implement its own renewal standards, we affirm.

**I.**

PETA sued the USDA and Tom Vilsack<sup>1</sup> in his official capacity as Secretary of the USDA under the Administrative Procedure Act (“APA”). PETA alleges that the USDA has a “policy, pattern, and practice of rubber-stamping ... license renewal applications” of applicants that the USDA cites for violating the AWA, some only days before renewing their licenses. J.A. 5.<sup>2</sup> Specifically, PETA highlights certain entities and

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<sup>1</sup> Tom Vilsack resigned in January 2017 as Secretary of the USDA. Sonny Perdue is the current Secretary of the USDA. The Act authorizes the Secretary of Agriculture, who falls within the USDA, to administer the Act. *See* 7 U.S.C. §§ 2132(b), 2151. For ease of reference, citations to “USDA” herein will encompass both the USDA and the Secretary.

<sup>2</sup> Citations to the “J.A.” refer to the Joint Appendix filed by the parties in this appeal.

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individuals (collectively, “Exhibitors”)<sup>3</sup> that obtained license renewals despite violating the AWA.<sup>4</sup>

As part of its mission to protect animals from “abuse, neglect, and cruelty,” PETA asserts that it has spent resources (1) sending its members to document animal conditions at Exhibitors’ facilities; (2) submitting violation reports to the USDA; and (3) disseminating information about the violations through its website, publications, and other media. J.A. 9. PETA further asserts that by renewing Exhibitors’ licenses despite their alleged repeated violations, the USDA “causes PETA to spend additional resources monitoring, documenting, and addressing the unlawful licensing decision and the inhumane conditions at the applicants’ facilities.” *Id.* As a result, PETA seeks (1) a declaratory judgment that the USDA’s renewal policy—both facially and as applied to Exhibitors—violates the APA; (2) a permanent injunction enjoining the USDA from implementing their renewal process; (3) nullification of the Exhibitors’ license renewals; and (4) reasonable attorney’s fees and costs. *See id.* at 40.

The district court granted the USDA’s motion for judgment on the pleadings. *See People for the Ethical Treatment of Animals, Inc. v. United States Dep’t of Agric.*, 194 F.Supp.3d 404, 407 (E.D.N.C. 2016). In doing so, the district court first determined that the AWA only addressed license issuance, not license renewal, which is at issue here. *See id.* at 413. The district court next concluded that the USDA’s renewal process was based on a permissible construction of the AWA because the AWA itself authorized the USDA to regulate licensing, including renewal. *See id.* at

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<sup>3</sup> The Exhibitors are Summer Wind Farm Sanctuary, the Mobile Zoo, Tri-State Zoological Park, Henry Hampton, and Michael Todd. *See* Appellant’s Br. 25; *see also* J.A. 6, 17-37.

<sup>4</sup> The descriptions of past violations by other entities—though not the Exhibitors here—are particularly disturbing. For example, a USDA-licensed puppy mill was cited for “having a dog with no teeth, his or her jaw bone partially missing with the bone exposed,” and more disturbingly, having “seven dead puppies scattered on the ground at the facility.” Brief for The Humane Society of the United States as Amici Curiae Supporting Appellant at 7. Even worse, a dog kennel passed inspection from May 2007 to the present despite having over 100 hundred pages of violations, including “emaciated dogs whose ribs, vertebrae and hip bones were protruding; dogs with wounds and lesions (some of which were red and oozing), dental disease, eye infections (some so severe that the dogs’ eyes were matted shut with discharge), and injured limbs; and dogs and puppies living in 100-degree temperatures who exhibited clear signs of heat stress, including total non-responsiveness.” *Id.* at 8. In fact, at this same kennel, some of the dogs were so ill that they had to be euthanized. *See id.* at 9.



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414–15. PETA timely appealed.

**II.**

**A.**

We review de novo the district court’s ruling on a motion for judgment on the pleadings under Rule 12(c), *see Butler v. United States*, 702 F.3d 749, 751–52 (4th Cir. 2012), applying the standard for a motion under Rule 12(b)(6)—that is, such a motion should “only be granted if, after accepting all well-pleaded allegations in the plaintiff’s complaint as true and drawing all reasonable factual inferences from those facts in the plaintiff’s favor, it appears certain that the plaintiff cannot prove any set of facts in support of his claim entitling him to relief,” *Edwards v. City of Goldsboro*, 178 F.3d 231, 244 (4th Cir. 1999).

**B.**

This case tasks us with examining an “agency’s construction of the statute which it administers.” *Chevron*, 467 U.S. at 842, 104 S. Ct. 2778. As a result, we implement the familiar framework established under *Chevron*. *See City of Arlington v. F.C.C.*, — U.S. —, 133 S. Ct. 1863, 1868, 185 L.Ed.2d 941 (2013); *Am. Online, Inc. v. AT & T Corp.*, 243 F.3d 812, 817 (4th Cir. 2001). At its core, that framework operates as a tool of statutory construction whereby we give plain and unambiguous statutes their full effect; but, where a statute is either silent or ambiguous, we afford deference “to the reasonable judgments of agencies with regard to the meaning of ambiguous terms [or silence] in statutes that they are charged with administering.” *Smiley v. Citibank (South Dakota), N.A.*, 517 U.S. 735, 739, 116 S. Ct. 1730, 135 L.Ed.2d 25 (1996). *Chevron* deference provides that “any ensuing regulation” related to the ambiguity or silence “is binding in the courts unless procedurally defective, arbitrary or capricious in substance, or manifestly contrary to the statute.” *United States v. Mead Corp.*, 533 U.S. 218, 227, 121 S. Ct. 2164, 150 L.Ed.2d 292 (2001). This deference is rooted in the widely understood notions that the “well-reasoned views of the agencies implementing a statute constitute a body of experience and informed judgment to which courts and litigants may properly resort for guidance,” *Bragdon v. Abbott*, 524 U.S. 624, 642, 118 S. Ct. 2196, 141 L.Ed.2d 540 (1998) (internal quotation marks

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omitted), as well as the fact that “Congress knows to speak in plain terms when it wishes to circumscribe, and in capacious terms when it wishes to enlarge, agency discretion.” *City of Arlington*, 133 S. Ct. at 1868.

Nonetheless, *Chevron* deference is not a given. Indeed, an agency must meet certain threshold procedural requirements before courts may address *Chevron* deference, particularly notice-and-comment rulemaking. See *Encino Motorcars, LLC v. Navarro*, — U.S. —, 136 S. Ct. 2117, 2124–2126, 195 L.Ed.2d 382 (2016) (“When Congress authorizes an agency to proceed through notice-and-comment rulemaking, that relatively formal administrative procedure is a very good indicator that Congress intended the regulation to carry the force of law, so *Chevron* should apply.... But *Chevron* deference is not warranted where ... the agency errs by failing to follow the correct procedures in issuing the regulation” (internal quotation marks omitted)). If such procedural requirements are met, then we engage in a two part inquiry to determine whether *Chevron* deference applies. First, we must ascertain whether Congress has “directly spoken to the precise question at issue”; if Congress has done so, that ends the inquiry. *Chevron*, 467 U.S. at 842, 104 S. Ct. 2778; see *Am. Online, Inc.*, 243 F.3d at 817. In assessing whether Congress has spoken to the issue, “we focus purely on statutory construction without according any weight to the agency’s position,” relying on the plain language of the statute as the “most reliable indicator of Congressional intent.” *Sijapati v. Boente*, 848 F.3d 210, 215 (4th Cir. 2017) (internal quotation marks and citation omitted). But, if Congress has not addressed the question, we must then determine “whether the agency’s answer is based on a permissible construction of the statute,” *id.* at 843, 104 S. Ct. 2778, that is, whether (1) the agency promulgated its interpretation via notice-and-comment rulemaking or formal adjudication, see *Christensen v. Harris Cty.*, 529 U.S. 576, 587, 120 S. Ct. 1655, 146 L.Ed.2d 621 (2000); and (2) its “interpretation is reasonable,” *Piney Run Pres. Ass’n v. Cty. Comm’rs*, 268 F.3d 255, 267 (4th Cir. 2001).

### III.

#### A.

To say, as PETA asserts, that the USDA did not promulgate its interpretation via notice-and-comment, and more generally, did not

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adequately consider the issue of renewals is belied by the record. Indeed, the record here demonstrates that the USDA consistently engaged in notice-and-comment rulemaking with regard to issuing and renewing licenses.

For example, in 1995, the USDA engaged in notice-and-comment rulemaking regarding its license renewal process, and one commenter specifically questioned the renewal application's certification of compliance, suggesting that simply certifying compliance "would be ineffective" in ensuring actual compliance by a licensee. Animal Welfare, Licensing and Records, 60 Fed. Reg. 13,893, 13,894 (Mar. 15, 1995). The USDA responded that though licensees certify their compliance during renewal, the certification does not "take the place of inspections" by the USDA. *Id.* And during this same notice-and-comment period, the USDA received additional comments related to altering its renewal process. The USDA considered and responded to each comment. *See id.* at 13,893–13,894.

More recently, in 2000, the USDA began a notice-and-comment period that culminated in a final ruling in 2004. Toward that end, "[the USDA] published in the Federal Register ... a proposal to amend the regulations by revising and clarifying ... the procedures for applying for licenses and renewals." Animal Welfare, Inspection, Licensing, and Procurement of Animals, 69 Fed. Reg. 42,089, 42,089 (July 14, 2004). The USDA "solicited comments concerning [its] proposal for 60 days ending on October 3, 2000," and at "the request of several commenters, [ ] extended the comment period to November 20, 2000," and ultimately received 395 comments. *Id.* During the notice-and-comment period, a commenter questioned the renewal process, suggesting that the USDA should deny renewal unless the subject licensee "was inspected and found compliant just prior to the renewal date." *See id.* at 42,094. The USDA responded to the comment in its 2004 final ruling, stating that it enforces the AWA through "random, unannounced inspections to determine compliance," and that after inspections, "all licensees are given an appropriate amount of time to correct any problems and become compliant." *Id.* Based on its enforcement methods and the nature of citations, the USDA concluded, "[i]t is unrealistic and counterproductive to make license renewal contingent on [the applicant] having [no] citations." *Id.* The USDA thus declined to alter its renewal process. *See id.*

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Nonetheless, PETA urges us to discount the USDA's response in its 2004 final ruling, arguing that the response was posted in a final ruling, and so provided an insufficient opportunity for public comment. But this position ignores the full scope of the notice-and-comment proceedings. The 2004 final ruling was based on a notice-and-comment period spanning four years, beginning in 2000. As indicated in the 2004 final ruling, the USDA accepted a wide array of comments, some related to the proposed changes and others unrelated. In fact, the USDA specifically considered the alternative renewal process for which PETA argues today—that renewal should be denied unless a licensee passes inspection at the time of renewal—but determined that the proposed change would be “unrealistic and counterproductive” to its enforcement efforts. *Animal Welfare, Inspection, Licensing, and Procurement of Animals*, 69 Fed. Reg. 42,089, 42,089 (July 14, 2004).

### B.

#### *Chevron*: Step One

Because the USDA has properly engaged in notice-and-comment rulemaking, we turn to the first step of *Chevron*, which requires us to determine if Congress has spoken to the issue of whether the USDA may renew a license even though the licensee has violated the Act or the USDA's regulations.

#### 1.

Congress passed the AWA in 1966 to regulate the research, exhibition, and sale of animals, as well as to assure their humane treatment. *See* 7 U.S.C. § 2131. The USDA is authorized to promulgate rules and regulations as to those matters. *See id.* § 2151; *see also* § 2143(a)(1)–(2). An animal exhibitor must obtain a license from the USDA. *See id.* § 2134. Per the AWA, the USDA “shall issue licenses ... in such form and manner as [the USDA] may prescribe and upon payment of such fee,” but not until the licensee demonstrates that “his facilities comply with the standards promulgated” by the USDA. *Id.* § 2133. Pursuant to the standards promulgated by the USDA, an initial license requires applicants to (1) be 18 years of age or older, *see* 9 C.F.R. § 2.1(a)(1); (2) apply using a

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particular form and file it with the appropriate personnel, *see id.*; (3) pay an application fee, *see id.* § 2.6(a); and (4) acknowledge receipt of and agree to comply with the USDA's regulations and standards, *see id.* § 2.2(a). Applicants for initial licenses must also be inspected and demonstrate compliance before such license will be issued. *See id.* § 2.3(b).

The USDA also has discretion to investigate or inspect a licensee's facilities as it "deems necessary" for violations of the AWA or USDA regulations. 7 U.S.C. § 2146(a). Any interested person may notify the USDA about suspected violations of the AWA as long as he or she is not a party to "any proceeding which may be instituted" as a result of that notification. 7 C.F.R. § 1.133(a)(4); *see id.* § 1.133(a)(1), (3). The USDA has discretion to investigate those suspected violations. *See id.* § 1.133(a)(3). If the USDA believes a licensee has violated the AWA or its regulations, then it may suspend the license for up to 21 days, and may, after notice and an opportunity to be heard, suspend the license for a period greater than 21 days or revoke the license. *See* 7 U.S.C. § 2149(a).

An application to renew a license must be filed within 30 days prior to the license expiration date. *See* 9 C.F.R. § 2.7(a). To achieve renewal, an applicant must satisfy three administrative requirements promulgated by the USDA: (1) file an annual report indicating the number of exhibited animals the applicant owns or leases, *see id.* § 2.7(a), (d); (2) pay an annual license fee, *see id.* § 2.1(d)(1); and (3) certify "by signing the application form that, to the best of the [applicants'] knowledge and belief, [they are] in compliance with the regulations and agree[ ] to continue" to so comply, *id.* § 2.2(b). Of note, proof of actual compliance is not necessary for license renewal. *See id.*

2.

PETA argues that the USDA's interpretation of the AWA to renew licenses despite outstanding violations of the Act at the time of renewal should not receive *Chevron* deference because the term "issue," as used in § 2133, encompasses both license issuance *and* renewal; therefore, Congress has directly addressed whether the USDA may renew a license despite recent violations. If PETA's position is correct, then licensees would have to demonstrate that their facilities "comply with the standards

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promulgated” by the USDA not only at the time a license is issued, but also at the time of renewal. 7 U.S.C. § 2133. Thus, PETA argues that because Congress has directly spoken to the issue of renewal, our inquiry should end, and we should conclude that the USDA’s renewal of Exhibitors’ licenses despite their alleged noncompliance violates § 2133.

3.

PETA’s argument cuts against principles of statutory construction. To begin, as a basic principle, we look to the statutory text, and absent a different definition, we interpret statutory terms “in accordance with their ordinary meaning.” *Sebelius v. Cloer*, — U.S. —, 133 S. Ct. 1886, 1893, 185 L.Ed.2d 1003 (2013). Here, the word “renew” does not appear in the AWA but the word “issue” does, though it is undefined. But the plain meaning of each of these terms leads to the conclusion that the term “issue” does not encompass “renew” as used in the AWA. *See Animal Legal Def. Fund v. United States Dep’t of Agric.*, 789 F.3d 1206, 1216 (11th Cir. 2015) (using Webster’s Dictionary while examining the AWA to find that “issue” is defined as “to come out, go out” and renew is defined as “to make new again, to restore fullness or sufficiency” (internal quotation marks omitted)).

4.

PETA also looks to the USDA regulatory actions, particularly those promulgated in 1989, to argue that we need not proceed to step two of *Chevron*. In particular, PETA contends that the USDA at one point supported PETA’s argument that the term “issue” applies to both license issuance and renewal. Before 1989, 9 C.F.R. § 2.3(a) stated, “Each applicant must demonstrate that his or her premises ... comply with the regulations and standards set forth in parts 2 and 3 of this subchapter *before a license will be issued*” (emphasis supplied). In a proposed rule filing, the USDA stated that it planned to revise § 2.3(a) by removing the words “ ‘before a license will be issued’ from the requirement because it applies to both initial licenses and license renewals.” *Animal Welfare*, 54 Fed. Reg. 10835, 10840 (Mar. 15, 1989). PETA latches onto this language to argue that Congress intended 7 U.S.C. § 2133 of the AWA to apply to both issuance and renewal.

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PETA overstates the significance of this point. Critically, the relevant language of 7 U.S.C. § 2133 of the AWA has remained the same since 1966. *See* Pub. L. No. 89-544, § 3, 80 Stat. 350, 351 (1966) (containing the same text without mention of renewal). And nothing in the regulatory activity cited by PETA limits or modifies the broad discretion granted to the USDA in implementing the AWA, thus reinforcing an apparent intent to authorize the USDA to develop appropriate licensing procedures as it sees fit.

C.

*Chevron*: Step Two

Given the plain language of the AWA, it is clear that it does not specifically address the renewal question at issue here. The Act is not only silent as to renewal, but is also ambiguous as to whether the term “issue” refers to license issuance and renewal. As a result, we move to step two of the *Chevron* analysis—whether the USDA’s interpretation of the renewal process is a permissible one.

A permissible interpretation is one that an agency has promulgated through notice-and-comment rulemaking or formal adjudication, and is one that is reasonable. *See Christensen v. Harris Cty.*, 529 U.S. 576, 587, 120 S. Ct. 1655, 146 L.Ed.2d 621 (2000); *Piney Run Pres. Ass’n v. Cty. Comm’rs*, 268 F.3d 255, 267 (4th Cir. 2001). Whether the USDA’s interpretation here is reasonable requires us to determine whether the USDA’s “understanding” of the AWA “is a sufficiently rational one to preclude a court from substituting its judgment” for that of the agency. *Chem. Mfrs. Ass’n v. Nat. Res. Def. Council, Inc.*, 470 U.S. 116, 125, 105 S. Ct. 1102, 84 L.Ed.2d 90 (1985). Critically, we are also mindful that “a very good indicator of delegation meriting *Chevron* treatment [is] express congressional authorizations to engage in the process of rulemaking or adjudication that produces regulations or rulings for which deference is claimed.” *United States v. Mead Corp.*, 533 U.S. 218, 229, 121 S. Ct. 2164, 150 L.Ed.2d 292 (2001).

*Reasonable Interpretation*

Having determined that the USDA’s interpretation of the renewal

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process was promulgated via notice-and-comment rulemaking, we turn to whether that interpretation is reasonable. As previously stated, the reasonableness inquiry requires us to determine whether the USDA's "understanding" of the AWA "is a sufficiently rational one to preclude a court from substituting its judgment" for that of the agency. *Chem. Mfrs. Ass'n*, 470 U.S. at 125, 105 S. Ct. 1102. In this regard, we are mindful that, pursuant to § 2151, Congress has expressly delegated the authority to interpret the AWA to the USDA. As a result, we afford the USDA interpretation controlling weight unless it is arbitrary, capricious, or manifestly contrary to the statute. *See Chevron*, 467 U.S. at 843–44, 104 S. Ct. 2778; *see also Mead Corp.*, 533 U.S. at 229, 121 S. Ct. 2164. Therefore, we examine whether the USDA's construction of the AWA is reasonable given the policies that the AWA commits to the care of the USDA. If they are reasonable, we "should not disturb [the USDA's interpretation] unless it appears from the statute or its legislative history that the [interpretation] is not one that Congress would have sanctioned." *Chevron*, 467 U.S. at 845, 104 S. Ct. 2778 (quotation marks omitted); *see also Knox Creek Coal Corp. v. Sec'y of Labor*, 811 F.3d 148, 158–59 (4th Cir. 2016).

PETA questions the reasonableness of the USDA's interpretation, contending that the licensing regime undermines the purpose of the AWA to ensure the humane treatment of animals. According to PETA, any infraction at the time of renewal should result in license denial, if not revocation. PETA's premise is that renewal must be conditioned upon full compliance. This argument falls short on two fronts.<sup>5</sup>

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<sup>5</sup> PETA also argues that we should not defer to this interpretation because the USDA allegedly took inconsistent positions in prior litigation. PETA relies on two prior cases: (1) *Ray v. Vilsack*, No. 5:12-cv-212, 2013 WL 5561255 (E.D.N.C. Oct. 8, 2013); and (2) *Animal Legal Def. Fund*, 789 F.3d at 1221. In *Ray*, while discussing § 2133, PETA claims that the USDA stated the Act was ambiguous as to "how an applicant for renewal may demonstrate compliance with the AWA." Appellant's Br. 14. PETA interprets that statement to mean the USDA conceded that § 2133 applies to both issuance and renewal. *See id.* at 13. However, that statement by the USDA was made in a reply brief supporting its motion to dismiss and in the context of discussing whether the renewal process is subject to judicial review. In *Animal Legal Def. Fund*, PETA claims that a USDA official sent a letter about why the USDA renewed an animal exhibitor's license despite violations. The letter allegedly stated that the USDA renewed the license because it found the animal exhibitor was "in compliance with the regulations and standards, and none of the other criteria for a license denial under [9 C.F.R. §§ ]2.11 or 2.12 are applicable." *Id.* at 16. PETA believes the USDA "appeared to acknowledge that before renewing a license it



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1.

*Enforcement of the Act*

First, on the enforcement front, PETA's proposed interpretation could actually result in a more inhumane renewal regime. The USDA conducts spot checks of licensees throughout the year. This encourages year round compliance by licensees. If, however, the USDA only inspected at the time of renewal, that could motivate licensees to clean up their act closer to the renewal date while relaxing compliance throughout the rest of the year.

Further, PETA overlooks the fact that under the current USDA regime, though a licensee may falsely certify that it is in compliance when applying for renewal, that does not mean the USDA turns a blind eye to future compliance. As the USDA acknowledges, certifying compliance on a renewal application does not act "as an alternative means of ascertaining compliance or as a substitute for inspections." Animal Welfare, Licensing and Records, 60 Fed. Reg. 13893, 13894 (Mar. 15, 1995). The USDA retains discretion to investigate licensees "as [it] deems necessary," § 2146(a), and renewing a license does not foreclose future suspension or revocation for violations. In fact, the USDA's own regulations permit termination of a license after notice and an opportunity for a hearing "during the license renewal process." 9 C.F.R. § 2.12.

2.

*Discretion to the USDA*

Whether PETA agrees with the USDA's renewal process or not, the authority to implement the renewal process is a policy decision that Congress has delegated to the USDA. Indeed, the AWA is rife with examples of Congress granting the USDA significant discretion with regard to the issuance of licenses, when and how to determine whether a

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must determine that the applicant is in compliance with the regulations and standards." *Id.* (internal quotation marks omitted). The point is that contrary to PETA's assertion, the USDA has consistently asserted that § 2133 license issuance requirements do not apply to renewals.

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violation occurred, and how to reprimand violators. *See, e.g.*, 7 U.S.C. §§ 2133 (the USDA issues licenses “in such form and manner as [it] may prescribe”); *id.* § 2146(a) (the USDA “shall make such investigations or inspections as [it] deems necessary” to determine whether a licensee has violated the AWA); *id.* § 2149(a) (the USDA, upon reason to believe a licensee has violated the AWA, “may suspend such person’s license temporarily” for up to 21 days, and may suspend for longer and ultimately revoke a license after providing notice and opportunity for a hearing). Ultimately, the AWA establishes a discretionary regime under which the USDA administers the Act with considerable, express authority.

### D.

Finally, it is worth noting that this case is almost identical to *Animal Legal Defense Fund v. United States Dep’t of Agriculture*, 789 F.3d 1206 (11th Cir. 2015). Though we are not bound by the law of other circuits, we are aware of the “importance of maintaining harmony among the Circuits on issues of law” where feasible, *Terry v. Tyson Farms, Inc.*, 604 F.3d 272, 278 (6th Cir. 2010) (internal quotation marks omitted), particularly in cases that could affect long-standing, nationwide regulatory schemes.

In *Animal Legal Defense Fund*, the appellant, as PETA does here, sought declaratory and injunctive relief against the USDA for renewing a license even though the licensee had violated the AWA. *See* 789 F.3d at 1212. In that case, the district court granted summary judgment to the USDA, concluding the USDA’s interpretation should be accorded *Chevron* deference. *See id.* at 1212–13. The Eleventh Circuit affirmed. Under step one of *Chevron*, the Eleventh Circuit determined that Congress had not spoken to the issue, relying on a dictionary definition of the terms and the fact that the term “renew” neither appears nor is defined in the AWA. *See id.* at 1216. Turning to step two, the Eleventh Circuit highlighted the fact that Congress expressly delegated authority to the USDA to interpret § 2133. The court further concluded that the USDA’s interpretation of the renewal process was reasonable because it soundly balanced the competing goals of animal welfare and due process for licensees, and that the USDA retained the authority, even after renewal, to suspend or a revoke a license. *See id.* at 1224.

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Ultimately, the Eleventh Circuit held, the “AWA licensing regulations embody a reasonable accommodation of the conflicting policy interests Congress has delegated to the USDA” and “are entitled to *Chevron* deference.” *Id.* We agree.

**IV.**

For the foregoing reasons, the judgment of the district court is AFFIRMED.

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**DEPARTMENTAL DECISIONS**

**In re: PHYLLIS J. BRITZ, an individual d/b/a WINDY RIDGE  
KENNELS; and BRUCE BRITZ, an individual.**

**Docket Nos. 15-0005, 15-0006.**

**Decision and Order.**

**Filed January 11, 2017.**

**AWA.**

**Administrative procedure – Appeal petition – Rules of Practice.**

Colleen A. Carroll, Esq., for Complainant.

Respondent Bruce Britz, pro se.

Initial Decision and Order by Jill S. Clifton, Administrative Law Judge.

*Order entered by William G. Jenson, Judicial Officer.*

**ORDER DENYING LATE APPEAL AS TO BRUCE BRITZ**

**PROCEDURAL HISTORY**

Kevin Shea, Administrator, Animal and Plant Health Inspection Service, United States Department of Agriculture [Administrator], instituted this disciplinary administrative proceeding by filing a Complaint on October 9, 2014. The Administrator instituted the proceeding under the Animal Welfare Act, as amended (7 U.S.C. §§ 2131-2159) [Animal Welfare Act]; the regulations and standards issued pursuant to the Animal Welfare Act (9 C.F.R. §§ 1.1-3.142) [Regulations]; and the Rules of Practice Governing Formal Adjudicatory Proceedings Instituted by the Secretary of Agriculture Under Various Statutes (7 C.F.R. §§ 1.130-.151) [Rules of Practice].

The Administrator alleges, on or about March 31, 2010, and July 22, 2010, Phyllis J. Britz and Bruce Britz willfully violated the Animal Welfare Act and the Regulations.<sup>1</sup> The Hearing Clerk, Office of

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<sup>1</sup> Compl. ¶¶ 4-10 at 2-8. The proceeding as to Ms. Britz has concluded. *See Britz*, 74 Agric. Dec. 435 (U.S.D.A. 2015) (Decision and Order as to Phyllis J. Britz by Reason of Default).

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Administrative Law Judges, United States Department of Agriculture [Hearing Clerk], served Mr. Britz with the Complaint, the Rules of Practice, and the Hearing Clerk's service letter on October 16, 2014.<sup>2</sup> Mr. Britz failed to file an answer to the Complaint within twenty days after the Hearing Clerk served Mr. Britz with the Complaint, as required by 7 C.F.R. § 1.136(a).

On July 18, 2016, the Administrator filed a Motion for Adoption of Decision and Order as to Bruce Britz by Reason of Default [Motion for Default Decision] and a proposed Decision and Order as to Bruce Britz by Reason of Default. Mr. Britz failed to file objections to the Administrator's Motion for Default Decision. On September 26, 2016, Administrative Law Judge Jill S. Clifton [ALJ], in accordance with 7 C.F.R. § 1.139, issued a Decision and Order as to Bruce Britz by Reason of Default [Decision and Order as to Bruce Britz]: (1) finding Mr. Britz willfully violated the Animal Welfare Act and the Regulations, as alleged in the Complaint; and (2) ordering Mr. Britz to cease and desist from violating the Animal Welfare Act and the Regulations.<sup>3</sup> On November 1, 2016, the Hearing Clerk, by ordinary mail in accordance with 7 C.F.R. § 1.147(c)(1), served Mr. Britz with the ALJ's Decision and Order as to Bruce Britz and the Hearing Clerk's service letter.<sup>4</sup>

On December 7, 2016, Mr. Britz appealed the ALJ's Decision and Order as to Bruce Britz to the Judicial Officer. On December 12, 2016, the Administrator filed Complainant's Response to Respondent's Petition for Appeal, and the Hearing Clerk transmitted the record to the Office of the Judicial Officer for consideration and decision.

### **CONCLUSIONS BY THE JUDICIAL OFFICER**

The Rules of Practice provide that a party may appeal an administrative law judge's written decision to the Judicial Officer by filing an appeal petition with the Hearing Clerk within thirty days after the Hearing Clerk

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<sup>2</sup> United States Postal Service Domestic Return Receipt for article number XXXX XXXX XXXX XXXX 4399.

<sup>3</sup> ALJ's Decision and Order as to Bruce Britz at the second unnumbered page through 13.

<sup>4</sup> Memorandum to the File, dated November 1, 2016, signed by Caroline Hill, Assistant Hearing Clerk, Office of the Hearing Clerk.

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serves that party with the written decision.<sup>5</sup> The Hearing Clerk served Mr. Britz with the ALJ's Decision and Order as to Bruce Britz on November 1, 2016;<sup>6</sup> therefore, Mr. Britz was required to file his appeal petition with the Hearing Clerk no later than December 1, 2016. Instead, Mr. Britz filed his appeal petition with the Hearing Clerk on December 7, 2016. Therefore, I find Mr. Britz's appeal petition is late-filed.

Moreover, the Judicial Officer has continuously and consistently held under the Rules of Practice that the Judicial Officer has no jurisdiction to hear an appeal that is filed after an administrative law judge's decision becomes final.<sup>7</sup> The ALJ's Decision and Order as to Bruce Britz became

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<sup>5</sup> 7 C.F.R. § 1.145(a).

<sup>6</sup> See *supra* note 4.

<sup>7</sup> See, e.g., Edwards, 75 Agric. Dec. 280 (U.S.D.A. 2016) (Order Den. Late Appeal) (dismissing the respondent's appeal petition filed three days after the chief administrative law judge's decision became final); Rosberg, 73 Agric. Dec. 551 (U.S.D.A. 2014) (Order Den. Late Appeal) (dismissing the respondents' appeal petition filed one day after the administrative law judge's decision became final); Piedmont Livestock, Inc., 72 Agric. Dec. 422 (U.S.D.A. 2013) (Order Den. Late Appeal) (dismissing Piedmont Livestock, Inc.'s appeal petition filed three days after the chief administrative law judge's decision became final and dismissing Joseph Ray Jones's appeal petition filed one day after the chief administrative law judge's decision became final); Custom Cuts, Inc., 72 Agric. Dec. 484 (U.S.D.A. 2013) (Order Den. Late Appeal) (dismissing the respondents' appeal petition filed one month twenty-seven days after the chief administrative law judge's decision became final); Self, 71 Agric. Dec. 1169 (U.S.D.A. 2012) (Order Den. Late Appeal) (dismissing the respondent's appeal petition filed eighteen days after the chief administrative law judge's decision became final); Mays, 69 Agric. Dec. 631 (U.S.D.A. 2010) (Order Den. Late Appeal) (dismissing the respondent's appeal petition filed one week after the administrative law judge's decision became final); Noble, 68 Agric. Dec. 1060 (U.S.D.A. 2009) (Order Den. Late Appeal) (dismissing the respondent's appeal petition filed one day after the administrative law judge's decision became final); Edwards, 66 Agric. Dec. 1362 (U.S.D.A. 2007) (Order Den. Late Appeal) (dismissing the respondent's appeal petition filed six days after the administrative law judge's decision became final); Tung Wan Co., 66 Agric. Dec. 939 (U.S.D.A. 2007) (Order Den. Late Appeal) (dismissing the respondent's appeal petition filed forty-one days after the chief administrative law judge's decision became final); Gray, 64 Agric. Dec. 1699 (U.S.D.A. 2005) (Order Den. Late Appeal) (dismissing the respondent's appeal petition filed one day after the chief administrative law judge's decision became final); Mokos, 64 Agric. Dec. 1647 (U.S.D.A. 2005) (Order Den. Late Appeal) (dismissing the respondent's appeal petition filed six days after the chief administrative law judge's decision became final); Blackstock, 63 Agric. Dec. 818 (U.S.D.A. 2004) (Order Den. Late Appeal) (dismissing the respondent's appeal petition filed two days after the administrative law judge's decision became final); Gilbert, 63 Agric. Dec. 807 (U.S.D.A. 2004) (Order Den. Late Appeal) (dismissing the respondent's appeal petition filed one day after the administrative law

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final thirty-five days after the Hearing Clerk served Mr. Britz with the ALJ's Decision and Order as to Bruce Britz.<sup>8</sup> Thus, the ALJ's Decision and Order as to Bruce Britz became final as to Mr. Britz on December 6, 2016. Mr. Britz filed his appeal petition on December 7, 2016. Therefore, I have no jurisdiction to hear Mr. Britz's appeal petition.

The Rules of Practice do not provide for an extension of time (for good cause or excusable neglect) for filing an appeal petition after an administrative law judge's decision has become final. The absence of such a provision in the Rules of Practice emphasizes that jurisdiction has not been granted to the Judicial Officer to extend the time for filing an appeal after an administrative law judge's decision has become final. Therefore, under the Rules of Practice, I cannot extend the time for Mr. Britz's filing an appeal petition after the ALJ's Decision and Order as to Bruce Britz became final. Accordingly, Mr. Britz's appeal petition must be denied.

For the foregoing reasons, the following Order is issued.

#### **ORDER**

1. Mr. Britz's appeal petition, filed December 7, 2016, is denied.
2. The ALJ's Decision and Order as to Bruce Britz, filed September 26, 2016, is the final decision in this proceeding.

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**In re: BODIE S. KNAPP, an individual d/b/a THE WILD SIDE.  
Docket No. 09-0175.  
Decision and Order on Remand.  
Filed January 26, 2017.**

**AWA – Animals, definition of – Cease and desist – Civil penalty – Farm animals –  
Intended purpose – Sanctions.  
Administrative procedure – Official notice.**

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judge's decision became final); Nunez, 63 Agric. Dec. 766 (U.S.D.A. 2004) (Order Den. Late Appeal) (dismissing the respondent's appeal petition filed on the day the administrative law judge's decision became final).

<sup>8</sup> See 7 C.F.R. § 1.139; ALJ's Decision and Order as to Bruce Britz at 13.

## **ANIMAL WELFARE ACT**

Colleen A. Carroll, Esq., for Complainant.

Philip Westergren, Esq., for Respondent.

Initial Decision and Order by Peter M. Davenport, Chief Administrative Law Judge (retired).

*Decision and Order by William G. Jenson, Judicial Officer.*

### **DECISION AND ORDER ON REMAND**

#### **PROCEDURAL HISTORY**

On June 3, 2013, I issued a Decision and Order: (1) finding Mr. Knapp purchased and sold 235 animals in violation of the Animal Welfare Act, as amended (7 U.S.C. §§ 2131-2159) [Animal Welfare Act], and the regulations issued pursuant to the Animal Welfare Act (9 C.F.R. §§ 1.1-2.153) [Regulations]; (2) assessing Mr. Knapp a \$42,800 civil penalty for 214 of Mr. Knapp's 235 violations of the Animal Welfare Act and the Regulations; (3) assessing Mr. Knapp a \$353,100 civil penalty for Mr. Knapp's 214 knowing failures to obey the Secretary of Agriculture's cease and desist orders issued in *Coastal Bend Zoological Ass'n*, 65 Agric. Dec. 993 (U.S.D.A. 2006), and *Knapp*, 64 Agric. Dec. 1668 (U.S.D.A. 2005) (Order Den. Mot. for Recons.); and (4) ordering Mr. Knapp to cease and desist from violating the Animal Welfare Act and the Regulations.<sup>1</sup>

Mr. Knapp filed a petition for review with the United States Court of Appeals for the Fifth Circuit. The Court granted in part and denied in part Mr. Knapp's petition for review and remanded the proceeding to the United States Department of Agriculture, as follows:

#### **CONCLUSION**

While most of Knapp's contentions lack merit, we find that the Judicial Officer did not sufficiently explain his reasons for treating aoudad, alpaca, and miniature donkeys as "animals," and not "farm animals." Nor did he sufficiently explain his conclusion that twenty-two of the sales to Lolli Brothers had a regulated purpose. We therefore GRANT in part and DENY in part the petition for review and REMAND to the agency to set out more

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<sup>1</sup> Knapp, 72 Agric. Dec. 189 (U.S.D.A. 2013).



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fully the facts and reasons bearing on these two decisions.

*Knapp v. U.S. Dep't of Agric.*, 796 F.3d 445, 468 (5th Cir. 2015).

On October 20, 2015, I conducted a telephone conference with Phillip Westergren, counsel for Mr. Knapp, and Colleen A. Carroll, counsel for the Administrator, Animal and Plant Health Inspection Service, United States Department of Agriculture [Administrator], to discuss the manner in which to proceed on remand.<sup>2</sup> Ms. Carroll and Mr. Westergren agreed that remand of this proceeding to the Office of Administrative Law Judges, United States Department of Agriculture, to adduce additional evidence was unnecessary, but each requested the opportunity to file a brief on remand and agreed to a briefing schedule.<sup>3</sup> Ms. Carroll requested four amendments to the briefing schedule. Mr. Westergren did not object to any of Ms. Carroll's requests, and I granted each of the requests to amend the briefing schedule.<sup>4</sup>

On February 1, 2016, the Administrator filed Complainant's Brief on Remand, and, on March 23, 2016, Mr. Knapp filed Respondent's-Petitioner's Brief on Remand [Mr. Knapp's Brief on Remand]. On March 28, 2016, the Hearing Clerk, Office of Administrative Law Judges, United States Department of Agriculture, transmitted the record to the Office of the Judicial Officer for consideration and decision on remand.

## DISCUSSION

### *The Farm Animal Issue*

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<sup>2</sup> Sherida Hardy, the legal assistant employed by the Office of the Judicial Officer, United States Department of Agriculture [Office of the Judicial Officer], also participated on the conference call.

<sup>3</sup> Knapp, AWA Docket No. 09-0175, 2015 WL 7687427 (U.S.D.A. Oct. 20, 2015) (Order Setting Schedule for Filing Brs. on Remand).

<sup>4</sup> Knapp, AWA Docket No. 09-0175, 2015 WL 9500720 (U.S.D.A. Nov. 25, 2015) (Order Amending Schedule for Filing Brs. on Remand); Knapp, AWA Docket No. 09-0175, 2016 WL 692533 (U.S.D.A. Jan. 12, 2016) (Order Amending Schedule for Filing Brs. on Remand); Knapp, AWA Docket No. 09-0175, 2016 WL 692534 (U.S.D.A. Jan. 14, 2016) (Order Amending Schedule for Filing Brs. on Remand); Knapp, AWA Docket No. 09-0175, 2016 WL 692535 (U.S.D.A. Jan. 28, 2016) (Fourth Order Amending Schedule for Filing Brs. on Remand).

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The United States Court of Appeals for the Fifth Circuit found I did not sufficiently explain my reasons for treating twenty-one alpacas, two aoudads, and twenty-five miniature donkeys as “animals”<sup>5</sup> regulated under the Animal Welfare Act and not “farm animals”<sup>6</sup> excluded from regulation under the Animal Welfare Act.<sup>7</sup>

The Administrator contends I correctly found the twenty-one alpacas, two aoudads, and twenty-five miniature donkeys in question are “animals,” as that term is defined in the Animal Welfare Act and the Regulations, and correctly concluded Mr. Knapp violated the Animal Welfare Act and the Regulations when he purchased and sold these forty-eight “animals” without first having obtained an Animal Welfare Act license.<sup>8</sup> The Administrator does not base his contentions on the record that was before me when I decided *Knapp*, 72 Agric. Dec. 189 (U.S.D.A. 2013), but, instead, bases his contentions on texts and websites that are not part of the record. The Administrator requests that I take official notice of the materials and texts cited in the Complainant’s Brief on Remand.<sup>9</sup>

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<sup>5</sup> The term “animal” is defined in 7 U.S.C. § 2132(g) and 9 C.F.R. § 1.1.

<sup>6</sup> The term “farm animal” is defined in 9 C.F.R. § 1.1.

<sup>7</sup> *Knapp v. U.S. Dep’t of Agric.*, 796 F.3d 445, 459 (5th Cir. 2015).

<sup>8</sup> I concluded Mr. Knapp violated the Animal Welfare Act and the Regulations when, without an Animal Welfare Act license, Mr. Knapp: (1) bought twenty-five miniature donkeys from or at Lolli Brothers Livestock Market, Inc., on April 12, 2008 (Findings of Fact ¶ 17, Conclusions of Law ¶ 9); (2) sold one alpaca and one aoudad to or at Lolli Brothers Livestock Market, Inc., on July 12, 2008 (Findings of Fact ¶ 19, Conclusions of Law ¶ 11); (3) bought one alpaca from or at Lolli Brothers Livestock Market, Inc., on September 27, 2008 (Findings of Fact ¶ 22, Conclusions of Law ¶ 14); (4) bought four alpacas from or at Lolli Brothers Livestock Market, Inc., on April 10, 2009 (Findings of Fact ¶ 24, Conclusions of Law ¶ 16); (5) bought one aoudad from or at Lolli Brothers Livestock Market, Inc., on July 11, 2009 (Findings of Fact ¶ 26, Conclusions of Law ¶ 18); (6) bought six alpacas from or at Lolli Brothers Livestock Market, Inc., on September 26, 2009 (Findings of Fact ¶ 27, Conclusions of Law ¶ 19); (7) bought three alpacas from or at Lolli Brothers Livestock Market, Inc., on April 10, 2010 (Findings of Fact ¶ 29, Conclusions of Law ¶ 21); and (8) bought six alpacas from or at Lolli Brothers Livestock Market, Inc., on July 10, 2010 (Findings of Fact ¶ 31, Conclusions of Law ¶ 23). *See Knapp*, 72 Agric. Dec. 189, 214-19 (U.S.D.A. 2013).

<sup>9</sup> Complainant’s Br. on Remand ¶ IIIA-C at 6-11.

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The rules of practice applicable to this proceeding<sup>10</sup> provide that, as part of the procedure for hearing, official notice shall be taken, as follows:

**§ 1.141 Procedure for hearing.**

....

(h) *Evidence*—

....

(6) *Official notice*. Official notice shall be taken of such matters as are judicially noticed by the courts of the United States and of any other matter of technical, scientific, or commercial fact of established character: *Provided*, That the parties shall be given adequate notice of matters so noticed, and shall be given adequate opportunity to show that such facts are erroneously noticed.

7 C.F.R. § 1.141(h)(6). Mr. Knapp objects to my taking official notice of the materials and texts cited in the Complainant’s Brief on Remand because “the parties agreed that there would be no further evidence in the case,” the parties agreed that they “would proceed on the record already before the Judicial Officer,” and the materials and texts cited by the Administrator “are not reliable” and “not the kind of source upon which reasonable people tend to rely.”<sup>11</sup>

I agree with Mr. Knapp’s assertion that the parties agreed that on remand they would file briefs based on the record before me when I decided *Knapp*, 72 Agric. Dec. 189 (U.S.D.A. 2013). Therefore, in light of the agreement of the parties during the October 20, 2015, conference call, I decline to take official notice of the materials and texts cited in the Complainant’s Brief on Remand.<sup>12</sup> I find my conclusion in *Knapp*, 72 Agric. Dec. 189 (U.S.D.A. 2013), that the twenty-one alpacas, two aoudads, and twenty-five miniature donkeys in question are

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<sup>10</sup> The rules of practice applicable to this proceeding are the Rules of Practice Governing Formal Adjudicatory Proceedings Instituted by the Secretary Under Various Statutes (7 C.F.R. §§ 1.130-.151).

<sup>11</sup> Mr. Knapp’s Br. on Remand at 1, 6.

<sup>12</sup> I make no ruling on the reliability of the materials and texts cited in the Complainant’s Brief on Remand.

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“animals,” as that term is defined in the Animal Welfare Act and the Regulations, is error,<sup>13</sup> and I dismiss this case as it relates to the twenty-one alpacas, two aoudads, and twenty-five miniature donkeys in question.

### *The Intended Purpose Issue*

The United States Court of Appeals for the Fifth Circuit also found I did not sufficiently explain my reasons for concluding that Mr. Knapp sold twenty-two animals (one alpaca, one aoudad, two zebras, one wildebeest, two addaxes, seven buffalo, three nilgais, four chinchillas, and one axis deer) to or at Lolli Brothers Livestock Market, Inc., for a regulated purpose notwithstanding Mr. Knapp’s argument that his sale of these animals to or at Lolli Brothers Livestock Market, Inc., did not require an Animal Welfare Act license because he did not know the purchasers’ intended purpose for the animals.<sup>14</sup>

The Administrator contends I correctly found Mr. Knapp sold the twenty-two animals in question for a regulated purpose and correctly concluded Mr. Knapp violated the Animal Welfare Act and the Regulations when he sold the twenty-two animals in question to or at Lolli Brothers Livestock Market, Inc., without first having obtained an Animal Welfare Act license.<sup>15</sup> Again, the Administrator does not base his contentions on the record that was before me when

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<sup>13</sup> I make no finding regarding alpacas, aoudads, and miniature donkeys in general as future cases may contain sufficient evidence on to which base a conclusion that alpacas, aoudads, and miniature donkeys are “animals,” as that term is defined in the Animal Welfare Act and the Regulations.

<sup>14</sup> Knapp v. U.S. Dep’t of Agric., 796 F.3d 445, 461-62 (5th Cir. 2015).

<sup>15</sup> I concluded Mr. Knapp violated the Animal Welfare Act and the Regulations when, without an Animal Welfare Act license, Mr. Knapp: (1) sold one alpaca and one aoudad to or at Lolli Brothers Livestock Market, Inc., on July 12, 2008 (Findings of Fact ¶ 19, Conclusions of Law ¶ 11); (2) sold two zebras, one wildebeest, and one addax to or at Lolli Brothers Livestock Market, Inc., on September 27, 2008 (Findings of Fact ¶ 21, Conclusions of Law ¶ 13); (3) sold three buffalo, one addax, and three nilgais to or at Lolli Brothers Livestock Market, Inc., on April 10, 2009 (Findings of Fact ¶ 23, Conclusions of Law ¶ 15); (4) sold four chinchillas to or at Lolli Brothers Livestock Market, Inc., on July 11, 2009 (Findings of Fact ¶ 25, Conclusions of Law ¶ 17); (5) sold three buffalo and one axis deer to or at Lolli Brothers Livestock Market, Inc., on April 10, 2010 (Findings of Fact ¶ 28, Conclusions of Law ¶ 20); and (6) sold one buffalo to or at Lolli Brothers Livestock Market, Inc., on July 10, 2010 (Findings of Fact ¶ 30, Conclusions of Law ¶ 22). See Knapp, 72 Agric. Dec. 189, 214-19 (U.S.D.A. 2013).

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I decided *Knapp*, 72 Agric. Dec. 189 (U.S.D.A. 2013), but, instead, the Administrator states he “does not share the [United States Court of Appeals for the Fifth Circuit’s] view that the [Animal Welfare Act] requires the agency to establish the specific ‘end use’ to which animals consigned to another dealer will be – or are intended to be – put.”<sup>16</sup> The Administrator argues: (1) aoudads, zebras, wildebeest, addaxes, nilgais, and axis deer are generally used for a regulated purpose, namely, exhibition; (2) although alpacas and chinchillas are used for fiber, given the number of alpacas and chinchillas Mr. Knapp consigned to Lolli Brothers Livestock Market, Inc., it would be reasonable to conclude that the alpacas and chinchillas were intend for use as pets; and (3) although buffalo are used for food, Mr. Knapp’s consignment of the buffalo to Lolli Brothers Livestock Market, Inc.’s exotics auction, rather than to Lolli Brothers Livestock Market, Inc.’s regular livestock auction, suggests the buffalo were intended to be used for exhibition.<sup>17</sup>

As an initial matter, the Court did not state that the Animal Welfare Act “requires the agency to establish the specific ‘end use’ to which animals consigned to another dealer will be – or are intended to be – put” as the Administrator contends.<sup>18</sup> Instead, the Court states I “did not discuss the *likely* intended use of the twenty-two additional animals that Knapp sold to Lolli Brothers.”<sup>19</sup>

While the Administrator posits plausible arguments in support of his contention that purchasers of the twenty-two animals in question used or intended to use the animals for a regulated purpose, the Administrator’s arguments are not based on any evidence in the record that was before me when I decided *Knapp*, 72 Agric. Dec. 189 (U.S.D.A. 2013). Therefore, I find my conclusion in *Knapp*, 72 Agric. Dec. 189 (U.S.D.A. 2013), that Mr. Knapp sold the twenty-two animals in question for a regulated purpose, is error, and I dismiss this case as it relates to the twenty-two animals in question.

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<sup>16</sup> Complainant’s Br. on Remand ¶ IV at 12.

<sup>17</sup> Complainant’s Br. on Remand ¶ IV at 12-13.

<sup>18</sup> Complainant’s Br. on Remand ¶ IV at 12.

<sup>19</sup> *Knapp v. U.S. Dep’t of Agric.*, 796 F.3d 445, 461 (5th Cir. 2015) (emphasis added).

## ANIMAL WELFARE ACT

### *The Sanction on Remand*

In *Knapp*, 72 Agric. Dec. 189 (U.S.D.A. 2013), I found Mr. Knapp purchased or sold 235 animals without the required Animal Welfare Act license and concluded that each purchase and sale constituted a separate violation of the Animal Welfare Act and the Regulations.<sup>20</sup> However, for the reasons fully explained in *Knapp*, 72 Agric. Dec. 189 (U.S.D.A. 2013), I assessed no civil penalty for Mr. Knapp's sale of twenty-one hoof stock and assessed Mr. Knapp a civil penalty for only 214 of his 235 violations of the Animal Welfare Act and the Regulations.<sup>21</sup>

In light of my conclusions in this Decision and Order on Remand that I erroneously treated forty-eight animals as "animals" regulated under the Animal Welfare Act and erroneously concluded Mr. Knapp sold twenty-two animals to or at Lolli Brothers Livestock Market, Inc., for a regulated purpose, on remand I find Mr. Knapp purchased or sold 167 animals without the required Animal Welfare Act license.<sup>22</sup> For the reasons articulated in *Knapp*, 72 Agric. Dec. 189 (U.S.D.A. 2013), I assess no civil penalty for Mr. Knapp's sale of five hoof stock and assess Mr. Knapp a civil penalty for only 162 of his 167 violations of the Animal Welfare Act and the Regulations.<sup>23</sup> For the reasons stated in *Knapp*,

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<sup>20</sup> *Knapp*, 72 Agric. Dec. 189, 204 (U.S.D.A. 2013).

<sup>21</sup> *Id.* at 200-01.

<sup>22</sup> Two animals (one alpaca and one aoudad which Mr. Knapp sold to or at Lolli Brothers Livestock Market, Inc., on July 12, 2008) of the twenty-two animals that I erroneously concluded Mr. Knapp sold for a regulated purpose are also included in the forty-eight animals that I erroneously found are "animals," as that term is defined in the Animal Welfare Act and the Regulations. Therefore, I reduced the number of Mr. Knapp's violations that I found in *Knapp*, 72 Agric. Dec. 189 (U.S.D.A. 2013), by sixty-eight violations from 235 to 167 violations.

<sup>23</sup> In *Knapp*, 72 Agric. Dec. 189 (U.S.D.A. 2013), I declined to assess a civil penalty for Mr. Knapp's sale, without an Animal Welfare Act license, of twenty-one hoof stock in violation of the Animal Welfare Act and the Regulations. On remand, I find Mr. Knapp's sale of sixteen of these twenty-one hoof stock was not in violation of the Animal Welfare Act or the Regulations: (1) Mr. Knapp's sale of two zebras, one wildebeest, and one addax to or at Lolli Brothers Livestock Market, Inc., on September 27, 2008 (Findings of Fact ¶ 21, Conclusions of Law ¶ 13); (2) Mr. Knapp's sale of three buffalo, one addax, and three nilgais to or at Lolli Brothers Livestock Market, Inc., on April 10, 2009 (Findings of Fact ¶ 23, Conclusions of Law ¶ 15); (3) Mr. Knapp's sale of three buffalo and one axis deer to or at Lolli Brothers Livestock Market, Inc., on April 10, 2010 (Findings of Fact ¶ 28, Conclusions of Law ¶ 20); and (4) Mr. Knapp's sale of one buffalo to or at Lolli Brothers Livestock Market, Inc., on July 10, 2010 (Findings of Fact ¶ 30, Conclusions of Law ¶ 22).

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72 Agric. Dec. 189 (U.S.D.A. 2013), I assess Mr. Knapp a civil penalty of \$200 for each animal that Mr. Knapp purchased or sold in violation of the Animal Welfare Act and the Regulations (except for five hoof stock), and, therefore, on remand I assess Mr. Knapp a \$32,400 civil penalty for 162 of his 167 violations of the Animal Welfare Act and the Regulations.

In *Knapp*, 72 Agric. Dec. 189 (U.S.D.A. 2013), I also found Mr. Knapp's 214 violations of the Animal Welfare Act and the Regulations constitute knowing failures to obey the cease and desist orders issued by the Secretary of Agriculture in *Coastal Bend Zoological Ass'n.*, 65 Agric. Dec. 993 (U.S.D.A. 2006), and *Knapp*, 64 Agric. Dec. 1668 (U.S.D.A. 2005) (Order Den. Mot. for Recons.), and I assessed Mr. Knapp the \$1,650 civil penalty required to be assessed for each of Mr. Knapp's knowing failures to obey the Secretary of Agriculture's cease and desist orders.<sup>24</sup> For the reasons stated in *Knapp*, 72 Agric. Dec. 189 (U.S.D.A. 2013), the civil penalty required to be assessed for Mr. Knapp's 162 knowing failures to obey the cease and desist orders issued by the Secretary of Agriculture in *Coastal Bend Zoological Ass'n.*, 65 Agric. Dec. 993 (U.S.D.A. 2006), and *Knapp*, 64 Agric. Dec. 1668 (U.S.D.A. 2005) (Order Den. Mot. for Recons.), is \$267,300.

For the foregoing reasons, the following Order on Remand is issued.

#### **ORDER ON REMAND**

1. Mr. Knapp, his agents and employees, successors and assigns, directly or through any corporate or other device, shall cease and desist from violating the Animal Welfare Act and the Regulations and, in particular, shall cease and desist from operating as a dealer without an Animal

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*See Knapp*, 72 Agric. Dec. 189, 215-16, 217-19 (U.S.D.A. 2013). I decline to assess a civil penalty for Mr. Knapp's sale, without an Animal Welfare Act license, of five hoof stock in violation of the Animal Welfare Act and the Regulations: (1) Mr. Knapp's sale of one blackbuck to or at Huntsville Exotic Sales, Inc., on October 27, 2006 (Finding of Facts ¶ 14, Conclusions of Law ¶ 6); and (2) Mr. Knapp's sale of four addaxes to Victor E. Garrett, in February 2006 (Findings of Fact ¶ 16, Conclusions of Law ¶ 8). *See Knapp*, 72 Agric. Dec. 189, 213-14, 216 (U.S.D.A. 2013).

<sup>24</sup> *See Knapp*, 72 Agric. Dec. 189, 205-07 (U.S.D.A. 2013), wherein I discuss the civil penalty required by 7 U.S.C. § 2149(b) to be assessed for each knowing failure to obey a cease and desist order issued by the Secretary of Agriculture under 7 U.S.C. § 2149. *See also Knapp v. U.S. Dep't of Agric.*, 796 F.3d 445, 465-66 (5th Cir. 2015).

## ANIMAL WELFARE ACT

Welfare Act license. Paragraph 1 of this Order on Remand shall become effective upon service of this Order on Remand on Mr. Knapp.

2. Mr. Knapp is assessed a \$299,700 civil penalty. The civil penalty shall be paid by certified check or money order made payable to the Treasurer of the United States and sent to:

USDA APHIS GENERAL  
PO Box 979043  
St. Louis, MO 63197-9000

Payment of the civil penalty shall be sent to, and received by, USDA APHIS GENERAL within sixty days after service of this Order on Remand on Mr. Knapp. Mr. Knapp shall state on the certified check or money order that payment is in reference to AWA Docket No. 09-0175.

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**In re: ARBUCKLE ADVENTURES, LLC, an Oklahoma limited liability company.  
Docket No. 16-0003.  
Decision and Order.  
Filed February 9, 2017.**

AWA.

**Administrative procedure – Complaint, amendment of – Default decision, motion for – Hearing, request for – Service.**

Colleen A. Carroll, Esq., and Samuel D. Jocket, Esq., for Complainant.  
Justin R Landgraf, Esq., and Meredith P. Turpin, Esq., for Respondent.  
Initial Decision and Order by Jill S. Clifton, Administrative Law Judge.  
*Decision and Order by William G. Jenson, Judicial Officer.*

### **DECISION AND ORDER**

#### **PROCEDURAL HISTORY**

Kevin Shea, Administrator, Animal and Plant Health Inspection Service, United States Department of Agriculture [Administrator], instituted this disciplinary administrative proceeding by filing a Complaint



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on October 6, 2015. The Administrator instituted the proceeding under the Animal Welfare Act, as amended (7 U.S.C. §§ 2131-2159) [Animal Welfare Act]; the regulations and standards issued under the Animal Welfare Act (9 C.F.R. §§ 1.1-3.142) [Regulations]; and the Rules of Practice Governing Formal Adjudicatory Proceedings Instituted by the Secretary Under Various Statutes (7 C.F.R. §§ 1.130-.151) [Rules of Practice].

The Administrator alleges in the Complaint that Arbuckle Adventures, LLC [Arbuckle], violated the Animal Welfare Act and the Regulations.<sup>1</sup> On November 3, 2015, the Hearing Clerk, Office of Administrative Law Judges, United States Department of Agriculture [Hearing Clerk], by certified mail, served Arbuckle with the Complaint,<sup>2</sup> and, on December 4, 2015, Arbuckle timely filed an answer denying the material allegations of the Complaint and requesting a hearing.<sup>3</sup>

On May 3, 2016, the Administrator filed an Amended Complaint alleging Arbuckle violated the Animal Welfare Act and the Regulations.<sup>4</sup> On May 10, 2016, the Hearing Clerk, by regular mail, served Arbuckle with the Amended Complaint,<sup>5</sup> and, on May 27, 2016, Administrative Law Judge Jill S. Clifton [ALJ] extended to June 30, 2016, the time for Arbuckle's filing an answer to the Amended Complaint.<sup>6</sup>

Arbuckle failed to file an answer in response to the Amended Complaint by June 30, 2016, and, on July 8, 2016, the Administrator filed a Motion for Adoption of Decision and Order by Reason of Default [Motion for Default Decision] and a Proposed Decision and Order by Reason of Default. On July 13, 2016, Arbuckle filed an answer to the Amended Complaint denying the material allegations of the Amended Complaint,<sup>7</sup> and on July 29, 2016, Arbuckle filed "Respondent's

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<sup>1</sup> Compl. ¶¶ 3-18 at 2-14.

<sup>2</sup> United States Postal Service Domestic Return Receipt for article number XXXX XXXX XXXX XXXX 9805.

<sup>3</sup> Arbuckle captions its answer to the Complaint "Respondent's Answers to USDA Complaints" [Answer to the Complaint].

<sup>4</sup> Am. Compl. ¶¶ 3-22 at 2-17.

<sup>5</sup> Hearing Clerk's Office Document Distribution Form dated May 10, 2016, signed by Caroline Hill.

<sup>6</sup> ALJ's May 27, 2016 Order captioned "File Answer by 30 June (Thur) 2016."

<sup>7</sup> Arbuckle captions its answer to the Amended Complaint "Answers to the complaint filed

## **ANIMAL WELFARE ACT**

Objection to Motion for Adoption of Decision and Order by Reason of Default.”

On August 18, 2016, the ALJ issued an order: (1) denying the Administrator’s Motion for Default Decision, (2) authorizing the Administrator to file the Amended Complaint, and (3) canceling and withdrawing the ALJ’s May 27, 2016 Order captioned “File Answer by 30 June (Thur) 2016.”<sup>8</sup> On September 2, 2016, the Administrator appealed the ALJ’s August 18, 2016 Order,<sup>9</sup> and, on September 22, 2016, Arbuckle filed a “Response to Complainant’s Petition for Appeal.” On September 26, 2016, the Hearing Clerk transmitted the record to the Office of the Judicial Officer, United States Department of Agriculture, for consideration and decision.

### **DECISION**

#### **Arbuckle’s Request for Oral Argument**

Arbuckle’s request for oral argument,<sup>10</sup> which the Judicial Officer may grant, refuse, or limit,<sup>11</sup> is refused because the issues raised in the Administrator’s Appeal Petition and addressed in Arbuckle’s Response to Complainant’s Petition for Appeal are not complex and oral argument would serve no useful purpose.

#### **Discussion**

The ALJ denied the Administrator’s Motion for Default Decision based upon the ALJ’s conclusion that the Administrator prematurely filed the Motion for Default Decision. The ALJ identifies two bases for her conclusion. First, the ALJ states, at the time the Administrator filed the Motion for Default Decision, the ALJ had not authorized amendment of the Complaint, as required by 7 C.F.R. § 1.137(a); therefore, the Amended Complaint was inoperative and the Administrator’s Motion for Default

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by the USDA” [Answer to the Amended Complaint].

<sup>8</sup> ALJ’s “Order Authorizing Amendment; and Ruling Denying APHIS’s Motion for a Default Decision” [ALJ’s August 18, 2016 Order].

<sup>9</sup> Complainant’s Petition for Appeal [Appeal Petition].

<sup>10</sup> Resp. to Complainant’s Pet. for Appeal ¶ V at 8-9.

<sup>11</sup> 7 C.F.R. § 1.145(d).

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Decision, which was based upon Arbuckle's failure to file an answer to the Amended Complaint, was premature.<sup>12</sup>

The Rules of Practice provide that a complaint may be amended at any time prior to the filing of a motion for a hearing, as follows:

**§ 1.137 Amendment of complaint, petition for review, or answer; joinder of related matters.**

(a) *Amendment.* At any time prior to the filing of a motion for a hearing, the complaint, petition for review, answer, or response to petition for review may be amended. Thereafter, such an amendment may be made with consent of the parties, or as authorized by the Judge upon a showing of good cause.

7 C.F.R. § 1.137(a). The ALJ found Arbuckle had included a request for a hearing in its December 4, 2015 Answer to the Complaint<sup>13</sup> and, based upon Arbuckle's having filed a request for a hearing, concluded the Administrator could only amend the Complaint with Arbuckle's consent or as authorized by the ALJ. However, the Rules of Practice distinguish between a request for a hearing and a motion for a hearing, as follows:

**§ 1.141 Procedure for hearing.**

(a) *Request for hearing.* Any party may request a hearing on the facts by including such request in the complaint or answer, or by a separate request, in writing, filed with the Hearing Clerk within the time in which an answer may be filed. . . .

(b) *Time, place, and manner.* (1) If any material issue of fact is joined by the pleadings, the Judge, upon motion of any party stating that the matter is at issue and is ready for hearing, shall set a time, place, and manner for hearing as soon as feasible after the motion is filed,

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<sup>12</sup> ALJ's August 18, 2016 Order ¶ 3(a) at 2.

<sup>13</sup> ALJ's August 18, 2016 Order ¶ 1 at 1.

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with due regard for the public interest and the convenience and necessity of the parties. . . .

7 C.F.R. § 1.141(a)-(b)(1). The Judicial Officer has long held that a request for a hearing authorized in 7 C.F.R. § 1.141(a) is not the same as a motion for a hearing referred to in 7 C.F.R. § 1.137(a) and 7 C.F.R. § 1.141(b)(1).<sup>14</sup> I find Arbuckle's request for a hearing in its December 4, 2015 Answer to the Complaint is not a motion for a hearing referred to in 7 C.F.R. § 1.137(a). Therefore, I conclude the Administrator was not required by 7 C.F.R. § 1.137(a) to obtain Arbuckle's consent or authorization from the ALJ prior to amending the Complaint, and I reject the ALJ's conclusion that the Administrator's July 8, 2016 Motion for Default Decision was premature because the Amended Complaint was inoperative and Arbuckle's answer to the Amended Complaint was not yet required to be filed.

Second, the ALJ found the Hearing Clerk failed to properly serve Arbuckle with the Amended Complaint by certified mail, as required by 7 C.F.R. § 1.147(c)(1), and concluded the Administrator's July 8, 2016 Motion for Default Decision was premature because the time for filing Arbuckle's response to the Amended Complaint had not yet begun to run when the Administrator filed the Motion for Default Decision.<sup>15</sup> The Administrator contends the Hearing Clerk properly served Arbuckle with the Amended Complaint by ordinary mail on May 10, 2016, and the time for Arbuckle's filing an answer in response to the Amended Complaint began to run on May 10, 2016, the date the Hearing Clerk mailed the Amended Complaint to Arbuckle; thus, the Administrator did not prematurely file the July 8, 2016 Motion for Default Decision.<sup>16</sup>

The Rules of Practice (7 C.F.R. § 1.147(c)(1)) identify six documents that, if served by certified or registered mail, are deemed to be received on the date of delivery to, among other places, the party's last known principal place of business. The six documents identified in 7 C.F.R. § 1.147(c)(1) include "[a]ny complaint or other document initially served on a person to make that person a party respondent in a proceeding."<sup>17</sup> The

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<sup>14</sup> Meacham, 47 Agric. Dec. 1708 (U.S.D.A. 1988) (Ruling on Certified Question).

<sup>15</sup> ALJ's August 18, 2016 Order ¶ 3(b) at 2.

<sup>16</sup> Administrator's Appeal Pet. ¶ III at 5-8.

<sup>17</sup> The other five documents identified in 7 C.F.R. § 1.147(c)(1) are not at issue in this

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Rules of Practice provide that any document, other than the six documents identified in 7 C.F.R. § 1.147(c)(1), is deemed to be received by any party to the proceeding on the date of mailing by ordinary mail to the party's last known principal place of business.<sup>18</sup> Arbuckle argues the unambiguous language of 7 C.F.R. § 1.147(c)(1) requires "any complaint" to be served by certified or registered mail; therefore, the Hearing Clerk's purported service of the Amended Complaint on Arbuckle on May 10, 2016, by ordinary mail, was ineffective and Arbuckle's time for filing a response to the Amended Complaint had not yet begun to run when the Administrator filed the Motion for Default Decision on July 8, 2016.<sup>19</sup>

The Hearing Clerk served Arbuckle with the Complaint by certified mail on November 3, 2015.<sup>20</sup> The Hearing Clerk's service of the Complaint on Arbuckle made Arbuckle a party respondent in this proceeding. Therefore, the Amended Complaint is not a "complaint . . . initially served on a person to make that person a party respondent in a proceeding." Instead, the Amended Complaint is a document, other than a document specified in 7 C.F.R. § 1.147(c)(1), and, pursuant to 7 C.F.R. § 1.147(c)(2), the Amended Complaint is deemed to have been received by Arbuckle on May 10, 2016, the date the Hearing Clerk mailed the Amended Complaint by ordinary mail to Arbuckle's last known principal place of business. Therefore, I reject the ALJ's conclusion that the time for filing Arbuckle's response to the Amended Complaint had not begun to run when the Administrator filed the Motion for Default Decision on July 8, 2016. Instead, I find the time for filing Arbuckle's response to the Amended Complaint expired on June 30, 2016,<sup>21</sup> and the Administrator's July 8, 2016 Motion for Default Decision was not premature.

While I reject the ALJ's conclusion that the Administrator prematurely filed the July 8, 2016 Motion for Default Decision, I affirm the ALJ's denial of the Administrator's Motion for Default Decision. A document is deemed to be filed on the date it reaches the Hearing Clerk.<sup>22</sup> Arbuckle was required to file its Answer to the Amended Complaint with the Hearing

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proceeding.

<sup>18</sup> 7 C.F.R. § 1.147(c)(2).

<sup>19</sup> Resp. to Appeal Pet. ¶ III at 6.

<sup>20</sup> See *supra* note 2.

<sup>21</sup> See *supra* note 6.

<sup>22</sup> 7 C.F.R. § 1.147(g).

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Clerk no later than June 30, 2016. The record establishes that Arbuckle did not file its Answer to the Amended Complaint with the Hearing Clerk until July 13, 2016.<sup>23</sup> However, the record also establishes that, on June 29, 2016, Arbuckle tendered the Answer to the Amended Complaint to FedEx for overnight delivery to the Hearing Clerk. The FedEx “Travel History” related to Arbuckle’s June 29, 2016 mailing indicates that, on June 30, 2016, FedEx delivered Arbuckle’s Answer to the Amended Complaint to the United States Department of Agriculture building housing the Hearing Clerk’s office, but that FedEx was unable to file Arbuckle’s Answer to the Amended Complaint with the Hearing Clerk because of a “[r]ecipient location security delay.”<sup>24</sup> While not without doubt, I find Arbuckle’s failure to file its Answer to the Amended Complaint with Hearing Clerk on June 30, 2016, was caused by United States Department of Agriculture security personnel. Under circumstances in which United States Department of Agriculture personnel cause a respondent’s failure to timely file a document with the Hearing Clerk, the Judicial Officer has treated the late-filed document as if the document had been timely filed.<sup>25</sup> Therefore, I treat Arbuckle’s Answer to the Amended Complaint as timely filed and affirm the ALJ’s denial of the Administrator’s July 8, 2016 Motion for Default Decision.

For the foregoing reasons, the following Order is issued.

### ORDER

1. The ALJ’s August 18, 2016 ruling denying the Administrator’s July 8, 2016 Motion for Default Decision is affirmed.
2. This proceeding is remanded to the ALJ for further proceedings in accordance with the Rules of Practice.

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<sup>23</sup> Resp. to Complainant’s Pet. for Appeal ¶ I(8) at 3.

<sup>24</sup> Resp. to Complainant’s Pet. for Appeal ¶ I(6) at 2, Ex. 3.

<sup>25</sup> See generally Clark, 50 Agric. Dec. 386, 390 (U.S.D.A. 1991) (treating the respondent’s late-filed appeal petition as timely filed with the Hearing Clerk based on the receipt of the respondent’s appeal petition in the United States Department of Agriculture’s mail room ten days before the effective date of the administrative law judge’s order).

Stearns Zoological Rescue & Rehab Center, Inc.  
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**In re: STEARNS ZOOLOGICAL RESCUE & REHAB CENTER,  
INC., a Florida corporation d/b/a DADE CITY WILD THINGS.  
Docket No. 15-0146.  
Decision and Order.  
Filed February 15, 2017.**

AWA.

Samuel D. Jockel, Esq., for Complainant.  
William J. Cook, Esq., for Respondent.  
Initial Decision and Order entered by Bobbie J. McCartney, Chief Administrative Law  
Judge.

### **DECISION AND ORDER**

The Animal Welfare Act (7 U.S.C. §§ 2131 *et seq.*) (AWA or Act) regulates the commercial exhibition, transportation, purchase, sale, housing, care, handling, and treatment of “animals,” as that term is defined in the Act and in the regulations issued under the Act (9 C.F.R. Part 1, *et seq.*) (Regulations). Congress delegated to the Secretary of Agriculture (USDA) authority to enforce the Act.

On July 17, 2015, Complainant filed a complaint alleging that respondent Stearns Zoological Rescue & Rehab Center, Inc., violated the AWA and the Regulations on multiple occasions between July 27, 2011 and November 21, 2013. On August 5, 2015, Stearns Zoo filed an answer admitting the jurisdictional allegations and denying the material allegations of the complaint. An oral hearing was held before me, Chief Administrative Law Judge Bobbie J. McCartney, on June 27, 28, 29, and 30, 2016 in Tampa, Florida.

#### **I. Identification of Animals**

The Regulations provide:

A class “C” exhibitor shall identify all live dogs and cats under his or her control or on his or her premises, whether held, purchased, or otherwise acquired:

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- (1) As set forth in paragraph (b)(1) or (b)(3) of this section,  
or
- (2) By identifying each dog or cat with:
  - (i) An official USDA sequentially numbered tag that is kept on the door of the animal's cage or run;
  - (ii) A record book containing each animal's tag number, a written description of each animal, the data required by § 2.75(a), and a clear photograph of each animal; and
  - (iii) A duplicate tag that accompanies each dog or cat whenever it leaves the compound or premises.

9 C.F.R. § 2.50(c).

The Complaint alleges that on November 21, 2013, Stearns Zoo willfully violated the Regulations by failing to identify a dog used for exhibition. (Compl. at 3 ¶ 6). In his inspection report, Dr. Navarro wrote, “[t]he dog used during interaction sessions had no official USDA identification.” (CX-19 at 1). Dr. Navarro testified that during the inspection Ms. Stearns represented to him that the dog was being used for interaction sessions:

Q How do you know that the dog was being used for interactive sessions?

A Because Mrs. Stearns told us when we asked her.

Transcript (Vol. 2), 133:19-134:2.

However, Ms. Stearns testified that the dog was *not* used for exhibition, but rather that this was a family pet. (Tr. 4, 21). On balance, the testimony provided at hearing by the responsible party is more probative. Accordingly, an essential element of the subject alleged violation has not been established and is, therefore, not sustained.

## **II. Access for Inspection**



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The Act provides:

(a) ... the Secretary shall, at all reasonable times, have access to the places of business and the facilities, animals, and those records required to be kept pursuant to section 2140 of this title of any such dealer, exhibitor, intermediate handler, carrier, research facility, or operator of an auction sale...<sup>1</sup>

The Regulations provide:

- (a) Each dealer, exhibitor, intermediate handler, or carrier, shall, during business hours, allow APHIS officials:
- (1) To enter its place of business;
  - (2) To examine records required to be kept by the Act and the regulations in this part;
  - (3) To make copies of the records;
  - (4) To inspect and photograph the facilities, property and animals, as the APHIS officials consider necessary to enforce the provisions of the Act, the regulations and the standards in this subchapter; and
  - (5) To document, by the taking of photographs and other means, conditions and areas of noncompliance.<sup>2</sup>

The Complaint alleges that on two occasions (January 26, 2012 and September 9, 2013) Stearns Zoo willfully violated the Act and the Regulations by failing to have a responsible person available to provide access to APHIS officials to inspect their facilities, animals, and records during normal business hours. (Compl. at 3 ¶ 7). These allegations are supported by the evidence of record and are therefore sustained.

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<sup>1</sup> 7 U.S.C. § 2146(a).

<sup>2</sup> 9 C.F.R. § 2.126(a).

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Ms. Stearns admitted that she was not available for the inspection on January 26, 2012. She was at a doctor's appointment. (Tr. 4, 184). She argues that because the inspector never reached her, Complainant cannot say that she denied them access. This position is not supportable. It is well settled that the failure of an exhibitor either to be available to provide access for inspection or to designate a responsible person to do so constitutes a willful violation of 7 U.S.C. § 2146(a) and 9 C.F.R. § 2.126(a). Accordingly, this violation is sustained.<sup>3</sup>

On September 9, 2013, Dr. Brandes was unable to conduct an inspection at Stearns Zoo's facility because no one was available to accompany him. In his inspection report, Dr. Brandes wrote: "A responsible adult was not available to accompany APHIS Officials during the inspection process at 1:00 P.M. on 09/09/2013." (CX 18). At the hearing, Dr. Brandes testified that he rang the bell at the facility and called Ms. Stearns, who told him that the facility was closed on Monday and she was busy. In support of Respondent's position that the attempted inspection was not made during normal "business hours" as required to establish the alleged violation, Ms. Stearns testified that the Zoo is a public facility that is closed on Mondays. (See Tr. (Vol. 4), 215:2-14). However, the Regulations provide: "*Business hours* means a reasonable number of hours between 7 a.m. and 7 p.m., Monday through Friday, except for legal Federal holiday, each week of the year, during which inspections by APHIS may be made." 9 C.F.R. § 1.1.

Further, the Judicial Officer has previously rejected a similar argument:

I reject Mr. Perry and PWR's contention that Dr. Bellin and Mr. Watson did not attempt to conduct an inspection during "business hours," as that term is used in 9 C.F.R. § 2.126, merely because Mr. Perry and PWR's business was not open to the public at the time Dr. Bellin and Mr. Watson attempted to conduct the inspection. The time of the attempted inspection was 10:00 a.m., Thursday, January 20, 2005, which was not a holiday, and Mr. Perry was present loading animals to be moved to La Crosse, Wisconsin, for exhibition.... I find, under these

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<sup>3</sup> Tr. (Vol. 2), 164:12-20.

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circumstances, Dr. Bellin and Mr. Watson attempted to conduct an inspection of Mr. Perry and PWR's business during business hours, even though the business was not open to the public at that time. Therefore, I conclude Mr. Perry and PWR willfully violated 7 U.S.C. § 2146(a) and 9 C.F.R. § 2.126(a), on January 20, 2005.

*Perry*, 71 Agric. Dec. 876, 880 (U.S.D.A. 2012).

Accordingly, Respondent's position is not supportable, and this violation must be sustained.

### **III. Handling**

Congress intended for the exhibition of animals to be accomplished in a manner that is safe for both animals and humans. The Regulations provide:

“Handling of all animals shall be done as expeditiously and carefully as possible in a manner that does not cause trauma, overheating, excessive cooling, behavioral stress, physical harm, or unnecessary discomfort.” 9 C.F.R. § 2.131(b)(1).

“Physical abuse shall not be used to train, work, or otherwise handle animals.” 9 C.F.R. § 2.131(b)(2)(i).

“During public exhibition, any animal must be handled so there is minimal risk of harm to the animal and to the public, with sufficient distance and/or barriers between the animal and the general viewing public so as to assure the safety of animals and the public.” 9 C.F.R. § 2.131(c)(1).

“Young or immature animals shall not be exposed to rough or excessive public handling or exhibited for periods of time which would be detrimental to their health or well-being.” 9 C.F.R. § 2.131(c)(3).

“Animals shall be exhibited only for periods of time and under conditions consistent with their good health and well-being.” 9 C.F.R. § 2.131(d)(1).

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The Regulations define “handling” as: “petting, feeding, watering, cleaning, manipulating, loading, crating, shifting, transferring, immobilizing, restraining, treating, training, working, and moving, or any similar activity with respect to any animal.” 9 C.F.R. § 1.1.

### A. Respondent’s Baby Tiger Swim Program

Despite credible testimony from Respondent that Respondent attempted to develop its baby tiger swim program with care and attention to the well-being of its animals, and despite my finding that Respondent did not use physical abuse to train, work, or otherwise handle its animals; for the reasons discussed more fully herein below, it is my determination that Stearns Zoo’s baby tiger swim sessions failed to provide sufficient distance and/or barriers between the animals and the public as required by the applicable regulations at 9 C.F.R. §§ 2.131(b)(1)), 2.131(b)(2)(i), 2.131(c)(1),<sup>4</sup> and, further, that the baby tiger swim program is not consistent with the requirements of 9 C.F.R. § 2.131(c)(3) that “(y)oung or immature animals shall not be exposed to rough or excessive public handling or exhibited for periods of time which would be detrimental to their health or well-being.”<sup>5</sup> Therefore, this practice must cease and desist.

#### 1. Respondent attempted to develop its baby tiger swim program with care and attention to the well-being of its animals.

Respondent provided credible testimony during the hearing that it attempted to develop its baby tiger swim program with care and attention to the well-being of its animals. Respondent developed the baby tiger swim program over several years as part of its tiger training program as a means to acclimate captive bred tigers to the presence of humans and to build a greater bond with the public in the animal world. (Tr. 3, 19). Kathy Stearns developed her tiger protocols with the assistance of qualified veterinarians. (Tr. 4, 19; RX 14-16). She also limits the tigers’ swims to three booking slots a day, the tigers do not swim for more than a couple minutes total, she prohibits visitors from taking pictures that might distract

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<sup>4</sup> Compl. ¶¶ 8b, 9a, 10c.

<sup>5</sup> C.F.R. § 2.131(c)(3).

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the tigers, and visitors may not restrain the tigers. (Tr. 4, 24-27, 37). Respondent also takes several steps to account for the tiger's needs. (Tr. 4, 39). First, the tigers are checked in the morning to see how they are feeling. They are checked again before the swim. If the tiger is sleeping, Respondent does not wake it up. (Tr. 4, 39-40). Respondent never forces a tiger to swim. (Tr. 4, 49). The trainers have full authority to cancel or change a swim based on the tiger's condition and this sometimes happens. (Tr. 4, 51-52). Although three slots are available, Respondent averages one swim per day. (Tr. 4, 43-44).

Further, Respondent's veterinarian, Dr. Don Woodman, had no concerns about undue stress so long as the protocol was followed. (RX 13).<sup>6</sup> Signs of undue stress would include abnormal stools, abnormal feeding patterns, growling, listlessness, changes in sleep/wake cycles, changes in gross physical appearance such as a dull sheen to the hair coat or dull look to the eyes or other marked changes in physical condition or mentation. (RX 13; Tr. 3, 48-54). It is undisputed that Respondent's tigers are quite healthy and active and have shown no signs of undue stress, abuse or neglect. (Tr. 3, 42-43). Similarly, Vernon Yates, a humane officer who investigates animal abuse and who owns and trains tigers, testified that he has seen how Respondent's tigers are trained and he has not found any instances of animal cruelty. (Tr. 3, 157).

After reviewing a segment of ABC's "Good Morning America" video footage at the hearing, Dr. Gage testified that "[i]t appeared to me to be an animal in the water that does not want to be in the water and was trying to find the easiest place to get out of the water, and that seemed to be the reporter."<sup>7</sup> However, unlike Dr. Gage, who only saw the broadcast video, both Kathy and Randy Stearns were present during the entire interaction. (Tr. 4, 130-135). Contrary to Gage's view that the tiger was in distress and did not want to swim, Kathy Stearns testified that the tiger was not under any distress and just wanted to play. (Tr. 4, 134-135). Randy Stearns also testified that the tiger was not under distress and simply wanted to play and swim. (Tr. 3, 213, 216-217).

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<sup>6</sup> In addition to his veterinary qualifications, Dr. Woodman has treated and raised tigers. In raising tigers, he trained them to get used to humans, including by taking them in his pool. (Tr. 3, 40-41).

<sup>7</sup> Tr. (Vol. 2), 206:16-20.

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Dr. Gage also noted that there were several occasions in the segment where the trainer pulled or held the smaller cub by the tail while it was in the water.<sup>8</sup> It is undisputed that Respondent's employees are trained to hold the base of the tiger's tail to provide balance and support while the tiger learns to swim. (RX 22; Tr. 4, 151). Although Dr. Gage admitted that she had never trained a tiger to swim, she testified, "If you're supporting it under the base of the tail, it's truly support, and that may be acceptable, but I feel that pulling on the tail is just a rotten thing to do." (Tr. 2, 274, 277). She added, "just support, I don't really see that as being a big issue, but I watched quite a number of these videos and pictures where it looked like the trainer was pulling the animal by the tail." (Tr. 2, 278). She did not specify which videos or pictures depicted pulling the animal by the tail, and she actually only saw two videos prior to her testimony, neither of which showed a tiger being pulled by the tail.

Randy Stearns adamantly denied pulling or yanking a tiger's tail. He testified that he would never do that because he works with these cats throughout their lives, "So I don't want bad blood between a tiger that's going to be five, 600 pounds later. So it's kind of a mutual respect. So we do have a good bond. So I wouldn't want to do anything – you know, especially anything to harm an animal, let alone make it upset." (Tr. 3, 28). Consistent with this testimony, one picture from Seiler's encounter shows Randy Stearns directing a customer not to grab the tiger's tail. (Tr. 3, 199). Randy Stearns explained that in the pictures Ms. Seiler presented, he was not actually pulling the tiger's tail. In the pictures taken on land, he was simply supporting the tiger by its belly with his hand on the tiger's tail to ensure that the animal did not flip over and fall on his head. The cat was not vocalizing when he had his hand on the tail. (Tr. 3, 29). In one of the water photographs, Stearns's hand was on the very tip of the tail. He was moving it away after letting the tiger go to swim on its own. In another picture, Stearns had his hand on the tail as the tiger was getting out of the water to keep the tiger from falling back into the water and going under. At the same time, he was moving his right hand under the tiger to support him. (Tr. 3, 33-34). As for holding a tiger by the neck, this allegation apparently was taken from Seiler's affidavit, which she corrected during the hearing to reflect that the tiger was being held by the scruff of the neck and not strangled. (Tr.1, 85). Dr. Gage testified that scruffing is a common

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<sup>8</sup>CX 6 at 2.

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practice, and tigers will relax when held by the scruff, as the mother would do. (Tr. 2, 218, 267).

It is my determination that, taken as a whole, the evidence of record does not support a finding that Stearns Zoo violated section 2.131(b)(2)(i) by using physical abuse to work the tigers.

2. Stearns Zoo's baby tiger swim sessions failed to provide sufficient distance and/or barriers between the animals and the public as required by the applicable regulations.

Despite credible testimony from Respondent that Respondent attempted to develop its baby tiger swim program with care and attention to the well-being of its animals, and despite my finding that Respondent did not use physical abuse to train, work, or otherwise handle its animals; for the reasons discussed more fully herein below, it is my determination that Stearns Zoo's baby tiger swim sessions failed to provide sufficient distance and/or barriers between the animals and the public as required by the applicable regulations at 9 C.F.R. §§ 2.131(b)(1)), 2.131(b)(2)(i), 2.131(c)(1),<sup>9</sup> and, further, that the baby tiger swim program is not consistent with the requirements of 9 C.F.R. § 2.131(c)(3) that "(y)oung or immature animals shall not be exposed to rough or excessive public handling or exhibited for periods of time which would be detrimental to their health or well-being."<sup>10</sup>

a. *September 30, 2011 (Baby Tiger Swim Session)*

The evidence shows that on September 30, 2011, Barbara Keefe paid for a "tiger swim session" at Stearns Zoo's facility.<sup>11</sup> In a letter to APHIS and an affidavit, Ms. Keefe described in detail what she observed at the facility.<sup>12</sup> She recalled that at least three separate groups participated in three tiger swim sessions that day.<sup>13</sup>

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<sup>9</sup> Compl. ¶¶ 8b, 9a, 10c.

<sup>10</sup> 9 C.F.R. § 2.131(c)(3).

<sup>11</sup> CX- 9.

<sup>12</sup> CX-9 at 1.

<sup>13</sup> CX-9 at 2; Tr. (Vol. 2), 17:2-6, 75:3-8, 78:1-14.

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While there was quite a bit of testimony from various witnesses opining as to whether the baby tigers were in distress or enjoyed the swim sessions, the dispositive point to be made here is that exhibitions where dangerous animals are potentially or actually in direct contact with the public violate both section 2.131(c)(1) and 2.131(b)(1):

The evidence demonstrates the public was extremely close to animals that were controlled solely by two volunteers who are familiar with the animals but have no special training in containing them, preventing their escape, or controlling them in the event of an attack. Given the limited handling training for the volunteers, the number of people in attendance, the close proximity of dangerous animals, the lack of a formal plan to control animals in the event of escape, combined with the potential for people to physically come into contact with the animals, I find, during the behind-the-scenes exhibitions, such as were observed on June 2, 2008, Tri-State and Mr. Candy violated 9 C.F.R. § 2.131(c)(1) by failing to handle animals so there was minimal risk of harm to the animals and to the public.

*Tri-State Zoological Park of Western Maryland, Inc.*, 72 Agric. Dec 128, 138 (U.S.D.A. 2013). *See also Williams*, 64 Agric. Dec. 1347, 1361 (U.S.D.A. 2005).

b. *October 10, 2012 (Good Morning America Swim Session)*

On October 10, 2012, Stearns Zoo exhibited two tigers at Stearns Zoo's facility on a segment of ABC's "Good Morning America." Video footage of the event shows an ABC reporter directly handling two tigers in the pool.<sup>14</sup> Dr. Laurie Gage testified regarding the younger tiger (Tony) that . . . the size of the animal, the age of the animal . . . it's an animal which . . . should be in the nursery . . . They should be fully vaccinated, because people can carry a virus that's very tough in the environment, hard to kill, and

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<sup>14</sup> CX-4 at 00:18



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lives for a long time and can be carried on people's clothing and their hands and brought into a situation like this . . . you're putting this animal in an unusual situation for its age."<sup>15</sup> Dr. Gage noted that adding members to the public that are not trained to handle the animal causes an issue as, "[t]hey don't necessarily understand how to respond if it misbehaves, or they're not trained to handle baby tigers."<sup>16</sup>

In her declaration (and in her testimony), Dr. Gage noted that APHIS Animal Care considers news reporters, such as the one in the video, to be members of the public.<sup>17</sup>

Later in the footage, an additional tiger—a large juvenile (Tarzan) was brought into the pool, where the reporter was in direct contact with the juvenile.<sup>18</sup> Dr. Gage testified that “. . . this is a large tiger that should not be anywhere close to a member of the public. This is an animal that's too big and too strong, too fast. It could cause damage not only to his handler, but to a member of the public."<sup>19</sup> She noted that the animal was sixty pounds, if not more.<sup>20</sup> Even Stearns Zoo's attending veterinarian would agree, “[o]ver 40 pounds, at that point, I think that they could start becoming dangerous to the public. They can start causing bites that would be significant or scratches that would be significant.”<sup>21</sup>

“Respondents' lions and tigers are simply too large, too strong, too quick, and too unpredictable for a person (or persons) to restrain the animal or for a member of the public in contact with one of the lions or tigers to have the time to move to safety.” *International Siberian Tiger Foundation*, 61 Agric. Dec. 53, 78 (U.S.D.A. 2002).

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<sup>15</sup> Tr. (6/28/16), 197:7-198:7.

<sup>16</sup> Tr. (6/28/16), 198:19-199:9.

<sup>17</sup> CX-6 at 1.

<sup>18</sup> CX-4 at 02:50.

<sup>19</sup> Tr. (6/28/16), 204:13-18.

<sup>20</sup> Tr. (6/28/16), 211:12.

<sup>21</sup> Tr. (6/28/16), 211:12.

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It is well settled that exhibitions where dangerous animals are potentially or actually in direct contact with the public violate both sections 2.131(c)(1) and 2.131(b)(1):

The evidence demonstrates the public was extremely close to animals that were controlled solely by two volunteers who are familiar with the animals but have no special training in containing them, preventing their escape, or controlling them in the event of an attack. Given the limited handling training for the volunteers, the number of people in attendance, the close proximity of dangerous animals, the lack of a formal plan to control animals in the event of escape, combined with the potential for people to physically come into contact with the animals, I find, during the behind-the-scenes exhibitions, such as were observed on June 2, 2008, Tri-State and Mr. Candy violated 9 C.F.R. § 2.131(c)(1) by failing to handle animals so there was minimal risk of harm to the animals and to the public.

*Tri-State Zoological Park of Western Maryland, Inc.*, 72 Agric. Dec 128, 138 (U.S.D.A. 2013). *See also Williams*, 64 Agric. Dec. 1347, 1361 (U.S.D.A. 2005).

### *c. October 13, 2012 (Baby Tiger Swim Session)*

The evidence reflects that on October 13, 2012, Ms. Jayanti Seiler participated in a “tiger swim” at Stearns Zoo. Ms. Seiler, along with five to seven other people,<sup>22</sup> were shuttled to the area where the animals were kept. Randy Stearns was the trainer during her session, and the juvenile tiger, Tony was brought out to interact with the customers.<sup>23</sup> While there was quite a bit of testimony from various witnesses opining as to whether the baby tigers were in distress or enjoyed the swim sessions, the dispositive point to be made here is that exhibitions where dangerous animals are potentially or actually in direct contact with the public violate both sections 2.131(c)(1) and 2.131(b)(1):

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<sup>22</sup> Tr. (Vol. 1), 35:18-20.

<sup>23</sup> CX-8 at 1.

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The evidence demonstrates the public was extremely close to animals that were controlled solely by two volunteers who are familiar with the animals but have no special training in containing them, preventing their escape, or controlling them in the event of an attack. Given the limited handling training for the volunteers, the number of people in attendance, the close proximity of dangerous animals, the lack of a formal plan to control animals in the event of escape, combined with the potential for people to physically come into contact with the animals, I find, during the behind-the-scenes exhibitions, such as were observed on June 2, 2008, Tri-State and Mr. Candy violated 9 C.F.R. § 2.131(c)(1) by failing to handle animals so there was minimal risk of harm to the animals and to the public.

*Tri-State Zoological Park of Western Maryland, Inc.*, 72 Agric. Dec 128, 138 (U.S.D.A. 2013). *See also Williams*, 64 Agric. Dec. 1347, 1361 (U.S.D.A. 2005).

d. *October 18, 2012 (Fox and Friends Swim Session)*

On October 18, 2012, Stearns Zoo exhibited a young tiger, Tony, in a simulated swim encounter staged in New York, which was presented on “Fox and Friends.”<sup>24</sup> The video footage shows Randy Stearns handling “Tony” in front of a public crowd pressed in tightly to the makeshift pool in an effort to see the baby tiger.<sup>25</sup> Contrary to Respondent’s request, a kiddie pool had been provided, and Tony was unable to swim properly. (Tr. 4, 139). Randy Stearns testified that the tiger made noises indicating that he was excited by the cameras, and that the flimsiness of the pool was a problem for him. (Tr. 4, 140) (Tr. 3, 227). According to Mr. Stearns, the camera was too close to the tiger, and the tiger wanted to play with it. (Tr. 3, 226). He was following the camera until he became distracted by a toy moose. (Tr. 3, 227). The tiger was not under distress or even scared of the

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<sup>24</sup> This was the same tiger depicted in the ABC show a week earlier. Tony was ten weeks old and weighed about twenty-two pounds. (Tr. 4, 140).

<sup>25</sup> CX-5.

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camera. He wasn't doing anything abnormal. (Tr. 3, 228). After this swim, Mr. Stearns testified that "Tony" was perfectly healthy. (Tr. 4, 141-142).

Based on her observation of the video evidence, Dr. Gage concluded that the baby tiger did not want to swim under those circumstances. (CX 6; Tr. 2, 263). While she admitted that it was possible that the tiger wanted to leave the pool because he was curious about something on the outside, Dr. Gage stated that "the animal did not appear to enjoy being in the water . . . it made numerous and consistent attempts to exit the water but was held in the pool by its handler holding the leash."<sup>26</sup>

Again, the dispositive point to be made here is that exhibitions where dangerous animals are potentially or actually in direct contact with the public violate both section 2.131(c)(1) and 2.131(b)(1):

The evidence demonstrates the public was extremely close to animals that were controlled solely by two volunteers who are familiar with the animals but have no special training in containing them, preventing their escape, or controlling them in the event of an attack. Given the limited handling training for the volunteers, the number of people in attendance, the close proximity of dangerous animals, the lack of a formal plan to control animals in the event of escape, combined with the potential for people to physically come into contact with the animals, I find, during the behind-the-scenes exhibitions, such as were observed on June 2, 2008, Tri-State and Mr. Candy violated 9 C.F.R. § 2.131(c)(1) by failing to handle animals so there was minimal risk of harm to the animals and to the public.

*Tri-State Zoological Park of Western Maryland, Inc.*, 72 Agric. Dec 128, 138 (U.S.D.A. 2013). *See also Williams*, 64 Agric. Dec. 1347, 1361 (U.S.D.A. 2005).

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<sup>26</sup>Tr. 2, 264; CX-6 at 2.

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3. The baby tiger swim program is not consistent with the requirements of 9 C.F.R. § 2.131(c)(3) that “(y)oung or immature animals shall not be exposed to rough or excessive public handling or exhibited for periods of time which would be detrimental to their health or well-being.

Further, and perhaps more importantly, Stearns Zoo’s baby tiger swim program is not consistent with the requirements of 9 C.F.R. § 2.131(c)(3) that “(y)oung or immature animals shall not be exposed to rough or excessive public handling or exhibited for periods of time which would be detrimental to their health or well-being.”<sup>27</sup>

As referenced *supra*, Dr. Laurie Gage testified regarding the younger tiger (Tony):

. . . the size of the animal, the age of the animal...it’s an animal which...should be in the nursery . . . They should be fully vaccinated, because people can carry a virus that’s very tough in the environment, hard to kill, and lives for a long time and can be carried on people’s clothing and their hands and brought into a situation like this...you’re putting this animal in an unusual situation for its age.<sup>28</sup>

This testimony is equally applicable to all of the baby tiger swim sessions.

### **B. Macaque Monkey**

The Complaint alleges that on or about July 27, 2011, Stearns Zoo willfully violated the Regulations (9 C.F.R. § 2.13(c)(1)) by exhibiting a macaque without sufficient distance and/or barriers between the macaque and the public so as to minimize the risk of harm to the animals and the public.<sup>29</sup> Dr. Navarro testified that he received an incident report dated July 21, 2011 from a representative from State Department of Health with respect to an individual who sought treatment for injuries from a monkey

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<sup>27</sup> 9 C.F.R. § 2.131(c)(3).

<sup>28</sup> Tr. (6/28/16), 197:7-198:7.

<sup>29</sup> Compl. ¶ 10a.

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bite at Stearns Zoo.<sup>30</sup> According to the report, during an encounter with a monkey, the monkey slapped the victim's face and repeatedly bit the victim's arm, breaking the skin.<sup>31</sup> Dr. Navarro included this information in an inspection report dated July 27, 2011.<sup>32</sup>

The Judicial Officer has observed, "the probative value of a report depends on the extent to which the inspector documents the facts supporting [the inspector's] findings." *Hansen*, 57 Agric. Dec. 1072 (U.S.D.A. 1998). Inspector Navarro did not investigate or verify the facts in the subject report and instead relied on the statement of an unidentified health official who simply reported the bite complaint of an unidentified customer. (CX-14, CX-21). He did not speak to the person claiming to have been bitten or the health official, nor did he show Kathy Stearns the complaint. (Tr. 2, 147-148).

Ms. Stearns testified that she personally handled the monkey and interacted with the customer. She testified that the monkey was on a leash and did not bite the customer. (Tr. 4, 174-175). The FWC also investigated the complaint, and Ms. Stearns provided the agency with photos of the session; however, nothing came of it. She similarly told the USDA inspector that the incident did not happen and offered to show pictures. (Tr. 4, 176-177, 181). Ms. Stearns believed that she appealed the inspection report but she did not keep the paperwork. She felt that the issue had been put to bed since the FWC had found no violation. The first she heard of it again was in this case.<sup>33</sup> (Tr. 4, 183).

The most probative evidence regarding this disputed violation came from Ms. Stearns, who had personal knowledge of the encounter, and who testified that she was personally handled the monkey during the encounter, that the monkey was on a leash, and that the monkey did not bite the customer. (Tr. 4, 174-175). Accordingly, Complainant has failed to meet its burden of proof regarding this alleged violation and this alleged violation is not sustained.

#### IV. Standards

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<sup>30</sup> Tr. (Vol. 2), 119:15-120:1; 120:14-21.

<sup>31</sup> CX-21.

<sup>32</sup> CX-14.

<sup>33</sup> The incident was not included in Respondent's May 31, 2012 official warning. (CX-3).

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Section 2.100(a) of the Regulations provides: “Each exhibitor . . . shall comply in all respects with the regulations set forth in part 2 of this subchapter and the standards set forth in part 3 of this subchapter for the humane handling, care, treatment, and transportation of animals. . .”<sup>34</sup>

The Complaint alleges that in five separate instances, Stearns Zoo failed to meet the minimum standards with respect to drainage, structural strength, and shelter from inclement weather.

**A. May 1, 2013 (Drainage)**

Section 3.127(c) of the Standards provides: “Drainage. A suitable method shall be provided to rapidly eliminate excess water. The method of drainage shall comply with applicable Federal, State, and local laws and regulations relating to pollution control or the protection of the environment.”<sup>35</sup>

The evidence shows that on May 1, 2013, Stearns Zoo’s tiger enclosures had an accumulation of mud and water.<sup>36</sup> In his inspection report, Dr. Navarro wrote:

A few of the Tiger enclosure[s] had water and mud accumulation due to rainy weather during the night. The owner recognized the problem and started working on it by putting new substrate on the ground inside the enclosure. According to the owner cement is going to be pour[ed] within the next month.<sup>37</sup>

Dr. Navarro testified that more than one enclosure had “a lot of mud, and the tigers were muddy, and there was a drainage issue. . .”<sup>38</sup> His photographs show two separate enclosures: (1) a tiger laying on the ground

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<sup>34</sup> 9 C.F.R. § 2.100(a). This Regulation applies to all of the alleged noncompliance with the standards promulgated under the Act (Standards).

<sup>35</sup> 9 C.F.R. § 3.127(c).

<sup>36</sup> Compl. ¶ 12a.

<sup>37</sup> CX-17 at 1.

<sup>38</sup> Tr. (Vol. 2), 129:18-22.

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with mud in one enclosure;<sup>39</sup> and (2) another enclosure with muddy ground and drainage issues.<sup>40</sup> The accumulation of water and mud caused mud to get on the tigers because, “. . . I don’t see anywhere where they can lay down without being muddy.”<sup>41</sup> Dr. Navarro testified that the mud contains bacteria that could create an infection of the skin and intestinal problems if it were consumed.<sup>42</sup>

Stearns Zoo’s asserts that, “it was really wet from the bad storms.”<sup>43</sup> Inspections of outdoor facilities conducted on rainy days will often reveal pools of water; however, the Standard requires a suitable method to rapidly eliminate excess water.<sup>44</sup> Stearns Zoo had no method to rapidly eliminate excess water on May 1, 2013. Although Stearns Zoo asserts that it corrected the problem after the inspection,<sup>45</sup> again, subsequent correction does not obviate violations.<sup>46</sup> Accordingly, the violation is sustained.

### **B. September 6, 2012 (lion enclosure)**

Section 3.125(a) of the Standards provides: “Structural strength. The facility must be constructed of such material and of such strength as appropriate for the animals involved. The indoor and outdoor housing facilities shall be structurally sound and shall be maintained in good repair to protect the animals from injury and to contain the animals.”<sup>47</sup>

As alleged in the Complaint, the evidence shows that on September 6, 2012, Stearns Zoo failed to maintain the lion enclosure in good repair as there was a loose electric wire hanging inside the enclosure.<sup>48</sup> In his

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<sup>39</sup> CX-17 at 2, 3; Tr. (Vol. 2), 130:6-10.

<sup>40</sup> CX-17 at 4, 5; Tr. (Vol. 2), 130:15-18.

<sup>41</sup> Tr. (Vol. 2), 131:9-12.

<sup>42</sup> Tr. (Vol. 2), 131:15-19.

<sup>43</sup> Tr. (Vol. 4), 204:20.

<sup>44</sup> White, Docket No. 12-0277, 2014 WL 4311058, at \*10 (U.S.D.A. May 13, 2014).

<sup>45</sup> Tr. (Vol. 4), 208:13-209:2.

<sup>46</sup> Pearson, 68 Agric. Dec. 685, 727-28 (U.S.D.A. 2009), *aff’d*, 411 F. App’x 866 (6th Cir. 2011); Bond, 65 Agric. Dec. 92, 109 (U.S.D.A. 2006), *aff’d per curiam*, 275 F. App’x 547 (8th Cir. 2008); Drogosch, 63 Agric. Dec. 623, 643 (U.S.D.A. 2004); Parr, 59 Agric. Dec. 601, 644 (U.S.D.A. 2000), *aff’d per curiam*, 273 F.3d 1095 (5th Cir. 2001) (Table); DeFrancesco, 59 Agric. Dec. 97, 112 n.12 (U.S.D.A. 2000); Huchital, 58 Agric. Dec. 763, 805 n.6 (U.S.D.A. 1999); Stephens, 58 Agric. Dec. 149, 184-85 (U.S.D.A. 1999).

<sup>47</sup> 9 C.F.R. § 3.125(a).

<sup>48</sup> Compl. ¶ 12b.



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inspection report, Dr. Navarro wrote: “The electric wire inside the lion enclosure was hanging loose due to a tree limb that fell and hit the horizontal holding wire clamp.”<sup>49</sup>

At the hearing, Dr. Navarro testified that the purpose of the electric wire, which goes around the lion enclosure, was to have a continuous “. . . electrical circuit that it prevents the animals from going over it because they receive like an electrical shock. It has impulses, and that prevents the animals from climbing out of the enclosure.”<sup>50</sup> Dr. Navarro’s photographs show the clamp facing down, allowing the electric wire to touch the fence.<sup>51</sup> The electric wire was not operating as it was designed to operate because “it was too close to the chain link . . . if an animal decided to climb over it, it could walk over it because it didn’t have enough separation from the chain-link fence.”<sup>52</sup> Accordingly, the violation is sustained.

**C. May 1, 2013 (baboon enclosure)**

The evidence shows that on May 1, 2013, Stearns Zoo failed to maintain an enclosure for two baboons in good repair.<sup>53</sup> Section 3.75(a) of the Standards provides:

Structure: construction. Housing facilities for nonhuman primates must be designed and constructed so that they are structurally sound for the species of nonhuman primates housed in them. They must be kept in good repair, and they must protect the animals from injury, contain the animals securely, and restrict other animals from entering.

9 C.F.R. § 3.75(a).

In his inspection report, Dr. Navarro wrote:

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<sup>49</sup>CX-16 at 1.

<sup>50</sup>Tr. (Vol. 2), 125:13-16.

<sup>51</sup>CX-16 at 3, 4; Tr. (Vol. 2), 126:18-126:1.

<sup>52</sup>Tr. (Vol. 2), 125:14-18.

<sup>53</sup>Compl. ¶ 12c.

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The enclosure housing the 2 male baboon[s] had a detached welded pole on the side and front panel area of the enclosure in which the primates are exhibited. The constant pushing and pulling on the chain link by the primates on the side and front area of the enclosure may result in a debilitated structure and makes the enclosure vulnerable to escape of the animals.

CX-17 at 1.

Photographs taken during the inspection show detached poles on the side panels of the enclosure, caused by the primates banging on the chain-link fence.<sup>54</sup> Given the strength of the nonhuman primates, Dr. Navarro testified that the issue with the detached poles lay in the danger for escape if the chain-link fence became unattached by the nonhuman primates.<sup>55</sup> The purpose of the enclosure is to protect the animals from injury and to contain them securely.<sup>56</sup> The photographic evidence demonstrates the effect of the baboons' strength,<sup>57</sup> and that the enclosure was structurally compromised due to the detached pole. Accordingly, the violation is sustained.

### **D. November 21, 2013 (pig enclosure)**

The evidence shows that on November 21, 2013, Stearns Zoo failed to maintain an enclosure for a pig so as to protect the animal from injury.<sup>58</sup> Section 3.125(a) of the Standards provides:

Structural strength. The facility must be constructed of such material and of such strength as appropriate for the animals involved. The indoor and outdoor housing facilities shall be structurally sound and shall be maintained in good repair to protect the animals from injury and to contain the animals.<sup>59</sup>

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<sup>54</sup> CX-17 at 6, 7; Tr. (Vol. 2) 128:20-129:3.

<sup>55</sup> Tr. (Vol. 2), 128:6-9.

<sup>56</sup> See 9 C.F.R. § 3.75(a).

<sup>57</sup> Tr. (Vol. 2), 128:20-129:3.

<sup>58</sup> Compl. ¶ 12d.

<sup>59</sup> 9 C.F.R. § 3.125(a).

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In his inspection report, Dr. Navarro wrote: “The enclosure housing the pig had a rusted pipe with jagged edges.”<sup>60</sup> His photographs depict a rusty vertical pipe that was used to close the door of the pig enclosure.<sup>61</sup> The rust’s location—at the bottom edges—posed a risk of harm to the pig as, “. . . the jagged edges, along with the rust . . . if he uses his snout, like some of the pigs do, he could cut his snout on the jagged edges.”<sup>62</sup> Accordingly, the violation is sustained.

**E. November 21, 2013 (shelter for tigers)**

The evidence shows that on November 21, 2013, Stearns Zoo failed to provide tigers with adequate shelter from inclement weather.<sup>63</sup> Section 3.127(b) of the Standards provides: “Natural or artificial shelter appropriate to the local climatic conditions for the species concerned shall be provided for all animals kept outdoors to afford them protection and to prevent discomfort to such animals. . . .”<sup>64</sup> Exhibitors are required to provide *each* animal housed outdoors with adequate shelter from the elements.

On a July 28, 1992, inspection of Big Bear Farm, Inc., two APHIS inspectors found that “the petting zoo enclosure housed 1 potbellied pig, 5 sheep and 7 goats was equipped with 2 wood shelter boxes and 1 plastic barrel. There was not enough total shelter space to accommodate [*sic*] all animals housed in this enclosure at the same time.

*Big Bear Farm, Inc.*, 55 Agric. Dec. 107, 122-23 (U.S.D.A. 1996).<sup>65</sup>

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<sup>60</sup> CX-19 at 1.

<sup>61</sup> Tr. (Vol. 2), 134:13-16.

<sup>62</sup> Tr. (Vol. 2), 134:9-12.

<sup>63</sup> Compl. ¶ 12e.

<sup>64</sup> 9 C.F.R. § 3.127(b).

<sup>65</sup> Pearson, 68 Agric. Dec. 685, 709 (U.S.D.A. 2009) (“On or about September 9, 1999, Mr. Pearson housed a bobcat in an enclosure with a damaged roof that did not provide the animal with shelter from inclement weather, in willful violation of section 3.127(b) of the Regulations. . . .”); Parr, 59 Agric. Dec. 601, 613 (U.S.D.A. 2000) (“Mr. Currer testified that he observed a tiger in an enclosure that had a roof but had no protection on its sides from wind or blowing rain. . . . Respondent states that he completed the repairs necessary to comply with 9 C.F.R. § 3.127(b) by April 20, 1997. . . . I conclude that on April 9, 1997,

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In his inspection report, Dr. Navarro wrote: “One tiger enclosure had a shelter that was not tall enough for the tigers to go into it and make normal postural movements.”<sup>66</sup> Dr. Navarro’s photographs show a shelter that, “was not high or tall enough for the animals to get in there in case there was rain and they wanted to get shelter from the elements.”<sup>67</sup> He testified that the opening in the enclosure was two feet by two feet, not sufficient for both of the tigers.<sup>68</sup> Accordingly, the violation is sustained.

### **Findings of Fact**

1. The Secretary of Agriculture has jurisdiction in this AWA administrative enforcement matter. 7 U.S.C. §§ 2149(a), (b).
2. Stearns Zoological Rescue & Rehab Center, Inc. (Stearns Zoo), is a Florida corporation (N07000007224) that does business as Dade City Wild Things, and whose registered agent for service of process is Kathryn P. Stearns, 36909 Blanton Road, Dade City, Florida 33523. (Compl. ¶ 1; Answer at ¶ 1; CX-1; CX-2). Stearns Zoo exhibits domestic, wild, and exotic animals at its Blanton Road facility and off-site. (CX-1, CX-2, CX-5; Stipulations as to Facts, Witnesses and Exhibits (Stipulations) ¶ 1.E).
3. Randall (Randy) Stearns is a director and the President of Stearns Zoo, and Kathryn Stearns is a director and the Secretary of Stearns Zoo. (CX-2).
4. At all times mentioned in the Complaint, Stearns Zoo was an exhibitor, as that term is defined in the Act and the Regulations, and held AWA license number 58-C-0883. (Compl. ¶ 1; Answer ¶ 1; CX-1, CX-2).
5. In 2011, Stearns Zoo represented to APHIS that it held sixty-one animals; in 2012, Stearns Zoo represented that it held ninety-seven

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Respondent willfully violated section 3.127(b) of the Standards...by failing to provide an animal shelter from inclement weather.”).

<sup>66</sup> CX-19 at 2.

<sup>67</sup> CX-19 at 6, 7; Tr. (Vol. 2), 135:22-136:4.

<sup>68</sup> Tr. (Vol. 2), 136:13-21.

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animals; in 2013, Stearns Zoo represented that it held 126 animals; in 2014, Stearns Zoo represented that it held ninety-eight animals; and in 2015, Stearns Zoo represented that it held 139 animals. (Compl. ¶ 2; CX-1).

6. On May 31, 2012, APHIS issued an Official Warning to Stearns Zoo with respect to noncompliance documented during five inspections: May 4, 2010 (perimeter fence); September 21, 2010 (veterinary care, facilities, drainage); May 17, 2011 (non-human primate enclosure); September 14, 2011 (handling of a tiger); and February 23, 2012 (serval enclosure). (Answer ¶ 4; CX-3; Tr. (Vol. 2), 101:12-116:15 (Navarro); 157:18-163:17 (Brandes); 173:6-179:18 (Gaj)).
7. On November 21, 2013, Veterinary Medical Officer (VMO) Dr. Luis Navarro conducted a compliance inspection of Stearns Zoo's facilities, equipment, and animals, and asserted that Stearns Zoo had failed to identify a dog as required; however, the evidence of record reflects that the dog was *not* used for exhibition, but rather that this was a family pet. (Tr. 4, 21).
8. On January 26, 2012, Dr. Navarro attempted to conduct a compliance inspection at Stearns Zoo's facility, but no one was available to provide access or to accompany him. VMO Navarro prepared a contemporaneous inspection report. (CX-15; Stipulations ¶ I.A; Tr. (Vol. 2), 122:14-124:12).
9. On September 9, 2013, VMO Dr. Robert Brandes attempted to conduct an inspection at Stearns Zoo's facility. No one from Stearns Zoo was available to provide access or to accompany him. He prepared a contemporaneous inspection report. (CX-18; Stipulations ¶ I.B; Tr. (Vol. 2), 163:18-167:6).
10. On July 27, 2011, it was alleged that Stearns Zoo, during exhibition, allowed members of the public to have direct contact with a macaque without any distance and/or barriers between the macaque and the public; however, this alleged violation was based solely on unsubstantiated third-party information that was directly rebutted by

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the sworn testimony of Ms. Stearns at hearing based on her personal knowledge. (CX-14, 21; Tr. 2, 147-148; Tr. 4, 174-175).

11. On September 30, 2011 and on October 13, 2012, Stearns Zoo exhibited a young tiger to the public, including Barbara Keefe and Jayanti Seiler, respectively, in a pool, without any distance and/or barriers between the tiger and the public. (CX-9, CX-10, CX-11, CX-12; Tr. (Vol. 2), 25:22-32:2 (Keefe). Tr. (Vol. 1), 38:10-20; 141:1-12 (Seiler)).
12. On October 10, 2012, Stearns Zoo exhibited a young tiger (Tony) in a pool with a member of the public (a television reporter) who was permitted to handle the tiger directly. (CX-4, CX-6; Tr. (Vol. 2), 192:12-194:14, 202:9-203:2, 205:21-208:1 (Gage); Stipulations ¶ D).
13. On October 10, 2012, Stearns Zoo also exhibited a large juvenile tiger (Tarzan) in a pool with a member of the public (a reporter) without any distance and/or barrier between the tiger and the reporter. (CX-4, CX-6; Tr. (Vol. 2), 192:12-206:5, 211:2-18 (Gage); Stipulations ¶ D).
14. On October 18, 2012, Stearns Zoo exhibited a juvenile tiger (Tony) in a pool outdoors in New York City, as part of a television show, without any barrier and scant distance between the tiger and a television reporter. (CX-5, CX-6; Tr. (Vol. 2), 213:18-22, 217:13-219:5 (Gage); Stipulations ¶ E).
15. On May 1, 2013, VMO Navarro conducted a compliance inspection at Stearns Zoo. (CX-17). He observed and documented in an inspection report that there was not a method to rapidly eliminate excess water from tiger enclosures, which had an accumulation of mud and water, and that the enclosure for two baboons had a support pole that had detached from the side and front of the enclosure. (CX-17; Tr. (Vol. 2), 129:130:10 (Navarro); Stipulations at 1 ¶ G).
16. On September 6, 2012, Dr. Navarro conducted a compliance inspection at Stearns Zoo. (CX-16). He observed and documented in an inspection report that there was a loose electrical wire hanging inside the lion enclosure and accessible to the lion. (CX-16; Tr. (Vol. 2), 124:13-127:19 (Navarro); Stipulations at 1-2 ¶ H).

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17. On November 21, 2013, Dr. Navarro conducted a compliance inspection at Stearns Zoo. (CX-19). He observed and documented in an inspection report that Stearns Zoo's enclosure for a pig contained a rusted jagged pipe, and that there was inadequate shelter from inclement weather for tigers. (CX-19; Tr. (Vol. 2), 132:16-137:19 (Navarro); Stipulations at 1 ¶ C).
18. On September 30, 2011, October 10, 2012, October 13, 2012, and October 18, 2012, Stearns Zoo's baby tiger swim program was not consistent with the requirements of 9 C.F.R. § 2.131(c)(3) in that young or immature baby tigers were exposed to rough or excessive public handling or exhibited for periods of time which would be detrimental to their health or well-being. For example, Dr. Laurie Gage testified regarding the younger tiger (Tony), ". . . the size of the animal, the age of the animal . . . it's an animal which . . . should be in the nursery...They should be fully vaccinated, because people can carry a virus that's very tough in the environment, hard to kill, and lives for a long time and can be carried on people's clothing and their hands and brought into a situation like this . . . you're putting this animal in an unusual situation for its age." (Tr. (6/28/16), 197:7-198:7).

**Conclusions of Law**

1. On November 21, 2013, Stearns Zoo did not violate the Regulations by failing to identify a dog because the dog was *not* used for exhibition but rather was a family pet. (Tr. 4, 21). 9 C.F.R. § 2.50(c).
2. On or about January 26, 2012 and September 9, 2013, Stearns Zoo willfully violated the Act and the Regulations by failing to have a responsible person available to provide access to APHIS officials to inspect its facilities, animals, and records during normal business hours. 7 U.S.C. § 2146(a); 9 C.F.R. § 2.126(a).
3. On July 27, 2011, Stearns Zoo did not violate the Regulations, 9 C.F.R. § 2.131(c)(1), by failing to handle a macaque properly during public exhibition.

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4. On September 30, 2011, October 10, 2012, October 13, 2012, and October 18, 2012, Stearns Zoo willfully violated the Regulations, 9 C.F.R. § 2.131(c)(1), by failing to handle tigers during public exhibition with minimal risk of harm to the animals and the public, and with sufficient distance and/or barriers between the animals and the public.
5. On September 30, 2011, October 10, 2012, October 13, 2012, and October 18, 2012, Stearns Zoo willfully violated the Regulations, 9 C.F.R. §§ 2.131(c)(3) and 2.131(d)(1), by exposing young or immature tigers to rough or excessive handling and/or by exhibiting them for periods of time and/or under conditions that were inconsistent with their good health and well-being.
6. In five instances on the following dates, Stearns Zoo willfully violated the Regulations, 9 C.F.R. § 2.100(a), by failing to meet the minimum Standards promulgated under the AWA (9 C.F.R. Part 3) (Standards), as follows:
  - i. September 6, 2012. Loose electric wire inside lion enclosure. 9 C.F.R. § 3.125(a).
  - ii. May 1, 2013. No method to rapidly eliminate excess water from tiger enclosures. 9 C.F.R. § 3.127(c).
  - iii. May 1, 2013. Detached support pole for enclosure housing two baboons. 9 C.F.R. § 3.75(a).
  - iv. November 21, 2013. Rusted pipe with jagged edges in pig enclosure. 9 C.F.R. § 3.125(a).
  - v. November 21, 2013. Inadequate shelter from inclement weather for tigers. 9 C.F.R. § 3.127(b).

### **V. Sanctions**

The evidence establishes that, *inter alia*, Stearns Zoo repeatedly handled animals in a manner that placed the animals (and people) at risk



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of harm, and repeatedly failed to provide access for inspection, in willful violation of the Regulations. For these reasons alone, Complainant requests that license 58-C-0883 be revoked. The Complainant also requests that Stearns Zoo be ordered to cease and desist from future violations, and that a civil penalty be assessed. APHIS believes that the evidence supports a finding that Stearns Zoo committed twenty-three violations and seeks the assessment of a civil penalty of \$23,000.<sup>69</sup>

The Secretary may revoke an AWA license following a single, willful violation. U.S.C. § 2149(a); *Pearson v. USDA*, 411 F. App'x 866, 872 (6th Cir. 2011) ("An AWA license may be revoked following a single, willful violation of the Animal Welfare Act.") (citing *Cox v. USDA*, 925 F.2d 1102, 1105 (8th Cir. 1991)). A willful act is an act in which the violator intentionally does an act which is prohibited, irrespective of evil motive or reliance on erroneous advice, or acts with careless disregard of statutory requirements. *Ash*, 71 Agric. Dec. 900, 913 (U.S.D.A. 2012); *Bauck*, 68 Agric. Dec. 853, 860-61 (U.S.D.A. 2009), *appeal dismissed*, No. 10-1138 (8th Cir. Feb. 14, 2010); *D&H Pet Farms Inc.*, 68 Agric. Dec. 798, 812-13 (U.S.D.A. 2009); *Bond*, 65 Agric. Dec. 92, 107 (U.S.D.A. 2006), *aff'd per curiam*, 275 F. App'x 547 (8th Cir. 2008); *Stephens*, 58 Agric. Dec. 149, 180 (U.S.D.A. 1999); *Arab Stock Yard, Inc.*, 37 Agric. Dec. 293, 306 (U.S.D.A. 1978), *aff'd mem.*, 582 F.2d 39 (5th Cir. 1978). However, as reflected in *Esposito*, 38 Agric. Dec. 613, 633 (U.S.D.A. 1979), different degrees of seriousness of violations are recognized by the Judicial Officer and, of course, mitigating circumstances are always considered in determining the sanction to be issued and may be grounds for imposing a lesser sanction.

The Act authorizes the Secretary to assess a civil penalty of up to \$10,000 for each violation of the Act or the Regulations. When determining the amount of the civil penalty to be assessed for violations of the Animal Welfare Act and the Regulations, the Secretary of Agriculture is required to give due consideration to four factors: (1) the size of the business of the person involved; (2) the gravity of the violations; (3) the person's good faith; and (4) the history of previous violations. 7 U.S.C. § 2149(b).

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<sup>69</sup>The maximum civil penalty that could be assessed under the Act is \$230,000.

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### A. Size of the business

Respondent operates a zoo on twenty-two acres with approximately 300 animals. Respondent has been in business for sixteen years and has grown from nothing to being open six days a week. (Tr. 4, 6-9, 13). Therefore, Stearns Zoo operates a large business exhibiting animals. *Huchital*, 58 Agric. Dec. 763, 816-17 (U.S.D.A. 1999) (finding the respondent, who held approximately eighty rabbits, operated a large business); *Browning*, 52 Agric. Dec. 129, 151 (U.S.D.A. 1993) (finding the respondent, who held seventy-five to eighty animals, operated a moderately large business), *aff'd per curiam*, 15 F.3d 1097 (11th Cir. 1994).

### B. Gravity of the violations

The gravity here is great because several of the violations put both people and animals at risk of injury.

### C. Respondent's Good Faith

The evidence of record reflects that Kathy Stearns has been working with exotic animals most of her life and that she is devoted to the care and well-being of her animals. She is involved with conferences and compliance training, including first responder training, and she was a member of the Florida Fish and Wildlife Conservation Commission ("FWC") Technical Advisory Group involved with revisions to Florida's captive wildlife regulations. (Tr. 4, 11-12). She is also involved with tiger genome research, and has created an endangered species conservation fund. She has given money to the University of Arizona to buy cameras for identifying cats in South America and has funded other projects. (Tr. 4, 72-73).

Complainant contends that Stearns Zoo has not shown good faith because despite having been issued an Official Warning on May 31, 2012, Stearns Zoo has continued to violate the same Regulations. However, the May 31, 2012 Official Warning is simply a composite of inspection reports, and the Judicial Officer has made clear that inspectors do not determine whether a violation exists:

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It bears repeating that an inspector is only an evidence gatherer. The inspector has no authority to find that anyone violated the Animal Welfare Act or the Regulations and Standards, but merely presents evidence, first to the agency and the agency's counsel, and then before an administrative law judge.

*Hansen*, 57 Agric. Dec. 1072, 1123 (U.S.D.A. 1998).

Further, a closer look at the May 31, 2012 Official Warning does not support a finding of bad faith. There are seven alleged violations listed on the official warning. (CX 3). Complainant presented evidence on five of them.<sup>70</sup>

- September 21, 2010 – splintered resting surface – This allegation is unrelated and different from other alleged violations, and there is no suggestion that the resting surface was not repaired. (Tr. 4, 160-161).

- September 21, 2010 - drainage – Stearns testified that only two enclosures had drainage issues and Respondent installed concrete floors. (Tr. 4, 208).

- May 17, 2011 - non-human primate enclosure – The inspector found a welded pole that had become detached from the roof of a macaque enclosure. Again, there is no suggestion that this alleged violation continued and was not repaired.

- February 23, 2012 – rusted pipe in serval enclosure – The inspector testified that Respondent repaired the pipe. (Tr. 2, 116).

- September 14, 2011 – tiger swim - The inspection report and subsequent warning stated:

During the tiger swim session the cub #2 (blue collar, black leash) was reluctant to move to the edge of the pool

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<sup>70</sup> Complainant's counsel stated on the record that it was not contending that an allegation of failure to provide adequate veterinary care to Cleo the black leopard was evidence of bad faith. (Tr. 3, 103-104). Complainant also abandoned the alleged prior violation of May 4, 2010 (perimeter fence).

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and the handler pulled him by the leash. The cub was later passed from the side of the pool to the handler inside the pool and the cub was apparently under distress by vocalizing and moving around when handled inside the pool in apparent discomfort. After swimming for a short distance the cub swam towards the handler located at the pool wall and extended his paws towards the edge of the pool apparently wanting to get out of the pool. Instead of pulling the cub out of the water and stopping the encounter the handler decided to continue the swimming.

CX-3 at 53.

Respondent videotaped the inspection and strongly contends that the video tells a different story from the subjective allegations contained in the inspection report regarding the issue of whether the baby tiger was in discomfort. (RX-7; Tr. 4, 94-116). Consequently, Respondent appealed the report and sent APHIS the portion of the video showing the second cub referenced in the report. (RX-8; Tr. 4, 120). The agency then sent Stearns a letter advising that it had not received the video. (RX-9). Apparently it had become separated from the appeal and sent to Dr. Gaj. (Tr. 4, 122). The agency then denied the appeal without viewing the video. (RX-11). The agency's letter, written by Dr. Robert Willems, dated February 12, 2012, stated that the cub referenced in the inspection report (the second cub) was showing signs of distress. In contrast, "the other cub in the pool which did not exhibit these same signs of distress but seemed content with being in the water." (RX-11).

Dr. Willems wrote to Respondent again on February 24, 2012, stating that after review of the video, "it appears that the cub pictured is not the same one for which the citation was written. The cub in the video you submitted appears to be the other cub that was swimming in the pool at the time of the inspections. This was the cub we acknowledged was not distressed." (RX-27). Stearns was positive that she sent the agency video of cub two. (Tr. 4, 128). The video that Dr. Willems reviewed shows a cub that he admitted was not in distress. (Tr. 4, 129). After receiving the letter, Stearns called Dr. Willems and sent him the full version of the video with both cubs. She has yet to hear back. (Tr. 4, 126-127). Thus, Respondent

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was not advised of any violation on September 14, 2011 regarding its tiger swim encounter.

Even more importantly, for purposes of considering Complainant's request to *revoke* Respondent's license, is that fact that the full nature and scope of the dangers posed by the Respondents swim program to the baby tigers were not clearly communicated to the Respondent even at the time of the inspections giving rise to the subject violations. The record reflects that the USDA investigators were not particularly concerned with the fact that the baby tigers weighed only about twenty pounds and were only about eight weeks old and should not have been in the unnatural and unprotected environment of a chlorinated swimming pool at all or that there were members of the public swimming in the pool with these wild animals. Luis Navarro, a veterinarian medical officer for the United States Department of Agricultural, APHIS Animal Care, and Mr. Gregory S. Gaj testified as follows:

**Testimony of Dr. Navarro:  
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8 BY MR. JOCKEL:

9 Q. Let's look at Complainant's Exhibit 3,  
10 page 53. Are you there?

11 A Yes.

12 Q. And can you identify this document?

13 A Yes. This is an inspection report  
14 conducted September 14, 2011.

15 Q. Where did this inspection occur?

16 A At the facility on Blanton Road. That's  
17 the site 1 facility.

18 Q. And where in that facility particularly  
19 did that occur?

20 A. Let me read it here. The swim with the  
21 tiger session happens usually at the pool that's  
22 on the facility. At the time, there was one pool,

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1 I think, and now they have two pools; but I don't

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2 think they use this other pool anymore.  
3 Q. Was there a facility representative  
4 present?  
5 A. Yes. Mrs. Stearns was present.  
6 Q. And was anyone else from APHIS present?  
7 A. Yes. Dr. Gaj was with me during that  
8 inspection. He's my supervisor.  
9 Q. Okay. What can you recall was the  
10 problem that you observed with the tiger-swim  
11 session?  
12 A. There were two tigers -- young tigers.  
13 The first tiger that did the swim session, we  
14 didn't notice too much issues with the tiger going  
15 into the water or during the swim session. At the  
16 end, he was getting tired, and I believe he was  
17 trying to reach for the border of the pool to get  
18 out.  
19 The second tiger is the one that -- was  
20 the one we had an issue with, and it was because  
21 he was kind of reluctant to go into the water, and  
22 the handler had to pick him up, take him to the

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1 corner. He would come back from the pool and he  
2 would -- he didn't want to get into the water.  
3 And once he got into the water, he tried to swim  
4 out of the water, and that's where we find the  
5 issue with the tiger. He was kind of reluctant,  
6 and he had to be pulled by the leash to bring him  
7 towards the corner of the pool -- to the corner of  
8 the pool.

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9 Q. Let's start from the beginning. Were  
10 there members of the public present?  
11 A. Yes.  
12 Q. How many?

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13 A. There were approximately two to four. I  
14 can't recall the exact number.  
15 Q. And were they located in the pool with  
16 the tiger?  
17 A. Yes. They would go into the pool with  
18 the tiger.  
19 Q. And you just testified that there were  
20 two different tigers. What was the size of those  
21 tigers?  
22 A. These tigers were approximately -- I

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1 would have to say approximately because I didn't  
2 weigh them, but they were approximately 20, 22  
3 pounds of weight, and I asked the owner, and she  
4 told me it was around eight weeks of age  
5 approximately.

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1 BY MR. JOCKEL:  
2 Q. How large was the pool?  
3 A. Approximately like 20 feet by 15, I  
4 would say, and they would use just half the pool  
5 for exhibition. I guess they would use the lower  
6 end where it was shallower.  
7 Q. And how close did the patrons get to the  
8 tigers?  
9 A. They got close enough to take pictures  
10 with them, and they could pet the tigers.

**Testimony of Gregory S. Gaj**

**6/28/16 In Re: Stearns Zoological Rescue & Rehab Center**

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6 Q. Have you conducted inspections along  
7 with VMO Dr. Navarro at this particular facility?  
8 A. Yes, I have.  
9 Q. And did you conduct an inspection with  
10 Dr. Navarro in September of 2011 that involved a

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11 tiger swim?  
12 A. Yes, I did.  
13 Q. What happened during that inspection?  
14 A. When we were doing the inspection for  
15 the tiger swim, we went to the pool, which was at  
16 Mrs. Stearns' home and that's where they were  
17 doing the tiger swim. We watched them take the  
18 first tiger, approximately eight weeks, and take  
19 it and put it into the pool to swim with the  
20 public.  
21 JUDGE McCARTHY [*sic*]: Can I ask you a few  
22 questions about the pool. Is that a chlorinated?

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1 pool?  
2 THE WITNESS: Yes, I believe it is.  
3 JUDGE McCARTHY [*sic*]: Is that a standard-size  
4 pool for residential purposes, or was it a pool  
5 constructed specifically for the utilization of  
6 display with these animals?  
7 THE WITNESS: It appeared to be just a  
8 standard pool for, you know, the owner. I don't  
9 think it was specifically designed in any way for  
10 exhibition.  
11 JUDGE McCARTHY [*sic*]: All right, thank you.  
12 THE WITNESS: So, we watched the first  
13 juvenile tiger do the swim with the tiger program,  
14 and what they did was they led him to the pool,  
15 picked up the tiger, handed it to a trainer, put  
16 it into the pool, and with the first juvenile  
17 tiger, they did have a momentary, you know,  
18 uncomfortableness in my opinion with him being put  
19 in the water, but the animal appeared to calm down  
20 fairly quickly. And then they proceeded to do the  
21 swim program, which allowed a member of the public  
22 to swim next to the tiger as it was swimming from



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1 one handler across the pool to the other.  
2 When they did the first swim with the  
3 tiger, I did not feel that there was enough of a  
4 problem to -- to say that it was dangerous for the  
5 public at that point. The animal seemed to calm  
6 down and be acclimated enough to the water to do  
7 the program.  
8 JUDGE McCARTHY [*sic*]: When you say it swam  
9 from one handler to the other, was the animal  
10 restrained by a leash at all times?  
11 THE WITNESS: I think there was a leash  
12 dangling behind the tiger, but it wasn't one that  
13 it was actually -- the tiger was actually swimming  
14 on its own. There may have been a leash behind it  
15 dragging in the water, but I don't think so.

The record reflects that it was not until the hearing that compelling testimony provided by USDA expert witness Dr. Laurie Gage fully demonstrated that Respondent's baby tiger swim program is simply not consistent with the requirements of 9 C.F.R. § 2.131(c)(3) that "(y)oung or immature animals shall not be exposed to rough or excessive public handling or exhibited for periods of time which would be detrimental to their health or well-being."<sup>71</sup> Dr. Gage provided detailed testimony in support of her position on this issue including, but not limited to, testimony that

. . . the size of the animal, the age of the animal . . . it's an animal which . . . should be in the nursery. . . They should be fully vaccinated, because people can carry a virus that's very tough in the environment, hard to kill, and lives for a long time and can be carried on people's clothing and their hands and brought into a situation like

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<sup>71</sup> 9 C.F.R. § 2.131(c)(3).

## ANIMAL WELFARE ACT

this...you're putting this animal in an unusual situation for its age.<sup>72</sup>

In light of the lack of clear communication to the Respondent regarding the full nature and scope of the problems with its baby tiger swim program, I cannot find bad faith based on prior warnings.

### **D. History of previous violations**

Prior inspection reports show that Respondent has been inspected repeatedly without being written up. (RX-1; Tr. 4, 190-196).

The evidence establishes that, *inter alia*, Stearns Zoo repeatedly handled animals in a manner that placed the animals (and people) at risk of harm, and repeatedly failed to provide access for inspection, in willful violation of the Regulations. Complainant requests that Stearns Zoo be ordered to cease and desist from future violations, and that a civil penalty of \$23,000.00 be assessed because APHIS believes that the evidence supports a finding that Stearns Zoo committed twenty-three violations. (The maximum civil penalty that could be assessed under the Act is \$230,000.00). Because two of the alleged violations were not sustained, the civil money penalty is hereby adjusted to \$21,000.00.

Complainant also requests that license 58-C-0883 be revoked. The Secretary may revoke an AWA license following a single, willful violation. U.S.C. § 2149(a); *Pearson v. USDA*, 411 F. App'x 866, 872 (6th Cir. 2011) ("An AWA license may be revoked following a single, willful violation of the Animal Welfare Act . . .") (citing *Cox v. USDA*, 925 F.2d 1102, 1105 (8th Cir. 1991)). A willful act is an act in which the violator intentionally does an act which is prohibited, irrespective of evil motive or reliance on erroneous advice, or acts with careless disregard of statutory requirements. *Ash*, 71 Agric. Dec. 900, 913 (U.S.D.A. 2012); *Bauck*, 68 Agric. Dec. 853, 860-61 (U.S.D.A. 2009), *appeal dismissed*, No. 10-1138 (8th Cir. Feb. 14, 2010); *D&H Pet Farms Inc.*, 68 Agric. Dec. 798, 812-13 (U.S.D.A. 2009); *Bond*, 65 Agric. Dec. 92, 107 (U.S.D.A. 2006), *aff'd per curiam*, 275 F. App'x 547 (8th Cir. 2008); *Stephens*, 58 Agric. Dec. 149, 180 (U.S.D.A. 1999); *Arab Stock*

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<sup>72</sup> Tr. (6/28/16), 197:7-198:7.

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*Yard, Inc.*, 37 Agric. Dec. 293, 306 (U.S.D.A. 1978), *aff'd mem.*, 582 F.2d 39 (5th Cir. 1978). However, as reflected in *Esposito*, 38 Agric. Dec. 613, 633 (U.S.D.A. 1979), different degrees of seriousness of violations are recognized by the Judicial Officer and, of course, mitigating circumstances are always considered in determining the sanction to be issued and may be grounds for imposing a lesser sanction.

It is my determination that the lack of clear communication to the Respondent regarding the full nature and scope of the problems with its baby tiger swim program, the most serious of the subject violations, demonstrates mitigating circumstances which are appropriate for consideration of the imposition of a lesser sanction than revocation. The Judicial Officer has held that “[i]f the remedial purpose of the Animal Welfare Act is to be achieved, the sanction imposed must be adequate to deter Respondent and others from violating the Animal Welfare Act, the Regulations, and the Standards.” *Volpe Vito*, 56 Agric. Dec. 269, 273 (U.S.D.A. 1997). The assessment of a \$21,000.00 civil money penalty and a sixty-day suspension is supported by the record and will ensure address the Secretary’s legitimate enforcement concerns without putting Respondent out of business.<sup>73</sup>

**ORDER**

1. Stearns Zoo, its agents and employees, successors and assigns, directly or through any corporate or other device, shall cease and desist from violating the Act and the Regulations.
2. AWA license number 58-C-0883 is hereby suspended for a period of sixty (60) days from the date this Decision and Order becomes final.
3. Stearns Zoo is assessed a civil penalty of \$21,000.00, to be paid by check made payable to the Treasurer of the United States and remitted

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<sup>73</sup> The agency’s regulations provide that no license may be issued to any applicant whose license has been revoked, and any person whose license has been revoked shall not be licensed. *See* 9 C.F.R. § 2.11(a)(3); 9 C.F.R. § 2.10(b); *see also* *Ash*, 72 Agric. Dec. 340, 343 (U.S.D.A. 2013) (Remand Order) (“[R]evocation of a person’s Animal Welfare Act license bars that person from obtaining an Animal Welfare Act license at any time in the future.”).

## ANIMAL WELFARE ACT

either by U.S. Mail addressed to USDA, APHIS, Miscellaneous, P.O. Box 979043, St. Louis, MO 63197-9000, or by overnight delivery addressed to:

US Bank, Attn: Govt  
Lockbox 979043  
1005 Convention Plaza  
St. Louis, MO 63101

This Decision and Order shall be final and effective without further proceedings thirty-five (35) days after service unless an appeal to the Judicial Officer is filed with the Hearing Clerk within thirty (30) days after service, pursuant to section 1.145 of the Rules of Practice (7 C.F.R. § 1.145).

Copies of this Decision and Order shall be served by the Hearing Clerk upon each of the parties.

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**In re: GRETCHEN MOGENSEN.**  
**Docket No. 16-0042.**  
**Decision and Order.**  
**Filed March 22, 2017.**

**AWA.**

Gretchen Mogensen, Petitioner, pro se.  
Colleen A. Carroll, Esq., for Respondent.  
Initial Decision and Order by Bobbie J. McCartney, Chief Administrative Law Judge.

### **DECISION AND ORDER GRANTING RESPONDENT'S MOTION FOR SUMMARY JUDGMENT**

#### **Introduction**

The Rules of Practice Governing Formal Adjudicatory Proceedings Instituted by the Secretary Under Various Statutes [Rules of Practice], set forth at 7 C.F.R. § 1.130 *et seq.*, apply to adjudication of the instant matter. This case involves a letter filed by pro-se petitioner Gretchen Mogensen

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[Petitioner] upon her objection to the United States Department of Agriculture's [USDA] [Respondent] denial of her application for an exhibitor's license under the Animal Welfare Act (7 U.S.C. § 2131 *et seq.*) [Act or AWA].

The AWA vests USDA with the authority to regulate the transportation, purchase, sale, housing, care, handling, and treatment of animals subject to the Act. Pursuant to the AWA, persons who sell and transport regulated animals, or who use animals for research or exhibition, must obtain a license or registration issued by the Secretary of USDA. 7 U.S.C. § 2133. Further, the AWA authorizes USDA to promulgate appropriate regulations, rules, and orders to promote the purpose of the Act. 7 U.S.C. § 2151. The Act and regulations fall within the enforcement authority of the Animal and Plant Health Inspection Service [APHIS], an agency of USDA. APHIS is the agency tasked to issue licenses under the AWA.

This matter is ripe for adjudication, and this Decision and Order<sup>1</sup> is based upon the documentary evidence and arguments of the parties as I have determined that summary judgment is the appropriate method of disposition of this case.

### **Issue**

The primary issue is whether, considering the record, summary judgment may be entered in favor of USDA and Petitioner's request for hearing may be dismissed.

### **Procedural History**

On October 8, 2014, Petitioner submitted to APHIS an application for a Class C Exhibitor's license under the AWA. By letter dated December 28, 2015, APHIS denied Petitioner's application.

On February 1, 2016, Petitioner filed with the Hearing Clerk for the Office of Administrative Law Judges [OALJ] [Hearing Clerk] a letter

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<sup>1</sup> In this Decision and Order, documents submitted by Petitioner shall be denoted as "PX-#," and documents submitted by Respondent shall be denoted as "RX-#."

## ANIMAL WELFARE ACT

objecting to APHIS's denial and requesting a hearing before OALJ.<sup>2</sup> On February 25, 2016, counsel for Respondent filed a "Response to Petitioner's January 28, 2016, Letter."

By order issued June 16, 2016, I set a schedule for the exchange and filing of evidence by the parties. On July 18, 2016, Respondent filed a "Request to Modify Order," which I granted by order dated July 22, 2016.

On October 3, 2016, Respondent filed a Motion for Summary Judgment, together with supporting documentation and affidavits. On October 4, 2016, the Hearing Clerk sent Petitioner a copy of the Motion for Summary Judgment via certified mail. The Motion was returned unclaimed on October 27, 2016, and, pursuant to section 1.147 of the Rules of Practice (7 C.F.R. § 1.147(c)(2)), the Hearing Clerk remailed the Motion to the same address by regular mail on November 1, 2016. As of this date, Petitioner has not filed a response to the Motion.<sup>3</sup> Regardless, the record is sufficiently developed to allow me to conclude there are no material facts in dispute and that entry of summary judgment in favor of Respondent is appropriate.

All documents are hereby admitted to the record.

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<sup>2</sup> Although it does not expressly request a hearing, the end of Petitioner's letter reads: "I am prepared to further discuss and answer any concerns USDA may have about my qualifications or past work history. I am available at your convenience. Thank you in advance for your consideration of this matter." Additionally, in correspondence to Petitioner dated February 5, 2016, the Assistant Hearing Clerk referred to Petitioner's letter as "the Request for Hearing." In consideration of the foregoing, I deem Petitioner's letter a request for hearing.

<sup>3</sup> When a motion for summary judgment has been sent by certified or registered mail and returned as unclaimed or refused, "it shall be deemed to be received by such party on the date of remailing by ordinary mail to the same address." 7 C.F.R. § 1.147(c)(1). In this case, the Motion for Summary Judgment was remailed by ordinary mail to the same address on November 1, 2016. Petitioner had twenty (20) days from the date of remailing to file a response. Weekends and federal holidays shall be included in the count; however, if the due date falls on a Saturday, Sunday, or federal holiday, the last day for timely filing shall be the following work day. 7 C.F.R. §§ 1.147(g), (h). In this case, Petitioner's response was due by November 21, 2016, but no response was filed.

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**Summary of the Evidence**<sup>4</sup>

Documentary Evidence

- RX-1 Application for License, dated 10/08/2014
- RX-2 Letter from APHIS to Petitioner denying Petitioner's license application, dated 12/28/2015
- RX-2(a) Business Entity Details – SCC e-File, dated 09/29/2016
- RX-3 Affidavit of Karl Mogensen, dated 02/14/2015
- RX-4 APHIS Inspection Report, dated 03/09/2015
- RX-5 Affidavit of Jessica C. Jimerson, dated 01/28/2015
- RX-6 Letter from APHIS to Petitioner (“RE: DANGEROUS ANIMAL LETTER”), dated 08/24/2015

On or about October 8, 2014, Petitioner submitted an application for an AWA's exhibitor's license for a “corporation” identified as “Zoo Impressions, LLC.” (RX-1). Petitioner named herself as the owner of Zoo Impressions, LLC and indicated that the “largest number of animals” she “held, owned, leased or exhibited” during the previous business year was one (“wild/exotic” feline). (RX-1). The AWA application listed the address of Zoo Impressions, LLC as 5943 South Lee Highway, Natural Bridge, Virginia 24578. (RX-1).

By letter dated December 28, 2015, APHIS denied Petitioner's application on the grounds that the application was defective<sup>5</sup> and that APHIS had “reason to believe that [Petitioner] was unfit to be licensed, and that the issuance of a license to [Petitioner] would be contrary to the

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<sup>4</sup>This summary judgment relies upon the pleadings and upon declarations and documentary evidence attached to Respondent's Motion.

<sup>5</sup> APHIS stated that Petitioner's application was “incomplete and contain[ed] conflicting information about the identity of the applicant.” (PX-2). APHIS noted that Block 7 of the application identified the applicant as a corporation while the name in Block 1 of the application was “Gretchen K. Mogensen.” (RX-1, RX-2).

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purposes of the Act.” (RX-2). Specifically, APHIS found that Petitioner had “mishandled a DeBrazza monkey while attempting to file down the animal’s teeth.” (RX-2).

In her letter filed February 1, 2016, Petitioner admitted that her application for an AWA exhibitor’s license had been denied. Petitioner admitted that she was advised to make changes to her application or “fill out another one.” With regard to APHIS’s charge that Petitioner was unfit to be licensed due to Petitioner’s mishandling of a DeBrazza monkey, Petitioner claimed that she had “provided an affidavit regarding the handling of the primate.” Petitioner did not, however, file a copy of the affidavit with the Hearing Clerk. Additionally, Petitioner admitted that she “acted under the direct order, aid and supervision of the park manager and veterinary technician” and that she was “no longer employed with that park” and “left the facility due to various concerns [she] had with their housing and care protocols or lack thereof.”

The handling at issue is described in an APHIS Inspection Report dated March 9, 2015, which references a video showing an “extremely agitated” DeBrazza monkey in an “undersized pet carrier . . . exhibiting signs of behavioral distress during attempts at provided a medical treatment by facility staff.” (RX-4 at 13). According to the Inspection Report, the video showed, among other things, “the monkey being repeatedly jabbed with sticks” in an effort to move the monkey from “an airline-type plastic pet carrier” and into “a small squeeze cage.” (RX-4 at 13). The Inspection Report indicates that “facility personnel” made loud noises “in apparent attempts to scare the monkey into the squeeze cage,” and in turn the monkey began to “frantically” move back and forth in the small carrier. (RX-4 at 13). Additionally, Petitioner admitted in her February 1, 2016 letter that she “acted under the direct order, aid and supervision of the park manager and veterinary technician” and that she was “no longer employed with that park” and “left the facility due to various concerns [she] had with their housing and care protocols or lack thereof.”

### **Legal Standards**

Summary judgment is proper in cases where there is “no genuine issue as to any material fact.” *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255 (1986). An administrative law judge may enter summary judgment for



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either party if the pleadings, affidavits, material obtained by discovery, or other materials show that there is no genuine issue as to any material fact. *Veg-Mix, Inc. v. USDA*, 832 F.2d 601, 607 (D.C. Cir. 1987) (affirming the Secretary of Agriculture's use of summary judgment under the Rules and rejecting Veg-Mix, Inc.'s claim that a hearing was required because it answered the complaint with a denial of the allegations); Fed. R. Civ. P. 56(c).

An issue is "genuine" if sufficient evidence exists on each side so that a rational trier of fact could resolve the issue either way, and an issue of fact is "material" if under the substantive law it is essential to the proper disposition of the claim. *Adler v. Wal-Mart Stores, Inc.*, 144 F.3d 664, 670 (10th Cir. 1998). The mere existence of some factual dispute will not defeat and otherwise properly supported motion for summary judgment because the factual dispute must be material. *Schwartz v. Brotherhood of Maintenance Way Employees*, 264 F.3d 1181, 1183 (10th Cir. 2001).

The usual and primary purpose of the summary judgment rule is to isolate and dispose of factually unsupported claims or defenses. *Celotex Corp v. Catrett*, 477 U.S. 317, 323-24 (1986). If the moving party properly supports its motion, the burden shifts to the non-moving party, who may not rest upon the mere allegations or denials of his pleading, but must set forth specific facts showing that there is a genuine issue for trial. *Muck v. United States*, 3 F.3d 1378, 1380 (10th Cir. 1993). In setting forth these specific facts, the non-moving party must identify the facts by reference to affidavits, deposition transcripts, or specific exhibits. *Adler*, 144 F.3d at 671. The non-moving party cannot rest on ignorance of facts, on speculation, or on suspicion and may not escape summary judgment in the mere hope that something will turn up at trial. *Conway v. Smith*, 853 F.2d 789, 793 (10th Cir. 1988). However, in reviewing a request for summary judgment, I must view all of the evidence in the light most favorable to the non-moving party. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 242-43 (1986).

Here, APHIS denied the license application primarily on the grounds that Petitioner was found unfit to be licensed and that to issue a license to Petitioner would be contrary to the purposes of the AWA. Pursuant to 9 C.F.R. § 2.11(a), a license shall not be issued to any applicant who:

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(6) Has made any false or fraudulent statements or provided any false or fraudulent records to the Department or other government agencies, or who has pled *nolo contendere* (no contest) or has been found to have violated any Federal, State, or local laws or regulations pertaining to the transportation, ownership, neglect, or welfare of animals, or is otherwise unfit to be licensed and the Administrator determines that the issuance of a license would be contrary to the purposes of the Act.

9 C.F.R. § 2.11(a)(6).

### Discussion

The facts in this license-denial case are not in dispute. It is plain that APHIS properly denied Petitioner's application for an AWA exhibitor's license and that a hearing is not necessary.

APHIS denied Petitioner's license application the grounds that: (1) Petitioner's application was incomplete and contained "conflicting information about the identity of the applicant"; and (2) Petitioner was unfit to be licensed and that for APHIS to issue her a license would be "contrary to the purposes of the Act." The denial letter continued: ". . . [E]vidence shows that on or about May 20, 2014, [Petitioner] mishandled a DeBrazza monkey while attempting to file down the animal's teeth." RX-2 at 1.

The record establishes that Petitioner's license application was defective. Upon examination of the application, it is evident that the submitted sought a license for Zoo Impressions, LLC rather than for Petitioner as an individual. According to the Secretary of State for the Commonwealth of Virginia, the limited-liability company known as Zoo Impressions, LLC (SCC ID: S4584068) was formed by Petitioner on June 10, 2013, with Petitioner as its registered agent. (RX-3). The address of Zoo Impressions, LLC is the same address that appears on the AWA application. Zoo Impressions, LLC, however, is no longer chartered as a limited-liability company according to the Secretary of State, whose website shows the entity as "Canceled." (RX-3). Pursuant to AWA

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regulations, a license may only be issued to a “person.” 7 C.F.R. § 2.1(a). According to the Act, the term “person” includes “any individual, partnership, firm, joint-stock company, association, trust, estate, or other legal entity.” 7 U.S.C. § 2132(a); *see also* 9 C.F.R. § 1.1. Zoo Impressions, LLC is no longer a legal entity and therefore cannot be licensed.

Petitioner argues in her February 2016 letter that at the time her license application was submitted the information provided on it was correct. She argues that Dr. Ellen Magid advised her that “it would be best to fill out another application” but that she never received a new application package. Petitioner argues that her attempts to contact Dr. Ellen Magid about not receiving the new application were met with “little response and no reply.” Although Petitioner’s explanation is understandable, it does not alter that fact that the sole application on file with APHIS was incomplete or inaccurate.

Further, the record establishes that APHIS had reason to find Petitioner unfit to be licensed under the AWA. Respondent submitted two APHIS inspection reports documenting Petitioner’s mishandling of animals, such as a DeBrazza monkey, and other violations of AWA regulations (RX-4); these inspection reports were further supported by affidavits of Karl Mogensen (RX-3) and Jessica Jimerson (RX-5), along with correspondence addressed to Petitioner (RX-2, RX-6). I find this evidence sufficient to support APHIS’s determination to deny Petitioner’s application and a proper exercise of USDA’s authority to regulate the AWA.

Furthermore, Petitioner has failed to file any documents or pleadings that would rebut Respondent’s Motion for Summary Judgment. I find that the record is sufficiently developed to conclude that entry of summary judgment in favor of Respondent is appropriate.

Based on the foregoing, I find that a hearing is not necessary in this matter. Accordingly, Petitioner’s request for hearing shall be denied.

#### **Findings of Fact**

1. Petitioner Gretchen Mogensen is an individual with a mailing address in Virginia.

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2. On or about August 8, 2014, Petitioner submitted an application to APHIS for an Animal Welfare Act exhibitor's license for an entity identified on the application as "Zoo Impressions, LLC." (RX-1). A review of the application indicates that it seeks a license for Zoo Impressions, LLC and not for Petitioner as an individual. Petitioner identified herself as the owner of Zoo Impressions, LLC. (RX-1).
3. The limited-liability company known as Zoo Impressions, LLC (SCC ID: S4584068) was formed by Petitioner on June 10, 2013, with Petitioner as its registered agent. (RX-2(a) at 1).
4. The AWA application stated the address of Zoo Impressions, LLC as 5943 South Lee Highway, Natural Bridge, Virginia 24578. (RX-1). The address of Zoo Impressions, LLC is the same address that appears on the AWA application.
5. Zoo Impressions, LLC is no longer chartered as a limited liability company according to the Secretary of State, whose website shows that entity as "Canceled." (RX-3). Pursuant to the AWA, Zoo Impressions, LLC is no longer a legal entity and therefore cannot be licensed. 7 U.S.C. § 2132(a); 9 C.F.R. § 2.1(a).
6. By letter dated December 28, 2015, APHIS denied Petitioner's application because the application was defective and APHIS considered Petitioner unfit to be licensed. (RX-2).
7. APHIS denied Petitioner's application for good cause.

### **Conclusions of Law**

1. The Secretary, USDA, has jurisdiction in this matter.
2. The material facts involved in this matter are not in dispute, and the entry of summary judgment in favor of Respondent is appropriate.
3. APHIS's denial of a license to Petitioner, pursuant to 9 C.F.R. § 2.11(a)(6), promotes the remedial nature of the AWA and is hereby **AFFIRMED**.

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**ORDER**

1. Respondent's Motion for Summary Judgment is hereby GRANTED.
2. Petitioner's request for a hearing is hereby DISMISSED, with prejudice.

This Decision and Order shall be final and effective without further proceedings thirty-five (35) days after service unless an appeal to the Judicial Officer is filed with the Hearing Clerk within thirty (30) days after service, pursuant to section 1.145 of the Rules of Practice (7 C.F.R. § 1.145).

Copies of this Decision and Order shall be served by the Hearing Clerk upon each of the parties with courtesy copies provided via email where available.

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**FEDERAL CROP INSURANCE ACT**

**FEDERAL CROP INSURANCE ACT**

**DEPARTMENTAL DECISIONS**

**In re: STEVE LANE.**

**Docket No. 15-0043.**

**Decision and Order.**

**Filed April 5, 2017.**

**FCIA – Arbitration – Carryover, failure to report – Inspection field review – “Know,” definition of – Material – Tobacco – Violation, gravity of – Willful and intentional.**

**Administrative procedure — Credibility determination – Evidence, preponderance of – Evidence, weight assigned to – Issue preclusion – Judicial notice.**

Mark Simpson, Esq., for Complainant.

George H. Rountree, Esq., and Robert F. Mikell, Esq., for Respondent.

Initial Decision and Order by Janice K. Bullard, Administrative Law Judge.

*Decision and Order by William G. Jenson, Judicial Officer.*

**DECISION AND ORDER**

**PROCEDURAL HISTORY**

Brandon Willis, Manager, Federal Crop Insurance Corporation [Manager], instituted this administrative proceeding by filing a Complaint on December 11, 2014. The Manager instituted the proceeding under the Federal Crop Insurance Act, as amended (7 U.S.C. §§ 1501-1524) [Federal Crop Insurance Act]; the regulations promulgated under the Federal Crop Insurance Act (7 C.F.R. §§ 400.451-.458) [Regulations]; and the Rules of Practice Governing Formal Adjudicatory Proceedings Instituted by the Secretary Under Various Statutes (7 C.F.R. §§ 1.130-.151) [Rules of Practice].

The Manager alleges Steve Lane violated the Federal Crop Insurance Act and the Regulations by willfully and intentionally providing false or inaccurate information relative to his 2009 crop insurance policy to Great American Insurance Company and to the Risk Management Agency,

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United States Department of Agriculture [Risk Management Agency].<sup>1</sup> On December 30, 2014, Mr. Lane filed an Answer and Hearing Demand in which he denied the material allegations of the Complaint.

Administrative Law Judge Janice K. Bullard [ALJ] conducted an oral hearing in Savannah, Georgia, on June 23, 2015, through June 24, 2015.<sup>2</sup> George H. Rountree and Robert F. Mikell, Brown Rountree PC, Statesboro, Georgia, represented Mr. Lane. Mark R. Simpson, Office of the General Counsel, United States Department of Agriculture, Atlanta, Georgia, represented the Manager. On September 25, 2015, Mr. Lane filed a motion to reopen the record to submit additional evidence created post-hearing, and, on October 26, 2015, the ALJ, over the Manager's objection, granted Mr. Lane's motion and admitted the post-hearing evidence to the record.

On April 5, 2016, after Mr. Lane and the Manager filed post-hearing briefs,<sup>3</sup> the ALJ issued a Decision and Order: (1) concluding Mr. Lane willfully and intentionally provided false or inaccurate information to the Federal Crop Insurance Corporation or to the Great American Insurance Company with respect to an insurance plan or policy under the Federal Crop Insurance Act; (2) disqualifying Mr. Lane for five years from receiving any monetary or nonmonetary benefit under seven specific statutory provisions and any law that provides assistance to a producer of an agricultural commodity affected by a crop loss or a decline in the prices of agricultural commodities; and (3) imposing an \$11,000 civil fine on Mr. Lane.<sup>4</sup>

On April 18, 2016, Mr. Lane appealed the ALJ's Decision and Order to the Judicial Officer.<sup>5</sup> On May 19, 2016, the Manager filed a response to

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<sup>1</sup> Compl. ¶ III(c)-(d) at 9.

<sup>2</sup> References to the transcript of the June 23-24, 2015 oral hearing are designated as "Tr." and the page number; references to Mr. Lane's exhibits are designated as "RX" and the exhibit number; and references to the Manager's exhibits are designated as "CX" and the exhibit number.

<sup>3</sup> Respondent's Written Closing Arguments; Complainant's Closing Argument; Respondent's Reply to Complainant's Closing Arguments; Claimant's Response to Respondent's Reply to Complainant's Closing Argument.

<sup>4</sup> ALJ's Decision and Order ¶ V at 28, Order at 28-29.

<sup>5</sup> Respondent's Appeal to Judicial Officer [Appeal Petition] and Respondent's Brief in Support of Appeal.

## FEDERAL CROP INSURANCE ACT

Mr. Lane's appeal to the Judicial Officer,<sup>6</sup> and on May 23, 2016, the Hearing Clerk transmitted the record to the Office of the Judicial Officer for consideration and decision.

### DECISION

#### Mr. Lane's Request for Oral Argument

Mr. Lane's request for oral argument,<sup>7</sup> which the Judicial Officer may grant, refuse, or limit,<sup>8</sup> is refused because the issues raised in Mr. Lane's Appeal Petition are not complex and oral argument would serve no useful purpose.

#### Mr. Lane's Request that the Judicial Officer Take Judicial Notice

Mr. Lane requests that the Judicial Officer take judicial notice of Exhibit A attached to his Appeal Petition.<sup>9</sup> Exhibit A is a copy of a page from the United States Department of Agriculture, Office of Administrative Law Judges' website which contains the ALJ's biographical information. The Rules of Practice provide that official notice shall be taken of such matters as are judicially noticed by the courts of the United States and of any other matter of technical, scientific, or commercial fact of established character; however, the parties must be given an adequate opportunity to show that such facts are erroneously noticed.<sup>10</sup>

I do not find the ALJ's biographical information contained in Exhibit A attached to Mr. Lane's Appeal Petition relevant to any issue in this proceeding. Therefore, I deny Mr. Lane's request that I take official notice of Exhibit A attached to his Appeal Petition.

#### Mr. Lane's Appeal Petition

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<sup>6</sup> Complainant's Response to Appeal to the Judicial Officer.

<sup>7</sup> Respondent's Request for Oral Hearing filed April 18, 2016.

<sup>8</sup> 7 C.F.R. § 1.145(d).

<sup>9</sup> Appeal Pet. Introduction at 4 n.2.

<sup>10</sup> 7 C.F.R. § 1.141(h)(6).



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Mr. Lane raises six arguments in his Appeal Petition. First, Mr. Lane contends the ALJ's finding that drought did not ravage Mr. Lane's 2009 non-irrigated tobacco crop is not supported by substantial evidence, is unwarranted by the facts, and is arbitrary, capricious, and an abuse of discretion.<sup>11</sup>

The ALJ found "the preponderance of the evidence does not support that drought conditions ravaged [Mr. Lane's 2009] non-irrigated [tobacco] crop."<sup>12</sup> Mr. Lane contends the evidence presented by Stephen Jeffrey Underwood, a weather expert, and Wesley Harris, a tobacco agronomy expert, establishes that a pattern of wet weather followed by a terrible drought ravaged Mr. Lane's 2009 non-irrigated tobacco crop.<sup>13</sup>

The ALJ accorded substantial weight to a pre-harvest growing season inspection field review<sup>14</sup> in which Ned Day, an insurance loss adjuster, reported his August 12, 2009 observation that Mr. Lane's tobacco crop was in "very good condition."<sup>15</sup> The ALJ summarized Dr. Underwood's and Mr. Harris' expertise and testimony<sup>16</sup> and discussed her reasons for finding that, even in light of Dr. Underwood's and Mr. Harris' testimony, a preponderance of the evidence does not support a finding that drought ravaged Mr. Lane's 2009 non-irrigated tobacco crop, as follows:

Despite Respondent's adjuster's August 12, 2009, field inspection that concluded that the crop looked good, Respondent prospectively filed a notice of loss for drought. Although Respondent concluded in August, 2009, "that if we didn't start getting some rain I couldn't harvest that tobacco" (Tr. at 314), weather expert Dr. Stephen Underwood "did not think there would be drought conditions in [August and September, 2009]". Tr. at 533. Tobacco expert Rex Denton testified that 21 days without rain after the crop was appraised on August 12, 2009, would have had little effect on the crop. Tr. at 250.

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<sup>11</sup> Appeal Pet. ¶ I at 4-8, ¶ IV at 16.

<sup>12</sup> ALJ's Decision and Order ¶ III(3) at 20.

<sup>13</sup> Appeal Pet. ¶ I at 8.

<sup>14</sup> CX 12.

<sup>15</sup> ALJ's Decision and Order ¶ III(3) at 22.

<sup>16</sup> ALJ's Decision and Order ¶ III(1) at 12-16.

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Expert Wesley Harris testified that the amount of water needed after August 12, 2009 would not have mattered to the development of the crop. Tr. at 571. Dr. Underwood opined that the period from June to August 6, 2009, was the fifth driest on record, but Mr. Day's inspection on August 12, 2009, revealed a crop that looked good.

Respondent proffered other claims of loss due to drought in 2009, but the evidence failed to establish that the claims were paid. In addition, the record does not establish that the conditions creating a loss of a corn or peanut crop to drought would similarly affect a tobacco crop. The evidence of other claims of loss due to drought has little probative value.

ALJ's Decision and Order ¶ III(3) at 21. The ALJ further found Mr. Harris' opinion about the look and color of Mr. Lane's tobacco was not probative, as Mr. Harris did not see the actual tobacco plants and could not determine from photographs of Mr. Lane's tobacco whether Mr. Lane's irrigated tobacco plants were more mature than Mr. Lane's non-irrigated tobacco plants. Similarly, the ALJ found Mr. Harris' opinion regarding the condition of Mr. Lane's fields that Mr. Harris inspected in 2015 is immaterial to the condition of Mr. Lane's fields in 2009.<sup>17</sup>

I find substantial evidence supports the ALJ's finding that "the preponderance of the evidence does not support that drought conditions ravaged [Mr. Lane's 2009] non-irrigated [tobacco] crop"<sup>18</sup> and reject Mr. Lane's contention that Dr. Underwood's and Mr. Harris' testimony is sufficient to reverse the ALJ's finding.

Second, Mr. Lane contends the ALJ's reliance on Mr. Day's August 12, 2009 pre-harvest growing season inspection field review is not supported by substantial evidence, is unwarranted by the facts, and is arbitrary, capricious, and an abuse of discretion.<sup>19</sup>

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<sup>17</sup> *Ibid.*

<sup>18</sup> ALJ's Decision and Order ¶ III(3) at 20.

<sup>19</sup> Appeal Pet. ¶ II at 8-10.

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The ALJ accorded substantial weight to a pre-harvest growing season inspection field review<sup>20</sup> in which Mr. Day reported his August 12, 2009 observations of Mr. Lane's tobacco crop.<sup>21</sup> Mr. Lane contends the ALJ's reliance on Mr. Day's pre-harvest growing season inspection field review is error because Mr. Day's "appraisals are not guaranteed and just give an idea of what exists at a certain time," Mr. Day's "appraisal . . . does not take factors regarding maturity into account," and Mr. Day's "calculation is based on a formula using the number of leaves and is 'purely mathematical' with no discretion left to the adjuster." In short, Mr. Lane contends the ALJ's reliance on Mr. Day's August 12, 2009 pre-harvest growing season inspection field review is error because it "provides no reliable method to estimate ultimate production."<sup>22</sup>

Mr. Day worked as an insurance loss adjuster for thirty years. Tr. at 69. Mr. Day observed Mr. Lane's tobacco crop on August 12, 2009, the date of Mr. Day's pre-harvest growing season inspection field review. CX 12. The appraisal methodology used by Mr. Day to evaluate Mr. Lane's tobacco crop was the methodology used for mature tobacco. Tr. at 94-102. At the time of Mr. Day's field review, Mr. Lane's tobacco was mature.<sup>23</sup> Mr. Day testified that he had never had an appraisal that had a divergence between the estimated ultimate production and the actual production as great as the divergence between the estimated ultimate production in his August 12, 2009 pre-harvest growing season inspection field review and the actual production Mr. Lane asserts he had from his non-irrigated tobacco field in 2009. Tr. at 109-10.

Based on Mr. Day's experience and the appraisal methodology that Mr. Day followed when appraising Mr. Lane's 2009 tobacco crop, I reject Mr. Lane's contention that the ALJ's reliance on Mr. Day's August 12, 2009 pre-harvest growing season inspection field review, is error. Mr. Lane has not raised any meritorious basis upon which to find that the ALJ's according substantial weight to Mr. Day's August 12, 2009 pre-harvest growing season inspection field review, is error.

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<sup>20</sup> CX 12.

<sup>21</sup> ALJ's Decision and Order ¶ III(3) at 22.

<sup>22</sup> Appeal Pet. ¶ III at 9.

<sup>23</sup> ALJ's Decision and Order ¶ III(1) at 6.

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Third, Mr. Lane contends the ALJ erroneously found Mr. Lane was not credible.<sup>24</sup>

The ALJ found Mr. Lane was not credible and discussed the bases for her credibility determination, including Mr. Lane's varied ability to recall events relevant to the issue in this proceeding, Mr. Lane's changing version of the events relevant to the issue in this proceeding, and Mr. Lane's admission that he lied to Randy Upton, a Risk Management Agency investigator, regarding the events relevant to the issue in this proceeding.<sup>25</sup>

The Judicial Officer is not bound by an administrative law judge's credibility determinations and may make separate determinations of witnesses' credibility, subject only to court review for substantial evidence. *Mattes v. United States*, 721 F.2d 1125, 1128-29 (7th Cir. 1983).<sup>26</sup> The Administrative Procedure Act provides that, on appeal from an administrative law judge's initial decision, the agency has all the powers it would have in making an initial decision, as follows:

**§ 557. Initial decisions; conclusiveness; review by agency; submissions by parties; contents of decisions; record**

. . . .

(b) When the agency did not preside at the reception of the evidence, the presiding employee or, in cases not subject to section 554(d) of this title, an employee qualified to preside at hearings pursuant to section 556 of this title, shall initially decide the case unless the agency requires, either in specific cases or by general rule, the entire record to be certified to it for decision. When the presiding employee makes an initial decision, that decision then becomes the decision of the agency without further proceedings unless there is an appeal to, or review

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<sup>24</sup> Appeal Pet. ¶ III at 10-15.

<sup>25</sup> ALJ's Decision and Order ¶ III(3) at 19-24.

<sup>26</sup> See also *Jenne*, 74 Agric. Dec. 358, 366 (U.S.D.A. 2015); *Perry*, 72 Agric. Dec. 586, 646 (U.S.D.A. 2013) (Decision as to Perry and Perry's Wilderness Ranch & Zoo, Inc.); *KOAM Produce, Inc.*, 65 Agric. Dec. 1470, 1474 (U.S.D.A. 2006) (Order Den. Pet. to Reconsider); *S. Minn. Beet Sugar Coop.*, 64 Agric. Dec. 580, 605 (U.S.D.A. 2005).

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on motion of, the agency within time provided by rule. On appeal from or review of the initial decision, the agency has all the powers which it would have in making the initial decision except as it may limit the issues on notice or by rule.

5 U.S.C. § 557(b).

Moreover, the Attorney General's Manual on the Administrative Procedure Act describes the authority of the agency on review of an initial or recommended decision, as follows:

*Appeals and review. . . .*

In making its decision, whether following an initial or recommended decision, the agency is in no way bound by the decision of its subordinate officer; it retains complete freedom of decision—as though it had heard the evidence itself. This follows from the fact that a recommended decision is advisory in nature. See *National Labor Relations Board v. Elkland Leather Co.*, 114 F.2d 221, 225 (C.C.A. 3, 1940), certiorari denied, 311 U.S. 705.

ATTORNEY GENERAL'S MANUAL ON THE ADMINISTRATIVE PROCEDURE ACT 83 (1947).

However, the consistent practice of the Judicial Officer is to give great weight to the findings by, and particularly the credibility determinations of, administrative law judges, since they have the opportunity to see and hear witnesses testify.<sup>27</sup> I have examined the record in light of Mr. Lane's arguments that the ALJ erroneously determined that Mr. Lane was not credible. I find Mr. Lane's arguments have no merit and find no basis for reversing the ALJ's credibility determination regarding Mr. Lane.

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<sup>27</sup> Jenne, 74 Agric. Dec. 358, 366 (U.S.D.A. 2015); Perry, 72 Agric. Dec. 586, 646 (U.S.D.A. 2013) (Decision as to Perry and Perry's Wilderness Ranch & Zoo, Inc.); KOAM Produce, Inc., 65 Agric. Dec. 1470, 1476 (U.S.D.A. 2006) (Order Den. Pet. to Reconsider); Bond, 65 Agric. Dec. 1175, 1183 (U.S.D.A. 2006) (Order Den. Pet. to Reconsider).

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Fourth, Mr. Lane contends the ALJ's conclusion that Mr. Lane's failure to report carryover tobacco was willful, intentional, and material, is error.<sup>28</sup>

The Regulations define the terms "material" and "willful and intentional," as follows:

### § 400.452 Definitions.

For purposes of this subpart:

....

*Material.* A violation that causes or has the potential to cause a monetary loss to the crop insurance program or it adversely affects program integrity, including but not limited to potential harm to the program's reputation or allowing persons to be eligible for benefits they would not otherwise be entitled.

....

*Willful and intentional.* To provide false or inaccurate information with the knowledge that the information is false or inaccurate at the time the information is provided; the failure to correct the false or inaccurate information when its nature becomes known to the person who made it; or to commit an act or omission with the knowledge that the act or omission is not in compliance with a "requirement of FCIC" at the time the act or omission occurred. No showing of malicious intent is necessary.

7 C.F.R. § 400.452. Mr. Lane contends his failure to report carryover tobacco was not material because "there is no evidence of monetary loss" and was not willful and intentional because his failure to report carryover tobacco was "inadvertent."<sup>29</sup> The definition of the term "material" makes clear that monetary loss to the crop insurance program is not a necessary prerequisite to a finding that a violation is material. A violation is material if it has the potential to cause a monetary loss to the crop insurance program or if it adversely affects crop insurance program integrity. Therefore, I reject Mr. Lane's contention that the ALJ's conclusion that

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<sup>28</sup> Appeal Pet. ¶ V at 17-18.

<sup>29</sup> Appeal Pet. ¶ V at 17.

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Mr. Lane's failure to report carryover tobacco was a material violation, is error.

Moreover, I reject Mr. Lane's contention that his failure to report carryover tobacco was inadvertent. Mr. Lane's insurance policy specifically required him to report his carryover tobacco.<sup>30</sup> The requirements of the Federal Crop Insurance Corporation include insurance policy provisions:

**§ 400.452 Definitions.**

For purposes of this subpart:

....

*Requirement of FCIC.* Includes, but is not limited to, formal communications, such as a regulation, procedure, policy provision, reinsurance agreement, memorandum, bulletin, handbook, manual, finding, directive, or letter, signed or issued by a person authorized by FCIC to provide such communication on behalf of FCIC, that requires a particular participant or group of participants to take a specific action or to cease and desist from taking a specific action (e-mails will not be considered formal communications although they may be used to transmit a formal communication). Formal communications that contain a remedy in such communication in the event of a violation of its terms and conditions will not be considered a requirement of FCIC unless such violation arises to the level where remedial action is appropriate. (For example, multiple violations of the same provision in separate policies or procedures or multiple violations of different provisions in the same policy or procedure.)

7 C.F.R. § 400.452. The willful and intentional standard is based upon knowledge or having reason to know. The Regulations define the term "knows or has reason to know," as follows:

**§ 400.452 Definitions.**

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<sup>30</sup> ALJ's Decision and Order ¶ III(1) at 8; Tr. at 128-30.

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For purposes of this subpart:

....

*Knows or has reason to know.* When a person, with respect to a claim or statement:

(1)

(i) Has actual knowledge that the claim or statement is false, fictitious, or fraudulent;

(ii) Acts in deliberate ignorance of the truth or falsity of the claim or statement; or

(iii) Acts in reckless disregard of the truth or falsity of the claim or statement; and

(2) No proof of specific intent is required.

7 C.F.R. § 400.452. I find the evidence cited by the ALJ establishes that Mr. Lane knew or should have known that he was required to report his carryover tobacco; therefore, I reject Mr. Lane's contention that the ALJ's conclusion that Mr. Lane's failure to report his carryover tobacco was willful and intentional, is error.

Fifth, Mr. Lane contends the ALJ erroneously failed to consider the gravity of Mr. Lane's violations of the Federal Crop Insurance Act and the Regulations when disqualifying Mr. Lane from participating in the crop insurance program and imposing a civil fine on Mr. Lane.<sup>31</sup>

The Regulations require, when imposing any disqualification or civil fine, the administrative law judge must consider the gravity of the violation.<sup>32</sup> The gravity of the violation includes consideration of whether the violation was material and, if the violation was material, fifteen factors which are listed in 7 C.F.R. § 400.454(c)(2)(i)-(xv). Mr. Lane specifically identifies four of these fifteen factors which he contends the ALJ failed to consider, namely, (1) the number or frequency of incidents or duration of the violation, (2) whether the violator engaged in a pattern of violation or

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<sup>31</sup> Appeal Pet. ¶ VI at 18-19.

<sup>32</sup> 7 C.F.R. § 400.454(c).



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has a prior history of violation, (3) whether and to what extent the violator planned, initiated, or carried out the violation, and (4) other factors that are appropriate to the circumstances of a particular case.<sup>33</sup>

The ALJ addressed the frequency, duration, and pattern of Mr. Lane's violations and Mr. Lane's direct involvement in the violations, as follows:

I have found that Respondent willfully and intentionally provided false or inaccurate information to FCIC when he certified his production worksheet for Unit 104 with the knowledge that the information was not accurate. I have further found that Respondent willfully and intentionally failed to report the production of tobacco that he carried over for some time. Therefore, I find that Complainant's requested sanctions are appropriate.

ALJ's Decision and Order ¶ III(4) at 25. Therefore, I find the ALJ considered the gravity of Mr. Lane's violations when disqualifying Mr. Lane from participating in the crop insurance program and imposing a civil fine on Mr. Lane, and I decline to remand this proceeding to the ALJ for further consideration of the gravity of Mr. Lane's violations.

Sixth, Mr. Lane contends the issues in this proceeding are barred by issue preclusion. Specifically, Mr. Lane contends the issues in this proceeding were resolved by a Final Award of Arbitration issued by Robert N. Dokson, an arbitrator with the American Arbitration Association, in *In The Matter of the Arbitration between: Steve Lane, Claimant, Great American Insurance Company, Respondent*, Case No. 01-14-0001-2819.<sup>34</sup>

The ALJ rejected Mr. Lane's contention that the issues in this proceeding are barred by issue preclusion, as follows:

I give little weight to the July 9, 2015, Decision of Arbitrator Robert N. Dockson [sic]. RX-35. That decision has no precedential value to my findings, and my

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<sup>33</sup> Appeal Pet. ¶ VI at 19.

<sup>34</sup> Appeal Pet. ¶ VII at 19-26.

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conclusions are contrary to Arbitrator Dockson's [sic] finding that Respondent did not intentionally conceal the existence of carry-over tobacco. The Arbitrator accepted Respondent's contention that the unreported tobacco that he sold was carried over from 2006, and on that basis overturned [Great American Insurance Company's] voidance of Respondent's [Multiple Peril Crop Insurance Common Crop Insurance Policy] and [Great American Insurance Company's] finding of an overpayment. I do not know what evidence Arbitrator Dockson [sic] relied upon to reach his conclusion but I reject Respondent's contention that the source of all of the unreported tobacco that he sold in 2009 was carry over tobacco.

ALJ's Decision and Order ¶ III(3) at 23.

Issue preclusion refers to the effect of a judgment in foreclosing relitigation of an issue of fact or law that has been litigated and decided.<sup>35</sup> Issue preclusion bars parties and their privies from relitigating issues which have been adjudicated on the merits in a prior action.<sup>36</sup> The burden of proof is on the party seeking preclusion.<sup>37</sup>

The arbitration proceeding on which Mr. Lane relies for his contention that the issues in this proceeding are barred is styled "In The Matter of the Arbitration between: Steve Lane, Claimant, Great American Insurance Company, Respondent."<sup>38</sup> The instant proceeding was instituted by Brandon Willis, Manager, Federal Crop Insurance Corporation, and is styled "In re: Steve Lane, Respondent." The Manager was not named in the arbitration proceeding and the general rule is that a litigant is not bound by a judgment to which he was not a party.<sup>39</sup>

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<sup>35</sup> *New Hampshire v. Maine*, 532 U.S. 742, 748-49 (2001); *Migra v. Bd. of Educ.*, 465 U.S. 75, 77 n.1 (1984); *Baloco v. Drummond Co.*, 767 F.3d 1229, 1251 (11th Cir. 2014).

<sup>36</sup> *Baloco v. Drummond Co.*, 767 F.3d 1229, 1251 (11th Cir. 2014); *Soro v. Citigroup*, 287 F. App'x 57, 59-60 (11th Cir. 2008) (per curiam); *I.A. Durbin, Inc. v. Jefferson Nat. Bank*, 793 F.2d 1541, 1549 (11th Cir. 1986).

<sup>37</sup> *Jones v. United States*, 846 F.3d 1343, 1361 (Fed. Cir. 2017); *Stan Lee Media, Inc. v. Walt Disney Co.*, 774 F.3d 1292, 1297 (10th Cir. 2014); *Kendall v. Visa U.S.A., Inc.*, 518 F.3d 1042, 1050-51 (9th Cir. 2008).

<sup>38</sup> See RX 36.

<sup>39</sup> *Taylor v. Sturgell*, 553 U.S. 880, 884 (2008); *Hansberry v. Lee*, 311 U.S. 32, 40-41

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Moreover, the Manager is not in privity with Great American Insurance Company.<sup>40</sup> A person in privity with another is a person so identified in interest with another that he represents the same legal right.<sup>41</sup> The Manager instituted this administrative proceeding against Mr. Lane pursuant to the Federal Crop Insurance Act seeking to impose a sanction on Mr. Lane to improve compliance with, and the integrity of, the federal crop insurance program.<sup>42</sup> The arbitration proceeding relied upon by Mr. Lane concerned a contract between Mr. Lane and Great American Insurance Company in which Great American Insurance Company sought to void an insurance policy pursuant to section 27 of that policy. The Manager did not have an interest in the arbitration and could not have filed a section 27 claim against Mr. Lane.

I find no basis on which to reverse the ALJ's determination that *In The Matter of the Arbitration between: Steve Lane, Claimant, Great American Insurance Company, Respondent*, Case No. 01-14-0001-2819, has no preclusive effect on the instant proceeding. Mr. Lane has failed to carry his burden of proof that the instant proceeding is barred by issue preclusion.

Based upon careful consideration of the record, I find no change or modification of the ALJ's April 5, 2016 Decision and Order is warranted. The Rules of Practice provide, when the Judicial Officer finds no change or modification of the administrative law judge's decision is warranted, the Judicial Officer may adopt an administrative law judge's decision as the final order in a proceeding, as follows:

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(1940). *See also* Zenith Radio Corp. v. Hazeltine Research, Inc., 395 U.S. 100, 110 (1969) (holding the consistent constitutional rule has been that a court has no power to adjudicate a person's claim or obligation unless it has jurisdiction over the person of the defendant).

<sup>40</sup> Williams Farms of Homestead, Inc. v. Rain & Hail Ins., Serv., Inc., 121 F.3d 630, 633 (11th Cir. 1997); Old Republic Ins. Co. v. FCIC, 947 F.2d 269, 276 (7th Cir. 1991). *See also* Uniguard Security Ins. Co. v. North River Ins. Co., 4 F.3d 1049, 1054 (2d Cir. 1993); Gen. Reinsurance Corp. v. Mo. Gen. Ins. Co., 596 F.2d 330 (8th Cir. 1979).

<sup>41</sup> Stephens v. Jessup, 793 F.3d 941, 945 (8th Cir. 2015); Wayne Cnty. Hosp., Inc. v. Jakobson, 567 F. App'x 314, 317-18 (6th Cir. 2014); Jones v. HSBC Bank, 444 F. App'x 640, 644 (4th Cir. 2011); Pac. Frontier v. Pleasant Grove City, 414 F.3d 1221, 1230 (10th Cir. 2005).

<sup>42</sup> 7 U.S.C. § 1515(a)(1); 7 C.F.R. § 400.451.

**FEDERAL CROP INSURANCE ACT**

**§ 1.145 Appeal to Judicial Officer.**

- ....
- (i) *Decision of the judicial officer on appeal.* . . . . If the Judicial Officer decides that no change or modification of the Judge's decision is warranted, the Judicial Officer may adopt the Judge's decision as the final order in the proceeding, preserving any right of the party bringing the appeal to seek judicial review of such decision in the proper forum.

For the foregoing reasons, the following Order is issued.

**ORDER**

The ALJ's April 5, 2016 Decision and Order is adopted as the final order in this proceeding.

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**FEDERAL MEAT INSPECTION ACT**

**COURT DECISION**

**UNITED STATES v. AOSSEY.**  
**Nos. 16-1611, 16-1688, 16-1761.**  
**Court Decision.**  
**Filed April 14, 2017.**

**FMIA – False or misleading labeling – Jurisdiction of district court – Meat and poultry.**

[Cite as: 854 F.3d 453 (8th Cir. 2017)].\*

**United States Court of Appeals,  
Eight Circuit.**

The Court affirmed the ruling of the district court, holding that sections 674 and 607(e) of the Federal Meat Inspection Act (FMIA) do not unambiguously remove prosecution from the district court's jurisdiction. In so holding, the Court rejected the defendants' argument that the Secretary of Agriculture has exclusive authority to take enforcement action when a party commits a violation of false or misleading labeling under the FMIA. It ruled that section 607(e) of the FMIA provides the Secretary an enforcement mechanism that supplements, rather than deprives, the authority of United States Attorneys to conduct criminal prosecutions in district courts. The Court held that although an exception in section 674 provides that administrative appeals are forwarded to the courts of appeals, the Secretary here did not act under section 607(e); therefore, the United States Attorney properly brought suit in the district court per 18 U.S.C. § 3231.

**STEVEN M. COLLOTON, UNITED STATES CIRCUIT JUDGE,**  
DELIVERED THE OPINION OF THE COURT.

**OPINION**

A grand jury charged Midamar Corporation, William Aossey, and Jalel Aossey with several criminal offenses arising from their sale of falsely labeled halal meat. The defendants moved to dismiss the indictment for lack of jurisdiction. Their theory was that Congress had reserved exclusive enforcement authority over the alleged statutory violations to the Secretary of Agriculture, and that the United States Attorney could not proceed

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\* *Petition for cert. filed*, 2017 WL 4685353 (U.S. Oct. 6, 2017) (No. 17-583).

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against the defendants in a criminal prosecution. The district court<sup>1</sup> denied the motion, concluding that it was both untimely and incorrect on the merits.

Midamar Corporation and Jalel Aosseay then pleaded guilty conditionally to one count of conspiracy to commit several offenses in connection with the scheme, while reserving the right to appeal the denial of their motion to dismiss. William Aosseay proceeded to trial, and a jury convicted him of conspiracy, making false statements on export certificates, and wire fraud. The defendants appeal the district court's denial of their motion to dismiss for lack of jurisdiction. The government does not assert that the motion was untimely, but defends the district court's decision on the merits, and we affirm.

### I.

Midamar Corporation sells and distributes halal-certified meat and other food products in the United States and internationally. William Aosseay founded Midamar in 1974; in 2007, he transferred ownership of Midamar to his sons, Jalel and Yahya Aosseay. The United States Department of Agriculture regulates the company, and Midamar's meat labeling is governed by the Federal Meat Inspection Act. 21 U.S.C. § 601, *et seq.* Under the Act, the Food Safety and Inspection Service is responsible for the inspection and oversight of meat packaging and labeling.

In February 2010, the USDA Office of Program Evaluation, Enforcement, and Review started an investigation into Midamar and its labeling practices. The Office concluded that between April 2007 and January 2010, Midamar employees, under the direction and supervision of the owners and managers, knowingly forged and falsified USDA export documents and certificates for shipments of purported halal beef. As a result of this investigation, the Inspection Service withdrew its services from Midamar. This withdrawal temporarily prevented Midamar from exporting meat products from its own facility. After Midamar proposed corrective and preventative measures, the Inspection Service gave notice

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<sup>1</sup> The Honorable Linda R. Reade, United States District Judge for the Northern District of Iowa.

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in July 2011 that it intended to reinstate services for the company.

Three years later, the government obtained an indictment against the defendants. A grand jury charged Midamar, Jalel Aossey, and others with conspiracy to make and use false statements, sell misbranded meat, and commit mail and wire fraud, in violation of 18 U.S.C. § 371. The indictment also charged them with making false statements on export certificates, in violation of 21 U.S.C. § 611(b)(5), wire fraud, in violation of 18 U.S.C. § 1343, money laundering, in violation of 18 U.S.C. § 1956(a)(2)(A), and conspiracy to commit money laundering, in violation of 18 U.S.C. § 1956(h). The grand jury charged William Aossey with the same violations in a separate indictment.

The defendants moved to dismiss, arguing that the district court lacked jurisdiction over the criminal case because the Meat Inspection Act gave the Secretary of Agriculture exclusive jurisdiction to address the specified violations. The district court denied the motion. Midamar and Jalel Aossey entered conditional guilty pleas, and William Aossey was convicted after a jury trial. The district court imposed sentences, and this appeal followed.

## II.

The issue joined on appeal is whether two provisions of the Meat Inspection Act, 21 U.S.C. §§ 674 and 607(e), removed this case from the district court's jurisdiction. Although we have upheld convictions based on violations of the Meat Inspection Act in previous cases, *e.g.*, *United States v. Jorgensen*, 144 F.3d 550 (8th Cir. 1998) (addressing misbranding in violation of 21 U.S.C. § 610), the jurisdictional argument advanced here has not been raised and decided, so we must consider it as an original matter. *See Fed. Election Comm'n v. NRA Political Victory Fund*, 513 U.S. 88, 97, 115 S. Ct. 537, 130 L.Ed.2d 439 (1994). We review the district court's conclusion on this legal issue *de novo*.

Under 18 U.S.C. § 3231, “[t]he district courts of the United States shall have original jurisdiction, exclusive of the courts of the States, of all offenses against the laws of the United States.” The grand jury charged the defendants with committing such offenses, and the district court asserted jurisdiction under § 3231. Section 3231 is generally the “beginning and the end of the ‘jurisdictional’ inquiry,” *United States v. White Horse*, 316

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F.3d 769, 772 (8th Cir. 2003) (quotation omitted), but Congress can remove the district courts' jurisdiction over criminal prosecutions if it makes a "clear and unambiguous expression of the legislative will." *United States v. Morgan*, 222 U.S. 274, 282, 32 S. Ct. 81, 56 L.Ed. 198 (1911). The question here, therefore, is whether Congress unambiguously limited the district court's jurisdiction.

The defendants contend that two sections of the Meat Inspection Act, 21 U.S.C. §§ 674 and 607(e), show that Congress removed these prosecutions from the jurisdiction of the district courts. Section 674 provides: "The United States district courts ... are vested with jurisdiction specifically to enforce, and to prevent and restrain violations of, this chapter, and shall have jurisdiction in all other kinds of cases arising under this chapter, *except as provided in section 607(e) of this title.*" Section 607(e), in turn, states that if the Secretary of Agriculture has reason to believe that a meat label is false or misleading, then the Secretary may direct that use of the label be withheld unless it is modified to conform to the Secretary's prescription. A person using the label may challenge the Secretary's determination by appealing to the United States Court of Appeals for the appropriate circuit.<sup>2</sup>

The defendants rely on the exception created in § 674 for matters described in § 607(e). They contend that when a party commits a violation

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<sup>2</sup> Section 607(e) provides in full:

If the Secretary has reason to believe that any marking or labeling or the size or form of any container in use or proposed for use with respect to any article subject to this subchapter is false or misleading in any particular, he may direct that such use be withheld unless the marking, labeling, or container is modified in such manner as he may prescribe so that it will not be false or misleading. If the person, firm, or corporation using or proposing to use the marking, labeling or container does not accept the determination of the Secretary, such person, firm, or corporation may request a hearing, but the use of the marking, labeling, or container shall, if the Secretary so directs, be withheld pending hearing and final determination by the Secretary. Any such determination by the Secretary shall be conclusive unless, within thirty days after receipt of notice of such final determination, the person, firm, or corporation adversely affected thereby appeals to the United States court of appeals for the circuit in which such person, firm, or corporation has its principal place of business or to the United States Court of Appeals for the District of Columbia Circuit. The provisions of section 194 of Title 7 shall be applicable to appeals taken under this section.



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concerning false or misleading labeling as described in § 607(e), the Secretary of Agriculture has exclusive authority to take enforcement action. On this view, the only remedy available to the government is an order of the Secretary to cease using false or misleading labels. Unless a party acts in contempt of an order of the Secretary, the argument goes, the United States Attorney may not prosecute a corporation for any false or misleading labeling violations under the Meat Inspection Act. The defendants then expand their argument to assert that the government also may not prosecute them for committing any other criminal offense, such as conspiracy or fraud, that arises from a set of facts involving false or misleading labels.

In our view, §§ 674 and 607(e) do not constitute a “clear and unambiguous expression” of the legislative will to deprive the district courts of jurisdiction over criminal prosecutions for violations of the Meat Inspection Act and related violations. Section 674 grants the district courts jurisdiction over violations of the Act, and over all kinds of cases arising under the relevant statutes, with one exception. Under that exception, where the Secretary of Agriculture directs a party to withhold use of a label, the party may appeal the Secretary’s determination to the court of appeals rather than the district court. But Congress’s choice to channel administrative appeals to the courts of appeals does not address the separate question whether administrative action is the *only* enforcement tool available to the Executive in this context. As the Supreme Court explained in *Morgan*, “[r]epeals by implication are not favored, and there is certainly no presumption that a law passed in the interest of public health was to hamper district attorneys, curtail the powers of grand juries, or make them, with evidence in hand, halt in their investigation and await the action of the Department.” 222 U.S. at 281-82, 32 S. Ct. 81.

The statute does not include a “clear and unambiguous expression” that Congress intended for the Secretary to have exclusive authority over false or misleading meat labeling. The better reading is that § 607(e) provides an administrative enforcement mechanism for the Secretary of Agriculture that supplements the authority of the United States Attorneys to pursue criminal prosecutions in the district courts. Congress thus afforded the Executive two independent avenues to address false or misleading meat labeling. The exception to the jurisdiction of the district courts in § 674 establishes only that administrative appeals are routed to the courts of

**FEDERAL MEAT INSPECTION ACT**

appeals. Here, the Secretary did not act under § 607(e), and the United States Attorney properly proceeded in the district court pursuant to § 3231. The district court did not err in denying the motion to dismiss.

\* \* \*

The judgment of the district court is affirmed.

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**HORSE PROTECTION ACT**

**DEPARTMENTAL DECISIONS**

**In re: HOWARD HAMILTON & PATRICK W. THOMAS.**

**Docket Nos. 13-0365, 13-0366.**

**Decision and Order.**

**Filed June 28, 2017.**

**HPA.**

Brian Hill, Esq., for Complainant.

Alicia A. Napier, Esq., for Respondents.

Initial Decision and Order by Bobbie J. McCartney, Chief Administrative Law Judge.

**DECISION AND ORDER ON THE RECORD**

**Introduction**

This proceeding was instituted under the Horse Protection Act (“Act”), as amended (15 U.S.C. § 1821 *et seq.*), by a complaint filed on September 23, 2013, by the Administrator, Animal and Plant Health Inspection Service (“APHIS”), United States Department of Agriculture (“USDA”). The Complaint alleged that Howard Hamilton and Patrick Thomas (jointly referred to as “Respondents”) violated the Act by entering “Don’t Tread On Me” in the 50<sup>th</sup> Annual Guntown Lion’s Club Walking Horse Show and “A Magic Stroke” in the Parker’s Crossroads Walking Horse Show, while the horses were sore.<sup>1</sup>

On June 2, 2016, I conducted a telephone conference with counsel in the above-captioned case. After due consideration of the position of the parties regarding the procedural status of this case; including the fact that the Administrator’s Complaint alleging two separate violations of the Horse Protection Act are based on incidents occurring on June 22, 2012 and July 21, 2012; the fact that there have been multiple withdrawals of counsel and continuances; and the fact that the Respondents have failed to show cause why a Decision and Order should not be entered on the record in this matter; an Order was issued on July 7, 2016 directing the parties to

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<sup>1</sup> With respect to the horse “A Magic Stroke,” Patrick Thomas was also charged with showing or exhibiting the horse. *See* Part II, ¶ 3 of the Complaint.

## **HORSE PROTECTION ACT**

submit proposed pleadings setting forth their respective positions and evidence in support thereof for judicial review and findings on the record. Respondents complied with a filing submitted by Counsel on September 2, 2016, and Complainant complied with its filing submitted by Counsel on September 6, 2016.

The July 7, 2016 Order also directed the parties to engage in good faith settlement efforts to resolve this matter. It was my hope that after the exchange of pleadings setting forth their respective positions and evidence in support, it would give the parties a more realistic basis to resolve the issues in dispute by means of a settlement; yet, almost a year later that has not proven to be the case. Accordingly, it is time to move forward with the adjudication of this proceeding by means of this Decision and Order on the Record.

### **Pertinent Statutory Provisions**

Congress enacted the Horse Protection Act to end the cruel practice of deliberately soring Tennessee Walking Horses for the purpose of altering their natural gait and improving their performance at horse shows. When a horse's front feet are deliberately made sore, usually by using chains or chemicals, "the intense pain which the horse suffers when placing his forefeet on the ground causes him to lift them up quickly and thrust them forward, reproducing exactly" the distinctive high-stepping gait that spectators and show judges look for in a champion Tennessee Walking Horse. H.R. Rep. No. 91-1597, at 2 (1970), *reprinted in* 1970 U.S.C.C.A.N. 4870, 4871.

Congress's reasons for prohibiting soring were twofold. First, soring inflicts great pain on the animals. Second, trainers who sore horses gain an unfair competitive advantage over trainers who rely on skill and patience. In 1976, Congress significantly strengthened the Horse Protection Act by amending it to make clear that intent to sore the horse is not a necessary element of a violation. *See Thornton v. U.S. Dep't of Agric.*, 715 F.2d 1508, 1511-12 (11th Cir. 1983).

The Horse Protection Act defines the term "sore," as follows:

#### **§ 1821. Definitions**

As used in this chapter unless the context otherwise requires:

(3) The term “sore” when used to describe a horse means that-

(A) an irritating or blistering agent has been applied, internally or externally, by a person to any limb of a horse,

(B) any bum, cut, or laceration has been inflicted by a person on any limb of a horse,

(C) any tack, nail, screw, or chemical agent has been injected by a person into or used by a person on any limb of a horse, or

(D) any other substance or device has been used by a person on any limb of a horse or a person has engaged in a practice involving a horse, and, as a result of such application, infliction, injection, use, or practice, such horse suffers, or can reasonably be expected to suffer, physical pain or distress, inflammation, or lameness when walking, trotting, or otherwise moving. . . .

15 U.S.C. § 1821(3).

The Horse Protection Act creates a presumption that a horse with abnormal, bilateral sensitivity is sore, as follows:

**§ 1825. Violations and penalties**

**(d) Production of witnesses and books, papers, and documents; depositions; fees; presumptions; jurisdiction**

(5) In any civil or criminal action to enforce this chapter or any

## HORSE PROTECTION ACT

regulation under this chapter a horse shall be presumed to be a horse which is sore if it manifests abnormal sensitivity or inflammation in both of its forelimbs or both of its hindlimbs.

15 U.S.C. § 1825(d)(5).

The Horse Protection Act prohibits certain conduct, including:

### § 1824. Unlawful acts

The following conduct is prohibited:

(2) The (A) showing or exhibiting, in any horse show or horse exhibition, of any horse which is sore, (B) entering for the purpose of showing or exhibiting in any horse show or horse exhibition, any horse which is sore, (C) selling, auctioning, or offering for sale, in any horse sale or auction, any horse which is sore, and (D) allowing any activity described in clause (A), (B), or (C) respecting a horse which is sore by the owner of such horse.

15 U.S.C. § 1824(2).

Violators of the Horse Protection Act are subject to civil and criminal sanctions. The Horse Protection Act provides for criminal penalties for “knowingly” violating the Horse Protection Act (15 U.S.C. § 1825(a)). This provision of the Horse Protection Act is not at issue in this proceeding. Civil sanctions include both civil penalties (15 U.S.C. § 1825(b)(1)) and disqualification for a specified period from “showing or exhibiting any horse, judging or managing any horse show, horse exhibition, or horse sale or auction.” (15 U.S.C. § 1825(c)). The maximum civil penalty for each violation is \$2,200 (15 U.S.C. § 1825(b)(1)).<sup>2</sup> In making the determination concerning the amount of the monetary penalty, the Secretary of Agriculture must take into account all factors relevant to

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<sup>2</sup> Pursuant to the Federal Civil Penalties Inflation Adjustment Act of 1990, as amended (28 U.S.C. § 2461 note), the Secretary of Agriculture, by regulation, is authorized to adjust the civil monetary penalty that may be assessed under 15 U.S.C. § 1825(b)(1) for each violation of 15 U.S.C. § 1824. The maximum civil penalty for violations of the Horse Protection Act occurring after May 7, 2010, is \$2,200 (7 C.F.R. § 3.91(b)(2)(viii)).

such determination, including the nature, circumstances, extent, and gravity of the prohibited conduct and, with respect to the person found to have engaged in such conduct, the degree of culpability, any history of prior offenses, ability to pay, effect on ability to continue to do business, and such other matters as justice may require. 15 U.S.C. § 1825(b)(1).

As to disqualification, the Horse Protection Act further provides, as follows:

**§ 1825. Violations and penalties**

**(c) Disqualification of offenders; orders; civil penalties applicable; enforcement procedures**

In addition to any ... civil penalty authorized under this section, any person . . . who paid a civil penalty assessed under subsection (b) of this section or is subject to a final order under such subsection assessing a civil penalty for any violation of any provision of this chapter or any regulation issued under this chapter may be disqualified by order of the Secretary . . . from showing or exhibiting any horse, judging or managing any horse show, horse exhibition, or horse sale or auction for a period of not less than one year for the first violation and not less than five years for any subsequent violation.

15 U.S.C. § 1825(c).

**Discussion**

**I. Respondents Have Failed To Rebut The Statutory Presumption That “Don’t Tread On Me” Was Sore.**

Respondents previously admitted to the entering of both horses and Patrick Thomas to the showing or exhibiting of “A Magic Stroke”; accordingly, only the Complaint allegations of “soreness” in the horses remain at issue.<sup>3</sup>

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<sup>3</sup> See Part I of Patrick Thomas’s Answer on October 21, 2013 and Part I of Howard Hamilton’s Answer on October 21, 2013.

## HORSE PROTECTION ACT

On June 22, 2012, at the 50<sup>th</sup> Annual Guntown Lion's Club Walking Horse Show, Dr. Dussault examined "Don't Tread On Me" and found "raised cords of tissue (scars) extending from the pocket area" up and going medial and lateral along its pasterns, according to his sworn affidavit. (CX- 2). In that same affidavit, Dr. Dussault further noted what he termed as a "prohibited substance" of some sort which was covering the scars, which he had to rub off in order to inspect the area. Ultimately, his determination was that the horse was not in compliance with the scar rule and the custodian of the horse (Howard Hamilton) was notified. (CX- 1, 2). Don Fox of the USDA photographed the scars present on this horse, which are found as Exhibits 4 and 5.<sup>4</sup> In those photos what Dr. Dussault identified as scars are visible, as the cords that he discussed can be seen emanating upwards and outwards on the pastern, from top to bottom.

As Dr. Dussault attested to in his affidavit, he has been employed by the USDA since November of 1985 and had been inspecting horses for compliance with the Act since then, which would have given him approximately twenty-six years of experience interpreting the Act at the time of this event. (CX-2). In addition to his personal experience, the inspection procedures that Dr. Dussault used to inspect "Don't Tread on Me" are based on over forty years of Horse Protection Act enforcement. It is designed specifically to distinguish horses that are "sore" from those that are not, and not just a general examination of the welfare of the horse. Soring practices primarily occur by two means: mechanical and chemical.<sup>5</sup> Regardless of the method, these soring practices are generally

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<sup>4</sup> Digital photographs of Complainant's originally submitted photographs were electronically sent to the Hearing Clerk on June 23, 2016, providing clearer views of both horses' pasterns than the copied photos. Despite Respondents' claims on page 6 of their Proposed Decision and Order that said digital photographs are "admittedly digitally enhanced", no evidence exists for that claim. Respondents have misread the email in REX-29 to mean that the digital copy of CX-5 had "slight light adjustments" when in fact it was being pointed out that the two *printed* photos of CX-5 were the same photo, shown with different lighting, not that there was any manipulation of the digital photographs. (Respondents' Responsive Evidence and Brief in Support Thereof at 23).

<sup>5</sup> See *Zahnd v. USDA*, 479 F.3d 767, 768-69 (11th Cir. 2007) ("The purpose of [the pre-show] inspection is to determine whether the horse is sore, that is, whether a horse has been abused with chemical or mechanical devices and will feel pain when moving."); *Young*, 54 Agric. Dec. 208, 209 (U.S.D.A. 1995) ("The Horse Protection Act . . . prohibits the practice of 'soring' the legs of a Tennessee walking horse through the use of chemical or mechanical devices.").



confined to the pasterns of the horse's feet, and the USDA inspection is tailored to detect evidence of soreness in that area.<sup>6</sup> Part and parcel of that inspection was a visual analysis as well as physical inspection, which he described in some detail.<sup>7</sup>

In rebuttal, Respondents rely in part on the affidavits of two Designated Qualified Persons (DQPs).<sup>8</sup> (REX-15, 16) In their affidavits, both DQPs (Mr. Butler and Mr. Riner) discuss a purported interaction they had with USDA Veterinary Medical Officer Dr. Hammel. Both assert that Dr. Hammel told them that the Veterinary Medical Officers (VMOs) had been instructed to enforce the "scar rule" as written, which they assert is different than prior practice. (REX-15, 16). Although the affidavits are deemed admitted for this proceeding; even assuming *arguendo* that the affidavits are accepted for the truth of the matters asserted therein, the statements are too attenuated from the facts and circumstances of the examination performed by Dr. Dussault on June 22, 2012 of "Don't Tread On Me" at the 50<sup>th</sup> Annual Guntown Lion's Club Walking Horse Show to be of probative value in rebutting Dr. Dussault's findings of "raised cords of tissue (scars) extending from the pocket area" up and going medial and lateral along its pasterns, as described in his sworn affidavit. (CX- 2).

Respondents also attempt to rebut the findings contained in Dr. Dussault's affidavit by asserting that Dr. Dussault improperly inspected "Don't Tread On Me."<sup>9</sup> Much of Respondents' theory rests on the idea that Dr. Dussault simply referred to his examination of the horse as a "palpation," which they contend is inadequate to support a finding that the horse was "sore."<sup>10</sup> *Black's Veterinary Dictionary* has described palpation as "the method of examining the surface of the body, and the internal

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<sup>6</sup> *Bobo v. USDA*, 52 F.3d 1406, 1409, 1412, 1415 (6th Cir. 1995); *Edwards*, 55 Agric. Dec. 892, 939 (U.S.D.A. 1996); *Bennett*, 55 Agric. Dec. 176, 180-81 (U.S.D.A. 1996).

<sup>7</sup> It must be noted that Dr. Dussault's affidavit incorrectly identifies the horse as "Do Tread On Me." (CX-2).

<sup>8</sup> A "DQP" is a person meeting the requirements of 9 C.F.R. § 11.7 who has been licensed as a DQP by a horse industry organization or association having a DQP program certified by the United States Department of Agriculture and who may be appointed and delegated authority by the management of any horse show, horse exhibition, horse sale, or horse auction under 15 U.S.C. § 1823 to detect or diagnose horses which are sore or to otherwise inspect horses and any records pertaining to such horses for the purpose of enforcing the Horse Protection Act. *See* 9 C.F.R. § 11.1.

<sup>9</sup> *See* Respondents' Responsive Evidence and Brief in Support Thereof at 9.

<sup>10</sup> *See id.* at 10.

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organs as to their size, position, shape, etc., by the method of feeling with the hand laid upon the skin gently manipulating the structures within reach.”<sup>11</sup> Thus, the use of the term palpation is sufficient, particularly when considered in the context of his affidavit as a whole and other corroborating evidence of record, to support Dr. Dussault’s findings.<sup>12</sup>

Likewise, the Respondents are incorrect in their assertion that “proliferating granuloma tissue, irritation, moisture, edema, or other evidence of inflammation” is a requirement for meeting the statutory definition of a scar rule violation.<sup>13</sup> In fact, that is only a requirement of the scar rule if it is found that the horse has “*uniformly* thickened epithelial tissue.” 9 C.F.R. § 11.3(b) (emphasis added). Where an inspector believes that the bilateral scars on the pasterns are not uniformly thickened epithelial tissue, the horse will be adjudged sore without a further finding of aggravating circumstances.

Finally, Respondents argue that “Don’t Tread On Me” was not sore because it was inspected by their private veterinarians who found it to be without issue.<sup>14</sup> One of Respondents’ veterinarians is Dr. John Bennett. The date of Dr. Bennett’s examination was October 10, 2013, more than fifteen months after the date of Dr. Dussault’s inspection and finding.<sup>15</sup> A second veterinarian, Dr. Richard Wilhelm, apparently also inspected the horse on October 10, 2013.<sup>16</sup> Both of these private veterinarians assert that the horse was not sore on the date of their examination, i.e. on October 10, 2013, more than fifteen months after the date of Dr. Dussault’s examination. (REX-19, 20). Even assuming arguendo that the affidavits are accepted for the truth of the matters asserted therein, the statements are too attenuated from the facts and circumstances of the examination performed by Dr. Dussault on June 22, 2012 of “Don’t Tread On Me” at the 50<sup>th</sup> Annual Guntown Lion’s Club Walking Horse Show to be of probative value in rebutting Dr. Dussault’s findings of “raised cords of tissue (scars) extending from the pocket area” up and going medial and

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<sup>11</sup> GEOFFREY WEST, BLACK’S VETERINARY DICTIONARY 555 (A & C Black, 15th ed. 1982).

<sup>12</sup> Mitchell Butler states in his affidavit, REX-18, page 2 of 3, that he “palpate[s] vertically and horizontally spreading the skin with my thumbs, as I was trained to do, to see if the skin can be smoothed out.”

<sup>13</sup> Respondents’ Responsive Evidence and Brief in Support Thereof at 9, 10.

<sup>14</sup> *Id.* at 11, 12.

<sup>15</sup> REX-20.

<sup>16</sup> REX-19.

lateral along its pasterns, as described in his sworn affidavit. (CX- 2).

For much the same reason, the opinion presented by Dr. Lee Butler arising from an examination which purportedly took place closer to two weeks after the show is insufficient to rebut Dr. Dussalt's findings of "raised cords of tissue (scars) extending from the pocket area" up and going medial and lateral along its pasterns, as described in his sworn affidavit (CX-2) arising from his June 22, 2012 examination of "Don't Tread On Me."<sup>17</sup>

Furthermore, it is well settled that the contemporaneous examination of a USDA veterinarian should be given more weight than later examinations by private veterinarians.<sup>18</sup> As the veterinarian on site of the 50<sup>th</sup> Annual Guntown Lion's Club Walking Horse Show conducting a contemporaneous exam, Dr. Dussault, with his quarter century of experience administering the Act, found "Don't Tread On Me" to be out of compliance with the scar rule. (CX-2). There is no contemporary evidence from a comparatively experienced veterinarian, with accompanying evidence to dispute his findings, although Respondents were on notice immediately that the horse had been adjudged sore.

## **II. Respondents Have Failed To Rebut The Statutory Presumption That "A Magic Stroke" Was Sore.**

Respondents previously admitted to the entering of both horses and Patrick Thomas to the showing or exhibiting of "A Magic Stroke"; accordingly, only the Complaint allegations of "soreness" in the horses remain at issue.<sup>19</sup>

On July 21, 2012, at the Parker's Crossroads Walking Horse Show, Dr. Baker examined "A Magic Stroke" and found "thickened ropes of hairless skin medial and lateral to the posterior midline" on both the left and right pastern of the horse. (CX-7). He also noted in his affidavit that the tissue

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<sup>17</sup> REX-30. There are additional concerns with the reliability of his evidence as what is offered from him is an unsigned document, without accompanying photographs, including only a description of a finding.

<sup>18</sup> Thornton, 41 Agric. Dec. 870, 878-79, 890-94 (U.S.D.A. 1982).

<sup>19</sup> See Part I of Patrick Thomas's Answer on October 21, 2013 and Part I of Howard Hamilton's Answer on October 21, 2013.

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in this area was “non-uniformly thickened and could not be flattened or smoothed out.” (CX-7). Upon making this finding, Dr. Baker informed the custodian (Howard Hamilton) that the horse was not in compliance with the scar rule. (CX-6, 7). The findings are also bolstered by the photos of the horse’s pasterns, taken by Robert Whiteley and marked as Complainant’s Exhibit 9. (CX-9). These photos clearly show the thickened cords of hairless skin which Dr. Baker identified as scars.

Dr. Baker noted in his affidavit that he had been a VMO for the USDA since January of 2002, some 10 years prior to his inspection of “A Magic Stroke.” (CX-7). Dr. Baker, per that affidavit, also noted that he first visually observed the horse, before then physically inspecting it. (CX-7). Much like any other USDA VMO, his inspection was designed specifically to distinguish horses that are “sore” from those that are not, and not just a general examination of the welfare of the horse. And as a licensed veterinarian, this training would have been augmented by his real world, practical and personal experience in examining animals of all types, and specifically horses. The physical inspection that ensued established quite conclusively his procedures and findings, as already stated.

Respondents maintain that because the horse was allowed to show after the opportunity for a pre-show inspection, it is a preclusion for finding the horse sore post-show, as this horse was by Dr. Baker.<sup>20</sup> Complainant responds to this argument by asserting that Respondents have conflated the findings of the DQP and that of the VMO. While DQPs do have a role in helping to promote the goals of the Act, a licensed veterinarian working specifically under the Act and aware of its enforcement provisions would add a level of expertise that DQPs do not possess.<sup>21</sup> Respondents’ argument that a negative inference should follow from a horse having the opportunity to be inspected pre-show, but only being called out in a post-show inspection is unpersuasive for the additional reason that an opportunity to be inspected pre-show does nothing to refute the findings

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<sup>20</sup> Respondents’ Responsive Evidence and Brief in Support Thereof at 14.

<sup>21</sup> Routinely, DQP examinations are found to be less probative than United States Department of Agriculture examinations and the Judicial Officer has accorded less credence to DQP examinations than to United States Department of Agriculture examinations. Oppenheimer, 54 Agric. 221, 269 (U.S.D.A. 1995) (Decision as to C.M. Oppenheimer); Sparkman, 50 Agric. Dec. 602, 610 (U.S.D.A. 1991) (Decision as to Sparkman and McCook); Edwards, 49 Agric. Dec. 188, 200 (U.S.D.A. 1990), *aff’d per curiam*, 943 F.2d 1318 (11th Cir. 1991) (unpublished), *cert. denied*, 503 U.S. 937 (1992).

of an actual post-show examination by Dr. Baker, a licensed veterinarian who has practiced with APHIS since 2002. (CX-7).

Respondents also assert as a defense that the Dr. Baker was unaware of the basics of palpation with respect to findings related to the scar rule at the time of the show he worked.<sup>22</sup> Respondents seek to offer a transcript of an earlier DQP event in rebuttal of the findings Dr. Baker recorded contemporaneously with respect to this event.<sup>23</sup> That transcript, at best, stands for nothing more than the proposition that there may be different ways that a skilled veterinarian may conduct palpation to determine compliance under the scar rule. Not only does the transcript fail to address a contemporaneous examination of the subject horse, as previously explained, as a general rule DQP examinations are found to be less probative than United States Department of Agriculture examinations and the Judicial Officer has accorded less credence to DQP examinations than to United States Department of Agriculture examinations.<sup>24</sup>

Respondents again challenge Dr. Baker's findings by using the examinations of both Drs. Bennett and Wilhelm.<sup>25</sup> However, the evidence offered through these two witnesses on "A Magic Stroke" has the same weaknesses as it did for "Don't Tread On Me." Both examinations were made on October 10, 2013, nearly a full fifteen months after the show at which these horses were found sore by APHIS veterinarians. (REX-19, 20). Even assuming *arguendo* that the affidavits are accepted for the truth of the matters asserted therein, the statements are too attenuated from the facts and circumstances of the examination performed by Dr. Baker on July 21, 2012 of "A Magic Stroke" to be of probative value in rebutting Dr. Baker's findings of "thickened ropes of hairless skin medial and lateral to the posterior midline" on both the left and right pastern of the horse, as well as the fact that the tissue in this area was "non-uniformly thickened and could not be flattened or smoothed out." (CX-7). Upon making this finding, Dr. Baker informed the custodian (Howard Hamilton) that the horse was not in compliance with the scar rule. (CX-6, 7). Once again, Respondents had an opportunity to seek and receive an immediate and comprehensive examination of "A Magic Stroke", being on notice that

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<sup>22</sup> Respondent's Responsive Evidence and Brief in Support Thereof at 24.

<sup>23</sup> *See supra* note 8.

<sup>24</sup> *See supra* note 21.

<sup>25</sup> *See* Respondents' Responsive Evidence and Brief in Support Thereof at 19-21.

## **HORSE PROTECTION ACT**

it had been adjudged as sore. Apparently, they chose to do so only after being served with a complaint more than fourteen months later.

### **Findings of Fact**

1. Respondent Howard Hamilton is an individual who resides in Cedar Grove, Tennessee. (Compl. ¶ 1; Answer at 1).
2. Respondent Patrick W. Thomas is an individual who resides in Auburntown, Tennessee. (Compl. ¶ 2; Answer at 1).
3. On or about June 22, 2012, Respondents Howard Hamilton and Patrick Thomas entered for the purpose of showing or exhibiting the horse known as "Don't Tread On Me," entry number 106, class number 5, in the 50<sup>th</sup> Annual Guntown Lion's Club Walking Horse Show in Guntown, MS. (Compl. ¶ 3; Answer at 1).
4. On or about July 21, 2012, Respondents Howard Hamilton and Patrick Thomas entered for the purpose of showing or exhibiting the horse known as "A Magic Stroke," entry number 301, class number 22, in the Parker's Crossroads Walking Horse Show in Parker's Crossroads, TN. (Compl. ¶ 4; Answer at 1).
5. On or about July 21, 2012 Respondent Patrick Thomas showed or exhibited the horse known as "A Magic Stroke," entry number 301, class number 22, in the Parker's Crossroads Walking Horse Show in Parker's Crossroads, TN. (Compl. ¶ 5; Answer at 1).
6. Dr. Clement Dussault examined the horse "Don't Tread On Me" (incorrectly identified at times as "Do Tread On Me") and determined it to be sore by reason of being out of compliance with the scar rule. (CX-2).
7. Dr. Jeffrey Baker examined the horse "A Magic Stroke" and determined it to be sore by reason of being out of compliance with the scar rule. (CX-7).
8. Dr. Dussault properly filled out and signed form 7077 which contained a drawing showing the location of the scars on "Don't Tread On Me."

(CX-1). He also prepared an affidavit noting his examinations and findings pertinent to this horse. (CX-2).

9. Dr. Baker properly filled out and signed form 7077 which contained a drawing showing the location of the scars on "A Magic Stroke." (CX-6). He also prepared an affidavit noting his examinations and findings pertinent to this horse. (CX-7).

### **Conclusions of Law**

Section 5(2)(B) of the Act (15 U.S.C. § 1824(2)(B)) prohibits "the entering for the purpose of showing or exhibiting in any horse show or horse exhibition any horse which is sore." Section 5(2)(A) of the Act (15 U.S.C. § 1824(2)(A)) similarly prohibits the "showing or exhibiting, in any horse show or horse exhibition, of any horse which is sore." Section 6(b)(1) of the Act, 15 U.S.C. § 1825(b)(1) further provides that "[a]ny person who violates section 5 of this Act shall be liable to the United States for a civil penalty of not more than \$2,000 for each violation."<sup>26</sup>

As a result of a rulemaking, 9 C.F.R. § 11.3 was promulgated which laid out the framework of the "scar rule."<sup>27</sup> Under the auspices of the scar rule, "[h]orses subject to this rule that do not meet the following scar rule criteria shall be considered to be 'sore' and are subject to all prohibitions of section 5 of the Act." Illustrative of the prohibitions, 9 C.F.R. § 11.3 states that:

- (a) The anterior and anterior-lateral surfaces of the fore pasterns (extensor surface) much be free of bilateral granulomas, other bilateral pathological evidence of inflammation, and, other bilateral evidence of abuse indicative of soring including, but not limited to, excessive loss of hair. (b) The posterior surfaces of the pasterns (flexor surface), including the sulcus or "pocket"

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<sup>26</sup>In 1997 the Secretary of Agriculture adjusted the maximum civil penalty from \$2,000 to \$2,200 for each violation of section 5 of the Act (15 U.S.C. § 1824), in accordance with the Federal Civil Penalties Inflation Adjustment Act of 1990, as amended (Pub. L. No. 101-410) as amended by the Debt Collection Improvement Act of 1996 (Pub. L. No. 104-134). See 28 U.S.C. § 2461 note, 7 C.F.R. § 3.91(b)(2)(vii).

<sup>27</sup>44 Fed. Reg. 25172, April 27, 1979.

## HORSE PROTECTION ACT

may show bilateral areas of uniformly thickened epithelial tissue if such areas are free of proliferating granuloma tissue, irritation, moisture, edema, or other evidence of inflammation.

9 C.F.R. § 11.3.

The Horse Protection Act (15 U.S.C. § 1825(b)(1)) provides, in determining the amount of the civil penalty, the Secretary of Agriculture “shall take into account all factors relevant to such determination, including the nature, circumstances, extent, and gravity of the prohibited conduct and, with respect to the person found to have engaged in such conduct, the degree of culpability, any history of prior offenses, ability to pay, effect on ability to continue to do business, and such other matters as justice may require.” 15 U.S.C. § 1825(b)(1).

The Horse Protection Act (15 U.S.C. § 1825(c)) specifically provides that disqualification is in addition to any civil penalty assessed under 15 U.S.C. § 1825(b). While 15 U.S.C. § 1825(b)(1) requires that the Secretary of Agriculture consider specified factors when determining the amount of the civil penalty to be assessed for a violation of the Horse Protection Act, the Horse Protection Act contains no such requirement with respect to the imposition of a disqualification period. While disqualification is discretionary with the Secretary of Agriculture, the imposition of a disqualification period, in addition to the assessment of a civil penalty, has been recommended by administrative officials charged with responsibility for achieving the congressional purpose of the Horse Protection Act and the Judicial Officer has held that disqualification, in addition to the assessment of a civil penalty, is appropriate in almost every Horse Protection Act case, including those cases in which a respondent is found to have violated the Horse Protection Act for the first time.<sup>28</sup>

Since, under the 1976 amendments, intent and knowledge are not

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<sup>28</sup> Back, 69 Agric. Dec. 448, 464 (U.S.D.A. 2010), *aff'd*, 445 F. App'x 826 (6th Cir. 2011); Beltz, 64 Agric. Dec. 1487, 1505-06 (U.S.D.A. 2005) (Decision as to Christopher Jerome Zahnd), *aff'd sub nom.* Zahnd v. USDA, 479 F.3d 767 (11th Cir. 2007); Turner, 64 Agric. Dec. 1456, 1476 (U.S.D.A. 2005), *aff'd*, 217 F. App'x 462 (6th Cir. 2007); McConnell, 64 Agric. Dec. 436, 492 (U.S.D.A. 2005), *aff'd*, 198 F. App'x 417 (6th Cir. 2006); McCloy, 61 Agric. Dec. 173, 209 (U.S.D.A. 2002), *aff'd*, 351 F.3d 447 (10th Cir. 2003), *cert. denied*, 543 U.S. 810 (2004).



Howard Hamilton & Patrick W. Thomas  
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elements of a violation, few circumstances warrant an exception from the usual practice of imposing the minimum disqualification period for violations of the Horse Protection Act, in addition to the assessment of a civil penalty. The facts and circumstances of this case have been examined and do not warrant an exception to this policy.

1. The Secretary has jurisdiction in this matter.
2. On June 22, 2012, Respondents Howard Hamilton and Patrick Thomas, in violation of section 5(2)(B) of the Act (15 U.S.C. § 1824(2)(B)), entered for the purpose of showing or exhibiting the horse known as “Don’t Tread On Me,” entry number 106, class number 5, in the 50<sup>th</sup> Annual Guntown Lion’s Club Walking Horse Show in Guntown, MS, while the horse was sore (9 C.F.R. § 11.3(b)).
3. On July 21, 2012, Respondents Howard Hamilton and Patrick Thomas, in violation of section 5(2)(B) of the Act (15 U.S.C. § 1824(2)(B)), entered for the purpose of showing or exhibiting the horse known as “A Magic Stroke,” entry number 301, class number 22, in the Parker’s Crossroads Walking Horse Show in Parker’s Crossroads, TN, while the horse was sore (9 C.F.R. § 11.3(b)).
4. On July 21, 2012, Respondent Patrick Thomas, in violation of section 5(2)(A) of the Act (15 U.S.C. § 1824(2)(A)), showed or exhibiting the horse known as “A Magic Stroke,” entry number 301, class number 22, in the Parker’s Crossroads Walking Horse Show in Parker’s Crossroads, TN, while the horse was sore (9 C.F.R. § 11.3(b)).
5. The record is insufficient to establish that the maximum penalty of \$4,400 per Respondent is appropriate in this case and is therefore modified to \$2,200 per Respondent accordingly.
6. The record is insufficient to establish that Respondents Howard Hamilton and Patrick Thomas should each be disqualified for two uninterrupted years from showing, exhibiting, or entering any horse, directly or indirectly through any agent, employee, or other device, and from judging, managing or otherwise participating in any horse show, horse exhibition, or horse sale or auction, directly or indirectly through any agent, employee, family member or other device;

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however, a period of disqualification of each Respondent for one year is supported and is hereby imposed accordingly.

### ORDER

1. Respondent Howard Hamilton is assessed a civil penalty of \$2,200.
2. Respondent Patrick Thomas is assessed a civil penalty of \$2,200.
3. Respondents Howard Hamilton and Patrick Thomas are each disqualified for one uninterrupted year from showing, exhibiting, or entering any horse, directly or indirectly through any agent, employee, or other device, and from judging, managing or otherwise participating in any horse show, horse exhibition, or horse sale or auction, directly or indirectly through any agent, employee, family member or other device. "Participating" means engaging in any activity beyond that of a spectator, and includes, without limitation, transporting or arranging for the transportation of horses to or from equine events, personally giving instructions to exhibitors, being present in the warm-up or inspection areas, or in any area where spectators are not allowed, and financing the participation of others in equine events.

This Decision and Order shall be final and effective without further proceedings thirty-five (35) days after service unless an appeal to the Judicial Officer is filed with the Hearing Clerk within thirty (30) days after service, pursuant to section 1.145 of the Rules of Practice (7 C.F.R. § 1.145).

Copies of this Decision and Order shall be served by the Hearing Clerk upon each of the parties with courtesy copies provided via email where available.

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**MISCELLANEOUS ORDERS & DISMISSALS**

*Editor's Note: This volume continues the new format of reporting Administrative Law Judge orders involving non-precedent matters [Miscellaneous Orders] with the sparse case citation but without the body of the order. Miscellaneous Orders (if any) issued by the Judicial Officer will continue to be reported here in full context. The parties in the case will still be reported in Part IV (List of Decisions Reported – Alphabetical Index). Also, the full text of these cases will continue to be posted in a timely manner at: <https://www.oaljdecisions.dm.usda.gov/misc-current>.*

**ANIMAL HEALTH PROTECTION ACT**

**SWEENEY S. GILLETTE.**  
**Docket No. 16-0024.**  
**Order Denying Respondent's Request to Reopen Hearing.**  
**Filed January 5, 2017.**

**SWEENEY S. GILLETTE.**  
**Docket No. 16-0024.**  
**Miscellaneous Order of Judicial Officer.**  
**Filed March 2, 2017.**

**SWEENEY S. GILLETTE.**  
**Docket No. 16-0024.**  
**Order Granting Joint Motion for Modification of Summary Judgment Order.**  
**Filed April 11, 2017.**

**ANIMAL WELFARE ACT**

**SNBL USA, LTD., a Washington corporation.**  
**Docket No. 16-0187.**  
**Miscellaneous Order.**  
**Filed January 26, 2017.**

**MANDY SWARTZ.**  
**Docket No. 16-0024.**  
**Order Terminating Proceeding.**  
**Filed March 13, 2017.**

**MISCELLANEOUS ORDERS & DISMISSALS**

**STEARNS ZOOLOGICAL RESCUE & REHAB CENTER, INC., a Florida corporation d/b/a DADE CITY WILD THINGS.  
Docket No. 15-0146.  
Miscellaneous Order of Judicial Officer.  
Filed March 20, 2017.**

**In re: CRICKET HOLLOW ZOO, INC., an Iowa corporation; PAMELA J. SELLNER, an individual; THOMAS J. SELLNER, an individual; and PAMELA J. SELLNER TOM J. SELLNER, an Iowa general partnership d/b/a CRICKET HOLLOW ZOO.  
Docket Nos. 15-0152, 15-0153, 15-0154, 15-0155.  
Miscellaneous Order.  
Filed April 25, 2017.**

**AWA.**

Colleen A. Carroll, Esq., for Complainant.  
Larry J. Thorson, Esq., for Respondents.  
Initial Order Denying Motion to Intervene entered by Janice K. Bullard, Administrative Law Judge.  
*Order Setting Deadlines entered by William G. Jenson, Judicial Officer.*

**ORDER SETTING DEADLINES  
FOR FILING BRIEFS ON REMAND**

In *Animal Legal Defense Fund, Inc. v. Vilsack*, No. 16-cv-00914 (CRC), 2017 WL 627379 (D.D.C. Feb. 15, 2017), the Court vacated and remanded my denial of Animal Legal Defense Fund, Inc.’s [ALDF] Motion for Leave to Intervene in this proceeding. The Court found ALDF is an “interested person” as that term is used in 5 U.S.C. § 555(b) and ordered on remand that I further consider ALDF’s Motion for Leave to Intervene “in light of factors relevant to third-party participation in agency proceedings under [5 U.S.C. §] 555(b).”<sup>1</sup>

On April 24, 2017, I conducted a conference call with Larry J. Thorson, counsel for the Respondents, Colleen A. Carroll, counsel for the Administrator, Animal and Plant Health Inspection Service, United States Department of Agriculture [Administrator], and Christopher Berry,

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<sup>1</sup> *Animal Legal Defense Fund, Inc. v. Vilsack*, No. 16-cv-00914 (CRC), 2017 WL 627379, at \*1 (D.D.C. Feb. 15, 2017).

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counsel for ALDF, to discuss the manner in which to proceed on remand.<sup>2</sup> Mr. Thorson and Ms. Carroll each requested the opportunity to file a brief on remand. Mr. Berry stated that the issues on remand have been briefed, further briefing is unnecessary, and ALDF's opportunity to participate in this proceeding may be negatively affected by my providing the Respondents, the Administrator, and ALDF time for briefing the issues on remand.

I find the Respondents and the Administrator have not had an adequate opportunity to brief the issues on remand and, therefore, provide the Respondents, the Administrator, and ALDF an opportunity to brief the issues on remand. Based on the agreement of the Respondents and the Administrator, any brief on remand filed by the Respondents, the Administrator, or ALDF must be filed with the Hearing Clerk no later than May 30, 2017. The Respondents, the Administrator, and ALDF may each file a reply brief on remand with the Hearing Clerk no later than June 9, 2017.<sup>3</sup>

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**CRICKET HOLLOW ZOO, INC., an Iowa corporation; PAMELA J. SELLNER, an individual; THOMAS J. SELLNER, an individual; and PAMELA J. SELLNER THOMAS J. SELLNER, an Iowa general partnership, d/b/a CRICKET HOLLOW ZOO.**  
**Docket Nos. 15-0152, 15-0153, 15-0154, 15-0155.**  
**Miscellaneous Order of Judicial Officer.**  
**Filed March 31, 2017.**

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<sup>2</sup> Ms. Marilyn Kennedy, Legal Secretary, Office of Administrative Law Judges, United States Department of Agriculture, also participated on the conference call.

<sup>3</sup> The Hearing Clerk's office receives documents from 8:30 a.m. to 4:30 p.m., Eastern Time. To ensure timely filing, any brief on remand filed by the Respondents, the Administrator, or ALDF must be received by the Hearing Clerk no later than 4:30 p.m., Eastern Time, May 30, 2017, and any reply brief on remand filed by the Respondents, the Administrator, or ALDF must be received by the Hearing Clerk no later than 4:30 p.m., Eastern Time, June 9, 2017.

## MISCELLANEOUS ORDERS & DISMISSALS

### CIVIL RIGHTS

**In re: EDDIE WISE & DOROTHY WISE.  
Docket Nos. 16-0161, 16-0162.  
Miscellaneous Order.  
Filed January 10, 2017.**

**Civil rights.**

**Administrative procedure – Petition for review, dismissal of.**

Corey Lea for Petitioners.

J. Carlos Alarcon, Esq., for Respondent.

Initial Decision and Order by Jill S. Clifton, Administrative Law Judge.

*Ruling by William G. Jenson, Judicial Officer.*

### **RULING DISMISSING THE WISES' PETITION FOR REVIEW**

#### **PROCEDURAL HISTORY**

On August 24, 2016, Eddie Wise and Dorothy Wise [Wises] instituted this proceeding by filing a “Complaint Expedited Formal Hearing on Ther [sic] Merits and Temporary Injunction” [Complaint] in which the Wises allege the United States Department of Agriculture [USDA]: (1) terminated financial assistance to the Wises; (2) discriminated against the Wises; (3) foreclosed on the Wises; (3) offset the Wises’ retirement; (4) seeks to take more money from the Wises by way of offset; (5) changed the Wises’ 2010 farm plan in order to deny the Wises a farm-operating loan; and (6) sold the Wises’ farm without a determination by an arbitrator or a formal hearing on the merits by an administrative law judge (Compl. at 1, 3-5). The Wises seek damages and a hearing before an administrative law judge (Compl. at 1, 5).

On September 22, 2016, Administrative Law Judge Jill S. Clifton [ALJ] dismissed this proceeding, holding administrative law judges have no authority to grant the relief requested by the Wises and the doctrine of *res judicata* precludes consideration of the Wises’ Complaint.<sup>1</sup> On

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<sup>1</sup> Wise, Docket Nos. 16-0161 and 16-0162, 2016 WL 6235795 (U.S.D.A. Sept. 22, 2016) (Dismissal (With Prejudice)).

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September 23, 2016, the Wises appealed the ALJ's dismissal of the proceeding, and, on appeal, I affirmed the ALJ's dismissal of the proceeding and dismissed the Wises' appeal petition.<sup>2</sup>

On December 28, 2016, the Wises filed a "Petition for Review and Request for a Formal Hearing before the Administrative Law Judge" [Petition for Review]<sup>3</sup> again seeking damages and a hearing before an administrative law judge. On December 29, 2016, the Hearing Clerk, Office of Administrative Law Judges, United States Department of Agriculture, transmitted the record to the Office of the Judicial Officer for consideration of the Wises' Petition for Review.

### DISCUSSION

I issued a final agency Decision and Order in this proceeding on November 15, 2016.<sup>4</sup> The Wises do not assert that *Wise*, Docket Nos. 16-0161 and 16-0162, 2016 WL 6956717 (U.S.D.A. Nov. 15, 2016), contains any error of law or fact or that there has been an intervening change in controlling law. Instead, the Wises' Petition for Review appears to be merely a vehicle for registering disagreement with *Wise*, Docket Nos. 16-0161 and 16-0162, 2016 WL 6956717 (U.S.D.A. Nov. 15, 2016). Absent highly unusual circumstances, which are not present in this proceeding, I would only grant the Wises' Petition for Review if I had committed an error of law or fact which would affect the outcome of this proceeding or if there had been an intervening change in the controlling law. As the Wises do not assert, and I cannot identify, any dispositive error in *Wise*, Docket Nos. 16-0161 and 16-0162, 2016 WL 6956717 (U.S.D.A. Nov. 15, 2016), or any change in controlling law, the Wises' Petition for Review must be dismissed.

For the foregoing reason, the following Ruling is issued.

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<sup>2</sup> *Wise*, Docket Nos. 16-0161 and 16-0162, 2016 WL 6956717 (U.S.D.A. Nov. 15, 2016).

<sup>3</sup> The Wises assert they are "pro se [p]laintiffs" (Pet. for Review at 1); however, Corey Lea signed the Wises' Petition for Review for "Eddie Wise" and "Dorothy Wise" and has represented the Wises since the inception of this proceeding on August 24, 2016.

<sup>4</sup> See *supra* note 2.

**MISCELLANEOUS ORDERS & DISMISSALS**

**RULING**

The Wises' Petition for Review, filed December 28, 2016, is dismissed.

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**HENRY DOUGLAS.**  
**Docket No. 17-0212.**  
**Order of Dismissal.**  
**Filed March 20, 2017.**

**MACARTHUR DOUGLAS.**  
**Docket No. 17-0213.**  
**Order of Dismissal.**  
**Filed March 20, 2017.**

**VIOLA DOUGLAS.**  
**Docket No. 17-0214.**  
**Order of Dismissal.**  
**Filed March 20, 2017.**

**LAWRENCE DOUGLAS.**  
**Docket No. 17-0221.**  
**Order of Dismissal.**  
**Filed March 20, 2017.**

**ANTOINETTE DOUGLAS**  
**Docket No. 17-0222.**  
**Order of Dismissal.**  
**Filed March 20, 2017.**

**ODESSA DOUGLAS.**  
**Docket No. 17-0223.**  
**Order of Dismissal.**  
**Filed March 20, 2017.**



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**ABRAHAM J. CARPENTER, JR.**  
Docket No. 17-0245.  
Order of Dismissal.  
Filed April 26, 2017.

**DANNY CARPENTER.**  
Docket No. 17-0246.  
Order of Dismissal.  
Filed April 26, 2017.

**KATIE CARPENTER.**  
Docket No. 17-0247.  
Order of Dismissal.  
Filed April 26, 2017.

**ALBERT CARPENTER.**  
Docket No. 17-0248.  
Order of Dismissal.  
Filed April 26, 2017.

**CARLOS CARPENTER.**  
Docket No. 17-0248.  
Order of Dismissal.  
Filed April 26, 2017.

**BOBBIE JEAN CLARK.**  
Docket No. 17-0250.  
Order of Dismissal.  
Filed April 26, 2017.

**ABRAHAM CARPENTER, SR.**  
Docket No. 17-0251.  
Order of Dismissal.  
Filed April 26, 2017.

**MISCELLANEOUS ORDERS & DISMISSALS**

**GARY GRANT (FOR THE ESTATE OF MATTHEW AND FLORENZA GRANT).**

**Docket No. 17-0230.  
Order of Dismissal.  
Filed May 12, 2017.**

**ROD BRADSHAW (INDIVIDUAL AND ESTATE OF).**

**Docket No. 17-0231.  
Order of Dismissal.  
Filed May 12, 2017.**

**GREG EARVES.**

**Docket No. 17-0232.  
Order of Dismissal.  
Filed May 12, 2017.**

**HENRY BURRIS.**

**Docket No. 17-0233.  
Order of Dismissal.  
Filed May 12, 2017.**

**FRANKLIN KIRKSEY.**

**Docket No. 17-0234.  
Order of Dismissal.  
Filed May 12, 2017.**

**WILBERT FITZERALD, a/k/a WILBERT FITZGERALD.**

**Docket No. 17-0235.  
Order of Dismissal.  
Filed May 12, 2017.**

**HAYWOOD HOLLINGSWORTH.**

**Docket No. 17-0236.  
Order of Dismissal.  
Filed May 12, 2017.**

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**CHARLES DENARD.**  
Docket No. 17-0237.  
Order of Dismissal.  
Filed May 12, 2017.

**ROBERT LEE HILL.**  
Docket No. 17-0238.  
Order of Dismissal.  
Filed May 12, 2017.

**RICHARD GLENN.**  
Docket No. 17-0239.  
Order of Dismissal.  
Filed May 12, 2017.

**ABRAHAM CARPENTER.**  
Docket No. 17-0240.  
Order of Dismissal.  
Filed May 12, 2017.

**FELDER DANIEL, a/k/a FELDER DANIELS.**  
Docket No. 17-0241.  
Order of Dismissal.  
Filed May 12, 2017.

**WILLIE HEAD.**  
Docket No. 17-0242.  
Order of Dismissal.  
Filed May 12, 2017.

**HORSE PROTECTION ACT**

**In re: CHARLES GLEGHORN, an individual.**  
Docket No. 17-0022.  
Miscellaneous Order.  
Filed May 30, 2017.

**HPA.**

## MISCELLANEOUS ORDERS & DISMISSALS

Colleen A. Carroll, Esq., and Lauren Axley, Esq., for Complainant.  
Raymond W. Fraley, Esq., for Respondent.  
Initial Decision and Order by Bobbie J. McCartney, Chief Administrative Law Judge.  
*Order entered by William G. Jenson, Judicial Officer.*

### ORDER DENYING LATE APPEAL

#### PROCEDURAL HISTORY

Kevin Shea, Administrator, Animal and Plant Health Inspection Service, United States Department of Agriculture [Administrator], instituted this disciplinary administrative proceeding by filing a Complaint on December 23, 2016. The Administrator instituted the proceeding under the Horse Protection Act, as amended (15 U.S.C. §§ 1821-1831) [the Horse Protection Act], and the Rules of Practice Governing Formal Adjudicatory Proceedings Instituted by the Secretary of Agriculture Under Various Statutes (7 C.F.R. §§ 1.130-.151) [the Rules of Practice].

The Administrator alleges, on or about August 27, 2016, and on or about August 28, 2016, Charles Gleghorn violated the Horse Protection Act.<sup>1</sup> The Hearing Clerk, Office of Administrative Law Judges, United States Department of Agriculture [Hearing Clerk], served Mr. Gleghorn with the Complaint and the Hearing Clerk's service letter on January 10, 2017.<sup>2</sup> Mr. Gleghorn failed to file an answer to the Complaint within twenty days after the Hearing Clerk served Mr. Gleghorn with the Complaint, as required by 7 C.F.R. § 1.136(a).

On February 1, 2017, the Administrator filed a Motion for Adoption of Decision and Order by Reason of Default [Motion for Default Decision] and a proposed Decision and Order by Reason of Default [Proposed Default Decision]. On February 1, 2017, after the Administrator filed the Motion for Default Decision and the Proposed Default Decision, Mr. Gleghorn filed an untimely Answer. On February 9, 2017, Chief Administrative Law Judge Bobbie J. McCartney [Chief ALJ] issued a Decision and Order by Reason of Default [Decision] in which the Chief ALJ: (1) concluded Mr. Gleghorn violated the Horse Protection Act, as alleged in the Complaint; (2) assessed Mr. Gleghorn a \$6,600 civil

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<sup>1</sup> Compl. ¶¶ 22-24 at the fifth unnumbered page.

<sup>2</sup> United States Postal Service Domestic Return Receipt for article number XXXX XXXX XXXX XXXX 5679.

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penalty; and (3) disqualified Mr. Gleghorn from showing or exhibiting any horse in any horse show, horse exhibition, horse sale, or horse auction and from judging or managing any horse show, horse exhibition, horse sale, or horse auction for three years.<sup>3</sup> On February 9, 2017, the Hearing Clerk, by electronic mail, served Mr. Gleghorn with the Chief ALJ's Decision and the Hearing Clerk's service letter.<sup>4</sup>

On March 27, 2017, Mr. Gleghorn filed a Motion to Enter Appearance and Set Aside Default Judgment and Accept Late Answer of Respondent, and on March 28, 2017, the Administrator filed a Response to Motions to Enter Appearance, Set Aside Default Judgment and File Late Answer. On April 18, 2017, the Chief ALJ issued an Order Denying Respondent's Motion to Set Aside Default Judgment and Accept Late Answer [Order] in which the Chief ALJ held, as Mr. Gleghorn filed his March 27, 2017 motion twelve days after the Chief ALJ's Decision became final and effective, she "no longer [has] continuing jurisdiction to rule on [Mr. Gleghorn's] Motion."<sup>5</sup>

On May 3, 2017, Mr. Gleghorn filed an Appeal to Judicial Officer/and/or Motion to Reconsider to Vacate and Set Aside Judgment [Appeal Petition], and on May 23, 2017, the Administrator filed a Response to "Appeal to Judicial Officer/and/or Motion to Reconsider to Vacate and Set Aside Judgment." On May 25, 2017, the Hearing Clerk transmitted the record to the Office of the Judicial Officer for consideration and decision.

### CONCLUSIONS BY THE JUDICIAL OFFICER

The Rules of Practice provide that a party may appeal an administrative law judge's written decision to the Judicial Officer by filing an appeal petition with the Hearing Clerk within thirty days after the Hearing Clerk serves that party with the written decision.<sup>6</sup> The Hearing Clerk served Mr. Gleghorn with the Chief ALJ's Decision on February 9, 2017;<sup>7</sup> therefore, Mr. Gleghorn was required to file his Appeal Petition with the

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<sup>3</sup> Chief ALJ's Decision at the fourth unnumbered page.

<sup>4</sup> February 9, 2017 Certificate of Service signed by Renee Leach-Carlos, Hearing Clerk.

<sup>5</sup> Chief ALJ's April 18, 2017 Order at the fourth unnumbered page.

<sup>6</sup> 7 C.F.R. § 1.145(a).

<sup>7</sup> See *supra* note 4.

## MISCELLANEOUS ORDERS & DISMISSALS

Hearing Clerk no later than March 13, 2017.<sup>8</sup> Instead, Mr. Gleghorn filed his Appeal Petition with the Hearing Clerk on May 3, 2017. Therefore, I find Mr. Gleghorn's Appeal Petition is late-filed.

Moreover, the Judicial Officer has continuously and consistently held under the Rules of Practice that the Judicial Officer has no jurisdiction to hear an appeal that is filed after an administrative law judge's decision becomes final.<sup>9</sup> The Chief ALJ's Decision became final thirty-five days after the Hearing Clerk served Mr. Gleghorn with the Chief ALJ's Decision.<sup>10</sup> Thus, the Chief ALJ's Decision became final on March 16, 2017. Mr. Gleghorn filed his Appeal Petition on May 3, 2017. Therefore, I have no jurisdiction to hear Mr. Gleghorn's Appeal Petition.

The Rules of Practice do not provide for an extension of time (for good cause or excusable neglect) for filing an appeal petition after an administrative law judge's decision has become final. The absence of such a provision in the Rules of Practice emphasizes that jurisdiction has not been granted to the Judicial Officer to extend the time for filing an appeal after an administrative law judge's decision has become final. Therefore,

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<sup>8</sup> Thirty days after the date the Hearing Clerk served Mr. Gleghorn with the Chief ALJ's Decision was Saturday, March 11, 2017. The Rules of Practice provide, when the time for filing a document or paper expires on a Saturday, the time for filing shall be extended to the next business day. 7 C.F.R. § 1.147(h). The next business day after Saturday, March 11, 2017, was Monday, March 13, 2017.

<sup>9</sup> *See, e.g.*, Britz, Docket Nos. 15-0005, 15-0006, 76 Agric. Dec. \_\_\_, 2017 WL 550571 (U.S.D.A. Jan. 11, 2017) (Order Den. Late Appeal as to Bruce Britz) (dismissing the respondent's appeal petition filed one day after the chief administrative law judge's decision became final); Edwards, 75 Agric. Dec. 280 (U.S.D.A. 2016) (Order Den. Late Appeal) (dismissing the respondent's appeal petition filed three days after the chief administrative law judge's decision became final); Rosberg, 73 Agric. Dec. 551 (U.S.D.A. 2014) (Order Den. Late Appeal) (dismissing the respondents' appeal petition filed one day after the administrative law judge's decision became final); Piedmont Livestock, Inc., 72 Agric. Dec. 422 (U.S.D.A. 2013) (Order Den. Late Appeal) (dismissing Piedmont Livestock, Inc.'s appeal petition filed three days after the chief administrative law judge's decision became final and dismissing Joseph Ray Jones's appeal petition filed one day after the chief administrative law judge's decision became final); Custom Cuts, Inc., 72 Agric. Dec. 484 (U.S.D.A. 2013) (Order Den. Late Appeal) (dismissing the respondents' appeal petition filed one month twenty-seven days after the chief administrative law judge's decision became final); Self, 71 Agric. Dec. 1169 (U.S.D.A. 2012) (Order Den. Late Appeal) (dismissing the respondent's appeal petition filed eighteen days after the chief administrative law judge's decision became final).

<sup>10</sup> *See* 7 C.F.R. § 1.139; Chief ALJ's Decision at the fourth and fifth unnumbered pages.

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under the Rules of Practice, I cannot extend the time for Mr. Gleghorn's filing an appeal petition after the Chief ALJ's Decision became final. Accordingly, Mr. Gleghorn's Appeal Petition must be denied.

For the foregoing reasons, the following Order is issued.

**ORDER**

1. Mr. Gleghorn's Appeal Petition, filed May 3, 2017, is denied.
2. The Chief ALJ's Decision, issued February 9, 2017, is the final decision in this proceeding.

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**JARRETT BRADLEY, an individual; JEFF BRONNENBURG, an individual; JOE FLEMING, d/b/a JOE FLEMING STABLES; SHAWN FULTON, an individual; JUSTIN HARRIS, an individual; and SAM PERKINS, an individual.**  
**Docket Nos. 17-0120, 17-0121, 17-0123, 17-0124, 17-0126, 17-0128.**  
**Miscellaneous Order of Judicial Officer.**  
**Filed June 1, 2017.**

**JARRETT BRADLEY, an individual; JEFF BRONNENBURG, an individual; JOE FLEMING, d/b/a JOE FLEMING STABLES; SHAWN FULTON, an individual; JUSTIN HARRIS, an individual; and SAM PERKINS, an individual.**  
**Docket Nos. 17-0120, 17-0121, 17-0123, 17-0124, 17-0126, 17-0128.**  
**Miscellaneous Order of Judicial Officer.**  
**Filed June 12, 2017.**

**JARRETT BRADLEY, an individual.**  
**Docket No. 17-0120.**  
**Miscellaneous Order of Judicial Officer.**  
**Filed June 28, 2017.**

**SHAWN FULTON, an individual.**  
**Docket No. 17-0124.**  
**Miscellaneous Order of Judicial Officer.**  
**Filed June 28, 2017.**

**MISCELLANEOUS ORDERS & DISMISSALS**

**SAM PERKINS, an individual.**  
**Docket No. 17-0128.**  
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**Filed June 29, 2017.**

**JOE FLEMING, an individual d/b/a JOE FLEMING STABLES.**  
**Docket No. 17-0123.**  
**Miscellaneous Order of Judicial Officer.**  
**Filed June 30, 2017.**

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**DEFAULT DECISIONS**

*Editor's Note: This volume continues the new format of reporting Administrative Law Judge orders involving non-precedent matters [Default Orders] with the sparse case citation but without the body of the order. Default Orders (if any) issued by the Judicial Officer will continue to be reported here in full context. The parties in the case will still be reported in Part IV (List of Decisions Reported – Alphabetical Index). Also, the full text of these cases will continue to be posted in a timely manner at: [www.dm.usda.gov/oaljdecisions](http://www.dm.usda.gov/oaljdecisions)].*

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**Filed May 2, 2017.**

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**Filed May 30, 2017.**

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**CHARLES GLEGHORN, an individual.**  
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**RONNIE CAMPBELL, an individual d/b/a THE CAMPBELL PLACE.**  
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**SAM PERKINS, an individual.**  
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**HARBERT ALEXANDER, an individual.**  
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**Filed May 9, 2017.**

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**Filed May 30, 2017.**

**HAYDEN BURKS, an individual.**  
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**Default Decision and Order.**  
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**MIKE DUKES, an individual.**  
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**Default Decision and Order.**  
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**KEITH BLACKBURN, an individual.**  
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**JORDAN CAUDILL, an individual.**  
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**Filed June 20, 2017.**

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**Filed May 2, 2017.**

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Filed March 17, 2017.

**Marla Campbell Roger Campbell, a Kansas general partnership.**

Docket No. 16-0132.

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Filed March 21, 2017.

**Marla Campbell, an individual.**

Docket No. 16-0133.

Consent Decision and Order.

Filed March 21, 2017.

**Roger Campbell, an individual.**

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Consent Decision and Order.

Filed March 21, 2017.

**Exotic Feline Rescue Center, Inc., an Indiana corporation d/b/a Exotic Feline Rescue Center.**

Docket No. 15-0160.

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Filed March 30, 2017.

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**Nick Sculac, an individual.**

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Filed May 18, 2017.

**Big Cats of Serenity Springs, Inc., a Colorado corporation d/b/a Serenity Springs Wildlife Center.**

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Filed May 18, 2017.

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Filed January 10, 2017.

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Filed January 12, 2017.

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Filed March 1, 2017.

**Brent Coburn, an individual.**

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Filed March 10, 2017.

**Bill Callaway, an individual.**

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Filed March 29, 2017.

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Filed March 31, 2017.

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Filed April 12, 2017.

**Rae Shumate-Tysor, an individual.**

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Filed May 12, 2017.

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Filed June 27, 2017.

**Sarah E. Moersch, an individual.**  
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Consent Decision and Order.  
Filed June 27, 2017.

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**Lebanese Butcher Slaughter House, Inc.**  
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Filed February 14, 2017.

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**Global Organic Alliance, Inc.**  
Docket No. 16-0115.  
Consent Decision and Order.  
Filed April 20, 2017.

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# AGRICULTURE DECISIONS

**Volume 76**

**Book One**

Part Two (P&S)

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THIS IS A COMPILATION OF DECISIONS ISSUED BY THE  
SECRETARY OF AGRICULTURE AND THE COURTS  
PERTAINING TO STATUTES ADMINISTERED BY THE  
UNITED STATES DEPARTMENT OF AGRICULTURE





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**PACKERS & STOCKYARDS ACT**

**DEPARTMENTAL DECISIONS**

**In re: COSTA LIVE POULTRY, INC.**

**Docket No. 16-0116.**

**Decision and Order.**

**Filed June 27, 2017.**

**P&S-D.**

Tracey Manoff, Esq., for Complainant.

Paul Costa, representing Respondent.

Initial Decision and Order by Jill S. Clifton, Administrative Law Judge.

**DECISION AND ORDER ON THE WRITTEN RECORD**

**Decision Summary**

1. For Respondent Costa Live Poultry, Inc.'s failures to comply with the Packers and Stockyards Act, by failing to make full payment timely when due during January, February, and March 2014 to Clark's Feed Mills, Inc., I impose: (a) a cease and desist order; *see* paragraph 20; and (b) civil penalties totaling \$11,000 (eleven thousand dollars); *see* paragraphs 21 and 22.

**Parties and Allegations**

2. The Complainant is the Deputy Administrator, Packers and Stockyards Program, Grain Inspection, Packers and Stockyards Administration (GIPSA), United States Department of Agriculture (frequently herein "Packers and Stockyards" or "Complainant").

3. The Respondent is Costa Live Poultry, Inc. (frequently herein "Respondent Costa Live Poultry" or "Respondent").

4. The Complaint, filed on June 9, 2016, alleged there was reason to believe that the Respondent Costa Live Poultry willfully violated the Packers and Stockyards Act, 1921, as amended and supplemented

## **PACKERS & STOCKYARDS ACT**

(7 U.S.C. § 181 *et seq.*) (frequently herein the “Packers and Stockyards Act” or the “Act”), specifically 7 U.S.C. § 228b-1(a).

5. The Respondent Costa Live Poultry, through its President, Paul Costa, filed an Answer on August 22, 2016, denying the allegations.

### **Procedural History**

6. Packers and Stockyards’ “Status Report and Request to Rule on Motion for Summary Judgment,” filed June 26, 2017, is before me. Packers and Stockyards filed a Motion for Summary Judgment on April 21, 2017 (including Amendment filed May 8, 2017). The Respondent, Costa Live Poultry, Inc., failed to respond. Packers and Stockyards’ Motion is GRANTED as follows: this Decision and Order on the Written Record is issued.

7. On May 4, 2017, I held a trial preparation telephone conference. Packers and Stockyards, through counsel, participated. Costa Live Poultry, Inc., through Paul Costa, President, participated. Also participating was Rob Clark of Clark’s Feed Mills, Inc., who emphasized how grateful his company is to have been paid in full, even if the payments were not made on time. Mr. Clark applauded Costa Live Poultry, Inc. for working to repay all the debt. (Mr. Clark described how much better Costa Live Poultry had done than other companies that had owed Clark’s Feed Mills, Inc. and chose to discharge in bankruptcy their debt to Clark’s Feed Mills, Inc., instead of paying overtime as Costa Live Poultry did.) Also participating was Louis Costa, who emphasized that everybody’s been paid in full.

### **Findings of Fact**

8. Costa Live Poultry, Inc., the Respondent, is a business incorporated in the Commonwealth of Pennsylvania with a mailing address of 1231 Friedline Road, Danville, PA 17821, which was engaged during late 2013 and early 2014 as a live poultry dealer.

9. The Respondent, Costa Live Poultry, Inc., did not pay in full when due the amounts that were due to Clark’s Feed Mills, Inc. during January, February, and March 2014 but has since paid those amounts in full.

**Conclusions**

10. The Secretary of Agriculture has jurisdiction over the parties and the subject matter.

11. Respondent Costa Live Poultry, Inc., during late 2013 and early 2014, was engaged in business as a live poultry dealer in the Commonwealth of Pennsylvania.

12. Respondent Costa Live Poultry, Inc. purchased live poultry for which it failed to make full payment timely during January, February, and March 2014 to Clark's Feed Mills, Inc.

13. Respondent Costa Live Poultry, Inc. eventually paid Clark's Feed Mills, Inc. in full.

14. Based on Packers and Stockyards' Motions filed on April 21, 2017 (including Amendment filed May 8, 2017), and on June 26, 2017, Packers and Stockyards recommended an \$11,000 civil penalty against Costa Live Poultry, Inc.

15. Based on the assertions of Rob Clark of Clark's Feed Mills, Inc. during the May 4, 2017 telephone conference, Clark's Feed Mills, Inc. finds no need for any civil penalty to be imposed against Respondent Costa Live Poultry, Inc.

16. Based on the assertions of Rob Clark of Clark's Feed Mills, Inc. during the May 4, 2017 telephone conference, I conclude that the restructuring of Clark's Feed Mills, Inc. business arrangements - - doing business directly with the farmers and hiring Costa Live Poultry, Inc. for transportation - - takes Costa Live Poultry, Inc. out of being the "middle man" for payments from the farmers to Clark's Feed Mills, Inc.

17. Respondent Costa Live Poultry, Inc.'s Answer also referenced "the termination of the buying/selling of chickens of Costa Live Poultry, Inc. from Clark's Feed Mills."

18. Costa Live Poultry, Inc. and Clark's Feed Mills, Inc. have amicably resolved Costa Live Poultry, Inc.'s failures to pay timely for live poultry.

## **PACKERS & STOCKYARDS ACT**

19. Costa Live Poultry, Inc. violated the Packers and Stockyards Act by purchasing live poultry from Clark's Feed Mills, Inc. and failing to make full payment timely when due during January, February, and March 2014 to Clark's Feed Mills, Inc. as required by section 410(a) of the Act (7 U.S.C. §228b-1(a)).

### **ORDER**

20. Respondent Costa Live Poultry, Inc. and its agents and employees, directly or indirectly through any corporate or other device, in connection with activities subject to the Packers and Stockyards Act, shall cease and desist from purchasing live poultry and failing to pay the full purchase price of poultry when due as required by section 410(a) of the Act (7 U.S.C. §228b-1(a)). 7 U.S.C. §228b-2(b).

21. Respondent Costa Live Poultry shall pay civil penalties totaling \$11,000 (eleven thousand dollars) in accordance with section 411(b) of the Act (7 U.S.C. §228b-2(b)) payable in 22 monthly installments of \$500.00, beginning by August 23 (Wed) 2017. I conclude there is good cause for the additional time, through May 23, 2019, to liquidate the debt. Payments may of course be made earlier than when due without penalty. But if payments are made late or are less than the scheduled amount, then the remaining balance will become due immediately and in full upon request by the government.

22. Each payment shall be paid by a certified check, cashier's check, or money order, made payable to the order of the U. S. Department of Agriculture, marked with PS-D No. 16-0116 and sent to:

USDA-GIPSA  
P.O. Box 790335  
St. Louis, Missouri  
63179-0335

### **Finality**

23. This Decision and Order shall be final and effective without further proceedings 35 days after service unless an appeal to the Judicial Officer



Costa Live Poultry, Inc.  
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is filed with the Hearing Clerk within 30 days after service, pursuant to section 1.145 of the Rules of Practice (7 C.F.R. § 1.145; *see* Appendix A).

Copies of this Decision and Order on the Written Record shall be served by the Hearing Clerk upon each of the parties.

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## **MISCELLANEOUS ORDERS & DISMISSALS**

## **MISCELLANEOUS ORDERS & DISMISSALS**

*Editor's Note: This volume continues the new format of reporting Administrative Law Judge orders involving non-precedent matters [Miscellaneous Orders] with the sparse case citation but without the body of the order. Miscellaneous Orders (if any) issued by the Judicial Officer will continue to be reported here in full context. The parties in the case will still be reported in Part IV (List of Decisions Reported – Alphabetical Index). Also, the full text of these cases will continue to be posted in a timely manner at: <https://www.oaljdecisions.dm.usda.gov/misc-current>.*

## **PACKERS & STOCKYARDS ACT**

No Miscellaneous Orders or Dismissals reported.

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**DEFAULT DECISIONS**

*Editor's Note: This volume continues the new format of reporting Administrative Law Judge orders involving non-precedent matters [Default Orders] with the sparse case citation but without the body of the order. Default Orders (if any) issued by the Judicial Officer will continue to be reported here in full context. The parties in the case will still be reported in Part IV (List of Decisions Reported – Alphabetical Index). Also, the full text of these cases will continue to be posted in a timely manner at: [www.dm.usda.gov/oaljdecisions/](http://www.dm.usda.gov/oaljdecisions/).*

**PACKERS & STOCKYARDS ACT**

**ISAAC WIESENFELD.**  
**Docket No. 16-0047.**  
**Default Decision and Order.**  
**Filed February 8, 2017.**

**ELIAS WIESENFELD.**  
**Docket No. 16-0048.**  
**Default Decision and Order.**  
**Filed February 8, 2017.**

**ZAHIBA HALAL MEATS, INC.**  
**Docket No. 16-0120.**  
**Default Decision and Order.**  
**Filed February 17, 2017.**

**DANIEL W. AULT.**  
**Docket No. 16-0121.**  
**Default Decision and Order.**  
**Filed February 17, 2017.**

**CARRIE AULT.**  
**Docket No. 16-0122.**  
**Default Decision and Order.**  
**Filed February 17, 2017.**

**COREY HAMILTON.**  
**Docket No. 16-0123.**  
**Default Decision and Order.**  
**Filed February 17, 2017.**

**CONSENT DECISIONS**

**CONSENT DECISIONS**

**PACKERS & STOCKYARDS ACT**

**Sam Kane Beef Processors, LLC.**

Docket No. D-17-0161.  
Consent Decision and Order.  
Filed January 17, 2017.

**Brian D. Jones.**

Docket No. 17-0012.  
Consent Decision and Order.  
Filed January 19, 2017.

**Ernest R. Gard, d/b/a Gard Cattle Company.**

Docket No. 17-0009.  
Consent Decision and Order.  
Filed March 14, 2017.

**Glacial Lakes Livestock, Inc.**

Docket No. 17-0016.  
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Filed March 15, 2017.

**Jim Jensen, III.**

Docket No. 17-0017.  
Consent Decision and Order.  
Filed March 15, 2017.

**Rick Woehlhaff.**

Docket No. 17-0018.  
Consent Decision and Order.  
Filed March 15, 2017.

**Fred Berger Ltd., d/b/a Berger Cattle Company.**

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Consent Decision and Order.  
Filed March 31, 2017.

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**Fred J. Berger, d/b/a F T Ranch.**

Docket No. 17-0244.  
Consent Decision and Order.  
Filed March 15, 2017.

**Southern Colorado Livestock Auction, Inc.**

Docket No. 17-0019.  
Consent Decision and Order.  
Filed May 25, 2017.

**John R. Malouff, Jr.**

Docket No. 17-0020.  
Consent Decision and Order.  
Filed May 25, 2017.

**JJJ Ranch, Inc.**

Docket No. D-17-0218.  
Consent Decision and Order.  
Filed May 30, 2017.

**Cesar P. Borges Arroyo.**

Docket No. D-17-0219.  
Consent Decision and Order.  
Filed May 30, 2017.

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# AGRICULTURE DECISIONS

**Volume 76**

**Book One**

Part Three (PACA)

Pages 159 – 189



THIS IS A COMPILATION OF DECISIONS ISSUED BY THE  
SECRETARY OF AGRICULTURE AND THE COURTS  
PERTAINING TO STATUTES ADMINISTERED BY THE  
UNITED STATES DEPARTMENT OF AGRICULTURE



**LIST OF DECISIONS REPORTED**

**JANUARY – JUNE 2017**

**PERISHABLE AGRICULTURAL COMMODITIES ACT**

***ERRATA***

***[REPARATION DECISIONS]***

FOUR RIVERS PACKING CO., INC. v. SAM WANG PRODUCE, INC.  
Docket No. R-08-089.  
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TITANIUM FABRICS LLC v. WATERMELONS, INC., d/b/a ALL  
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ACCEL SERVICES, INC.  
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### **Errata**

The Editor regrets having overlooked the timely inclusion of two Reparation Decisions, specifically:

- (1) *Four Rivers Packing Co. v. Sam Wang Produce, Inc.*, PACA Docket No. R-08-089 (U.S.D.A. Sept. 4, 2009);<sup>1</sup> and
- (2) *Titanium Fabrics LLC v. Watermelons, Inc.*, PACA Docket No. E-R-2013-277 (U.S.D.A. Apr. 3, 2015).<sup>2</sup>

The decisions follow this page with special pagination for guidance.

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<sup>1</sup> This decision should have appeared in Volume 68 of *Agriculture Decisions*.

<sup>2</sup> This decision should have appeared in Volume 74 of *Agriculture Decisions*.



**ERRATA**

**PERISHABLE AGRICULTURAL COMMODITIES ACT**

**REPARATION DECISIONS**

**68 Agric. Dec.  
July – December 2009**

**FOUR RIVERS PACKING CO., INC. v. SAM WANG PRODUCE,  
INC.**

**Docket No. R-08-089.**

**Decision and Order.**

**Filed September 4, 2009.**

[Cite as: 76 Agric. Dec. A (U.S.D.A. 2009)].

**PACA-R.**

**Notice of Breach – Timeliness**

Where Respondent waited four days to look at onions received via railcar from Complainant, and upon discovery of a breach at that time gave notice to Complainant through the broker, found that such notice was not timely. We also noted, however, that the load remained intact in the railcar under constant refrigeration between the time of arrival and the time the car was opened. Moreover, after a U.S.D.A. inspection was performed on the onions the following day, Complainant had the opportunity, if the results of the inspection were in question, to request an appeal. Since the timeliness of the notice provided by Respondent therefore did not appear to have prejudiced Complainant's rights with respect to securing its own evidence of the condition of the onions following arrival, found the untimely notice of breach provided by Respondent should not bar Respondent's recovery of damages resulting from the breach.

**Inspections – Timeliness**

Although the inspection performed on the onions five days after arrival was not performed in a timely manner, noted the onions remained on the conveyance under constant refrigeration at the transit temperature specified by Complainant from the time of arrival to the time of inspection and concluded on this basis that the extreme amount of decay disclosed by the untimely inspection was sufficient to establish with reasonable certainty that a more timely inspection would have also disclosed abnormal deterioration in the onions.

Complainant, Pro se.

Maria C. Simon, Washington, DC, for Respondent.

Patrice Harps, Presiding Officer.

Leslie Wowk, Examiner.

*Decision and Order issued by William G. Jenson, Judicial Officer.*

Four Rivers Packing Co. v. Sam Wang Produce, Inc.  
76 Agric. Dec. A

**DECISION AND ORDER**

**Preliminary Statement**

This is a reparation proceeding under the Perishable Agricultural Commodities Act, 1930, as amended (7 U.S.C. § 499a *et seq.*), hereinafter referred to as the Act. A timely Complaint was filed with the Department, in which Complainant seeks a reparation award against Respondent in the amount of \$17,105.00 in connection with one railcar load of onions shipped in the course of interstate commerce.

Copies of the Report of Investigation prepared by the Department were served upon the parties. A copy of the Complaint was served upon the Respondent, which filed an Answer thereto, denying liability to Complainant and asserting a Counterclaim for an unspecified amount of damages allegedly incurred in connection with the railcar load of onions at issue in the Complaint.<sup>1</sup>

Neither the amount claimed in the Complaint nor the Counterclaim exceeds \$30,000.00. Therefore, the documentary procedure provided in Section 47.20 of the Rules of Practice (7 C.F.R. § 47.20) is applicable. Pursuant to this procedure, the verified pleadings of the parties are considered part of the evidence of the case, as is the Department's Report of Investigation (ROI). In addition, the parties were given the opportunity to file evidence in the form of verified statements and to file Briefs. Complainant filed an Opening Statement and a Statement in Reply. Respondent filed an Answering Statement. Both parties also submitted a Brief.

**Findings of Fact**

1. Complainant, Four Rivers Packing Co., Inc., is a corporation whose post office address is P.O. Box 8, Weiser, Idaho, 83672-0008. At the time of the transaction involved herein, Complainant was licensed under the Act.

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<sup>1</sup> Respondent subsequently submitted an Answering Statement wherein it specifies the amount of damages claimed in the Counterclaim is \$2,290.91.

**ERRATA**

2. Respondent, Sam Wang Produce, Inc., is a corporation whose post office address is 300 A-Morse Street NE, Washington, DC, 20002. At the time of the transaction involved herein, Respondent was licensed under the Act.

3. On or about November 30, 2006, Complainant, by oral contract, sold to Respondent, and agreed to ship from loading point in the state of Idaho, to Respondent's customer, SW Produce, in Jessup, Maryland, 2,550 50-pound sacks of U.S. No. 2 Jumbo yellow onions at \$6.50 per sack, plus \$500.00 for a non-refundable railcar surcharge and \$30.00 for two temperature recorders. The sale of the onions was negotiated by a broker, Dean Bearden, of CDC Sales, Inc., Boerne, Texas. (Compl. Ex. 5).

INSPECTION CERTIFICATE T-001-0023-02229				
<b>CARRIER OR LOT ID:</b> PO 10524-1	<b>APPLICANT:</b> SW PRODUCE	12/19/2006	6:00 AM	
<b>LOADING STATUS:</b> UNLOADED	JESSUP, MD	12/19/2006	7:10 PM	
<b>STATED BY:</b> APPLICANT	<b>SHIPPER:</b> FOUR RIVERS PACKING CO	12/21/2006	10:13 AM	
<b>ADDITIONAL ID:</b> NA	WEISER, ID			
<b>CARRIER TYPE:</b> NA	<b>MARKET</b> BALTIMORE/WASHINGTON	<b>OFFICE:</b>		
<b>REFRIG UNIT:</b> NA	<b>DOORS:</b> NA	<b>INSP SITE:</b> APPLICANT'S WAREHOUSE		<b>\$316.25</b>
<b>REMARKS:</b>	CHECK NO: 10413 CHECK AMT: \$316.25 THIS CERTIFICATE SUPERCEDES CERTIFICATE T-001-0023-02216 ACCOUNT WRONG APPLICANT'S REQUEST TO REPORT INSPECTION ORIGINALLY REQUEST RECEIVED 6:00 AM 12/18/06			
LOT A (CON) – ONIONS, OTHER THAN BGG, YELLOW				
<b>Temperatures:</b> 47° to 49°F	<b>NUMBER OF CONTAINERS:</b> 250 OPEN MESH SACK(S)	<b>ORIGIN:</b> ID		
<b>Markings:</b> BRAND: CUTTER'S CHOICE	MARKINGS: PRODUCE OF USA 50 LBS NET WT IDAHO-OREGON ONIONS PACKED BY FOUR RIVERS PACKING INC, WEISER, IDAHO SPANISH SWEETS			
<b>PLI:</b> NONE	<b>OTHER ID:</b> JUMBO			
INJURY	DATE	SER. DAM	V.S. DAM	OFFSIZE/DEFECTS
NA	11	11	NA	DECAY (7 to 15%)
NA	11	11	NA	CHECKSUM

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<b>GRADE:</b>	XX XXXXXXXXXXXXXXXX
<b>LOT DESC:</b>	INSPECTION: RESTRICTED TO CONDITION ONLY AT APPLICANT'S REQUEST FIRMNESS: GENERALLY FIRM STAGES OF DECAY: GENERALLY EARLY, SOME ADVANCED, SOME MODERATE

4. On December 1, 2006, Complainant issued invoice number 10524-01 billing Respondent for 2,550 50-pound sacks of U.S. No. 2 Jumbo yellow onions at \$6.50 per sack, or \$16,575.00, plus \$500.00 for a non-refundable railcar surcharge and \$30.00 for two temperature recorders, for a total invoice price of \$17,105.00. (Compl. Ex. 4). On the same date, at approximately 2:51 p.m. EST, railcar ARMN 768007, which had been loaded with the onions mentioned in Finding of Fact 3, departed from the loading point in Feltham, Idaho. Nearly thirteen days later, on December 14, 2006, at approximately 9:30 a.m. EST, the onions arrived at the contract destination in Jessup, Maryland. (Compl. Exs. 9c and 9e).

5. On December 19, 2006, the onions were unloaded and railcar ARMN 768007 was released to the carrier. (Compl. Ex. 9a). At 7:10 a.m. on the same date, a USDA inspection was performed on the onions at SW Produce, in Jessup, Maryland, the report of which disclosed the following, in pertinent part (Compl. Ex. 11a-11b):

<b>LOT B (CON) – ONIONS, OTHER THAN BGG, YELLOW</b>			
<b>Temperatures:</b> 43° to 49°F	<b>NUMBER OF CONTAINERS:</b> 2300 OPEN MESH	<b>ORIGIN:</b> ID	
SACK(S)			
<b>Markings:</b> BRAND: FOUR RIVERS PACKING CO. MARKINGS: PRODUCE OF USA ONIONS NET WT 50 LBS FOUR RIVERS PACKING CO.			
<b>PLI:</b> NONE		<b>OTHER ID:</b> JUMBO	

INJURY	DAM	SER. DAM	V.S. DAM	OFFSIZE/DEFECTS
NA	2	0	NA	TRANSLUCENT SCALES (0 to 6%)
NA	30	30	NA	DECAY (9 to 65%)
NA	32	30	NA	CHECKSUM

<b>GRADE:</b>	XX XXXXXXXXXXXXXXXX
<b>LOT DESC:</b>	INSPECTION: RESTRICTED TO CONDITION ONLY AT APPLICANT'S REQUEST FIRMNESS: MOSTLY FIRM STAGES OF DECAY: MOSTLY EARLY, MANY MODERATE, FEW ADVANCED

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6. On January 24, 2007, Respondent's Hong Kim sent the broker, Dean Bearden, a fax message stating as follows (ROI Ex. D10):

Mr. Dean

This is the summary regarding to Jumbo onions (Invoice # 10524-01) you sent by train (ARMN 768007). Here is the Settlement Summary.

Received Onions	2,550
INV# 108899 (Return)	-850
INV# 108903 (Return)	-806
Dump Onion (Please see the Dump Ticket)	-387

Sold Onion	507
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- Out of 507 Onions, 182 been thrown away in DC Sam Wang, and remaining (325 Onions) has been trimmed and sold. Sam Wang would pay half price of Delivered price (\$10.44)

- Charged to Sam Wang  
**\$1,827.00** = 350(Total Onion Sold) \* \$5.22(Adjusted Price)

- Sam Wang Expenses

Inspection Fee	\$ 316.25
Inspection Fee	\$ 89.00
Trash (1)	\$ 413.66
Return Onion Pallet (2)	\$ 170.00
Unloading Fee	\$ 200.00



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Train Access Charge	\$ 90.00
Total	\$ <b>1,278.91</b>

- (1) 6.7 tons \* \$61.74 per Ton
- (2) 34 Pallet \* \$5.00 per Pallet

According to the above summary, Sam Wang would pay 4Rivers in the amount of \$548.09.

If you have any concern or question, please let me know!

- 7. Respondent has not paid Complainant for the onions billed on Complainant's invoice number 10524-01.
- 8. The informal complaint was filed on April 13, 2007, which is within nine months from the date the cause of action accrued.

**Conclusions**

Complainant brings this action to recover the agreed purchase price for one railcar load of onions sold to Respondent. The onions arrived at the contract destination on Thursday, December 14, 2006, at 8:30 a.m., after which the railcar was opened and closed twice before being unloaded and released empty to the carrier on December 19, 2006, just prior to a USDA inspection.<sup>2</sup> Complainant states it was not notified until the following day, December 20, 2006, that the onions were showing problems. Complainant states this notice, which came six days after arrival, is outside PACA requirements for timely notification.<sup>3</sup> On this basis, Complainant asserts it is entitled to payment of the full contract price of the onions, or \$17,105.00, which amount Complainant seeks to recover from Respondent through this proceeding.

There is no dispute Respondent accepted the subject railcar load of onions. A buyer who accepts produce becomes liable to the seller for the

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<sup>2</sup> See Compl. Ex. 9C.  
<sup>3</sup> See ROI Ex. A1.

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full purchase price thereof, less any damages resulting from any breach of contract by the seller. *Ocean Breeze Export, Inc. v. Rialto Distributing, Inc.*, 60 Agric. Dec. 840 (U.S.D.A. 2001); *World Wide Imp-Ex, Inc. v. Jerome Brokerage Dist. Co.*, 47 Agric. Dec. 353 (U.S.D.A. 1988); *Matthews v. Quong Yuen Shing & Co.*, 46 Agric. Dec. 1681 (U.S.D.A. 1987). Where goods are accepted the buyer has the burden of proof to establish a breach of contract. See U.C.C. § 2-607(4); see also *The Grower-Shipper Potato Co. v. Southwestern Produce Co.*, 28 Agric. Dec. 511 (U.S.D.A. 1969).

The onions were sold under f.o.b. terms, which means the warranty of suitable shipping condition is applicable. Suitable shipping condition is defined in the Regulations (7 CFR § 46.43(j)) as meaning:

. . . that the commodity, at time of billing, is in a condition which, if the shipment is handled under normal transportation service and conditions, will assure delivery without abnormal deterioration at the contract destination agreed upon between the parties.<sup>4</sup>

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<sup>4</sup> The suitable shipping condition provisions of the Regulations (7 C.F.R. § 46.43(j)) which require delivery to contract destination “without *abnormal* deterioration,” or what is elsewhere called “good delivery” (7 C.F.R. § 46.44), are based upon case law predating the adoption of the Regulations. See WILLISTON ON SALES § 245 (rev. ed. 1948). Under the rule it is not enough that a commodity sold f.o.b., U.S. No. 1, actually be U.S. No. 1 at time of shipment. It must also be in such a condition at the time of shipment that it will make good delivery at contract destination. It is, of course, possible for a commodity that grades U.S. No. 1 at the time of shipment, and is shipped under normal transportation service and conditions, to fail to make good delivery at destination due to age or other inherent defects which were not present, or were not present in sufficient degree to be cognizable by the federal inspector, at shipping point. Conversely, since the inherently perishable nature of commodities subject to the Act dictates that a commodity cannot remain forever in the same condition, the application of the good delivery concept requires that we allow for a “normal” amount of deterioration. This means that it is entirely possible for a commodity sold f.o.b. under a U.S. grade description to fail, at destination, to meet the published tolerances of that grade, and thus fail to grade at destination, and nevertheless make good delivery. This is true because under the f.o.b. terms the grade description applies only at shipping point, and the applicable warranty is only that the commodity thus sold will reach contract destination without abnormal deterioration, not that it will meet the grade description at destination. If the latter result is desired, then the parties should effect a delivered sale rather than an f.o.b. sale. For all commodities other than lettuce (for which specific good delivery standards have been promulgated) what is “normal” or abnormal deterioration is judicially determined. See *Pinnacle Produce, Ltd. v. Produce Products, Inc.*, 46 Agric. Dec. 1155 (U.S.D.A. 1987); *G & S Produce v. Morris Produce*, 31 Agric.

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By definition, the warranty of suitable shipping condition is applicable only when the transportation service and conditions are normal. While the record shows Respondent asserted a claim against the railroad alleging abnormal transit conditions (ROI Ex. H2), the record also includes a copy of a letter Union Pacific Railroad sent to Respondent in response to the claim, which reads, in pertinent part, as follows:

...

Based on release and in accordance with the average transit time on onions as published by the UP, this shipment was due for market at Jessup on December 16, 2006 and was available on Friday December 15, 2006. No delay is admitted. The shipper requested a MPS of 42 degrees and temps were within 5 degrees of the requested setting. I note the destination USDA was made on December 19, 2006.

The carriers have a clear record of handling with no delay or bad temps. I must advise your claim as filed is respectfully disallowed.<sup>5</sup>

Both the DeltraTRAK temperature recorder tape and the reefer status report submitted by Complainant affirm that proper temperatures were maintained throughout the transit period.<sup>6</sup> We therefore find the transportation service and conditions were normal, so the warranty of suitable shipping condition is in effect.

According to the memorandum of sale prepared by the broker, the onions were sold under the grade designation U.S. No. 2.<sup>7</sup> Complainant secured a Federal-State inspection at the time of shipment showing that 2,228-50 pound sacks of "No Brand" yellow onions graded U.S. No. 2, 3-inch minimum; and 322-50 pound sacks of "Cutter's Choice" yellow onions graded U.S. No. 1, 2-7/8 inch minimum.<sup>8</sup> The United States

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Dec. 1167 (U.S.D.A. 1972); Lake Fruit Co. v. Jackson, 18 Agric. Dec. 140 (U.S.D.A. 1959); and Haines Assn. v. Robinson, 10 Agric. Dec. 968 (U.S.D.A. 1951).

<sup>5</sup> See ROI Ex. H5.

<sup>6</sup> See Compl. Exs. 9a-9e and ROI Ex. D6-D8 of D11.

<sup>7</sup> See ROI Ex. A4.

<sup>8</sup> See Compl. Ex. 7. While the broker raises the allegation that this inspection does not refer to the onions in question because of discrepancies between the quantities and labels shown

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Standards for Grades of Onions (Other Than Bermuda-Granex-Grano and Creole Types)<sup>9</sup> provide a tolerance at shipping point of five percent for onions that fail to meet the requirements of the grade, including therein not more than two percent for onions affected by decay or sunscald. For onions sold f.o.b., we apply an additional allowance to these tolerances to provide for normal deterioration in transit. Based on the expected length of the transit period, which was slightly more than two weeks according to the railroad, we will apply an allowance of eight percent for average defects, including therein not more than four percent for decay.

The USDA inspection secured by Respondent was performed on December 19, 2006, which was eighteen days after shipment and five days after arrival. The inspection disclosed 32 percent average defects, including 30 percent decay, in 2,300 sacks of Four Rivers Packing Co. onions; and 11 percent average defects, including 11 percent decay, in 250 sacks of Cutter's Choice onions.<sup>10</sup> There is no question the inspection secured five days following arrival was not performed in a timely manner.<sup>11</sup> Nevertheless, we must still consider whether the extreme

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on the Federal-State inspection versus those shown on the destination inspection—2,228 sacks of “No Brand” onions v. 2,300 sacks of Four Rivers Packing Co. onions, and 322 v. 250 sacks of Cutter's Choice onions (*see* ROI Ex. H2)—we note the total quantity inspected on both certificates is the same. Moreover, the other identifying information on the Federal-State inspection certificate, including the railcar number and the purchase order number, is sufficient to establish the inspection covers the load of onions at issue here. We should also note Mr. Bearden asserts in the same correspondence that the shipping point inspection shows the 322 sacks of Cutter's Choice onions were 2-7/8 inch minimum, which is not a jumbo size. While the U.S. Grade Standards specify a 3-inch minimum for jumbo-size onions (*see* 7 C.F.R. § 51.2836), there is also a tolerance provided for onions that fail to meet the specified size (*see* 7 C.F.R. §§ 51.2837). Therefore, without an inspection showing the percentage of onions that were below 3 inches in diameter, there is insufficient evidence to establish these onions were not the correct size.

<sup>9</sup> *See* 7 C.F.R. §§ 51.2830-51.2854. USDA Grade Standards are also accessible on the Internet at [www.ams.usda.gov](http://www.ams.usda.gov).

<sup>10</sup> *See* Compl. Exs. 11a-12b.

<sup>11</sup> *See* Villalobos v. Am. Banana Co., 56 Agric. Dec. 1969 (U.S.D.A. 1997) (five days after arrival of tomatoes in a delivered sale); Borton & Sons, Inc. v. Firman Pinkerton Co., Inc., 51 Agric. Dec. 905 (U.S.D.A. 1992) (four days after arrival of pears); Dodds v. Produce Products, Inc., 48 Agric. Dec. 682 (U.S.D.A. 1989) (eight days after arrival of potatoes, citing case where seven days held too long); U.S.A. Fruit, Inc. v. Roxy Produce Wholesalers, Inc., 48 Agric. Dec. 705 (U.S.D.A. 1989) (four days after arrival of plums); Dave Westendorf Produce Sales, Inc. v. John Livacich Produce, Inc., 46 Agric. Dec. 536 (four days after arrival of tomatoes); Bruce Newlon Co., Inc. v. Richardson Produce Co., 34 Agric. Dec. 897 (U.S.D.A. 1975) (six days after arrival of potatoes); D.L. Piazza Co. v.

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amount of damage disclosed by the untimely inspection might still impel us to infer that a timely inspection would have clearly shown a breach of contract.<sup>12</sup>

As we mentioned, we would consider anything in excess of eight percent damage, including not more than four percent decay, to be abnormal and in breach of the suitable shipping condition warranty. The subject onions were affected by decay many times in excess of what is permitted under the suitable shipping condition allowance. It is important to note the onions remained on the conveyance under constant refrigeration at the transit temperature specified by Complainant from the time of arrival to the time of inspection.<sup>13</sup> On this basis, we find the defects disclosed by the inspection performed on December 19, 2006, are sufficiently extensive to establish with reasonable certainty that a more timely inspection would have also disclosed abnormal deterioration in the onions. Accordingly, we find Respondent has sustained its burden to prove the onions shipped by Complainant were not in suitable shipping condition, thereby constituting a breach of contract by Complainant.<sup>14</sup> Before we consider the damages allegedly incurred by Respondent as a result of Complainant's breach, we must address Complainant's contention that it was not timely notified of the breach. Dean Bearden, the broker for the load, informed the Manassas, Virginia PACA Branch Office during the informal handling of this claim that the "rail was placed late Friday, December 15, 2006 and was not looked at until Monday, December 18, 2006 when it was decided to call for an inspection."<sup>15</sup> We

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Stacy Distributing Co., 18 Agric. Dec. 307 (U.S.D.A. 1959) (four days after arrival of carrots); Vaughn-Griffin Packing Co. v. Thomas Aeozzo & Son, 17 Agric. Dec. 1035 (U.S.D.A. 1958) (five to six days after arrival of oranges); P. F. Likins Co. v. Walter Holm & Co., 10 Agric. Dec. 593 (U.S.D.A. 1951) (extensive defects in tomatoes five days after arrival).

<sup>12</sup> See *SEL Int'l Corp. v. Brown*, 52 Agric. Dec. 740 (U.S.D.A. 1993) (where a survey conducted four days after the onions at issue were made available for inspection, and which disclosed 46.14 percent average defects, was found to establish a breach of the warranty of suitable shipping condition).

<sup>13</sup> See Compl. Ex. 9a.

<sup>14</sup> The burden is on the buyer to establish a breach as to accepted goods. See U.C.C. § 2-607(4); see also *Ocean Breeze Export, Inc. v. Rialto Distributing, Inc.*, 60 Agric. Dec. 840 (U.S.D.A. 2001); and *The Grower-Shipper Potato Co. v. Sw. Produce Co.*, 28 Agric. Dec. 511 (U.S.D.A. 1969).

<sup>15</sup> See ROI Ex. D1. Although the record shows the railcar was opened at 1:52 a.m. CST on Friday, December 15, 2006, and closed at 1:56 a.m. CST the same day (see ROI Ex. A9),

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note, however, that Mr. Bearden asserts in an affidavit submitted as part of Respondent's Answering Statement that the load arrived in Jessup, Maryland, on December 14, 2006.<sup>16</sup> In addition, the record includes a tracking report from the railroad, which shows railcar number ARMN 768007, the railcar containing the onions in question, was "PLACED AT INDUSTRY" at 9:30 a.m., on December 14, 2006.<sup>17</sup> Furthermore, Respondent's Vice President, Chung "Nae" Choi, has testified the onions "arrived in Jessup, Maryland on December 14, 2006."<sup>18</sup> We therefore find the preponderance of the evidence establishes the load arrived at the contract destination in Jessup, Maryland, on December 14, 2006.

According to Respondent's Chung "Nae" Choi, the car arrived at the end of the loading dock's work day, so the car was not transported to Respondent's loading dock until Friday, December 15, 2006.<sup>19</sup> Because of the car's arrival on Friday, Mr. Choi states the car was not unloaded until Monday, December 18, 2006. At the time of unloading, Mr. Choi states he noticed the onions contained excessive amounts of decay, so he immediately instructed SW Produce to call for an inspection. Mr. Choi states he also contacted the broker, CDC Sales, Inc., regarding the decay.<sup>20</sup> CDC Sales' Dean Bearden affirms in his Answering Statement affidavit that he was contacted by Respondent regarding the onions' excessive amount of decay on December 18, 2006, after which Mr. Bearden states he immediately sent a trouble report via facsimile to Complainant.<sup>21</sup> Mr. Bearden states further that after the USDA inspection was conducted on December 19, 2006, he resent the trouble report to Complainant along with a copy of the USDA inspection certificate.<sup>22</sup> Complainant's salesman, Robert L. Hert, acknowledges in an affidavit submitted as part of Complainant's Statement in Reply that notification of a problem was faxed

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it is unlikely the product was "looked at" at this time given the short duration the doors were open.

<sup>16</sup> See Affidavit of Dean Bearden in Support of Respondent's Answering Statement ("Bearden Affidavit") ¶ 4.

<sup>17</sup> See ROI Ex. A7.

<sup>18</sup> See Respondent's Answering Statement Affidavit of Chung "Nae" Choi, Vice President Sam Wang Produce, Inc. ("Choi Affidavit") ¶ 4.

<sup>19</sup> See Choi Aff. ¶ 5.

<sup>20</sup> See Choi Aff. ¶ 6.

<sup>21</sup> See Bearden Aff. ¶ 5.

<sup>22</sup> See Bearden Aff. ¶ 6.

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to Complainant on December 18 and 20, 2006.<sup>23</sup> The evidence therefore establishes Complainant was first notified of a problem with the onions on December 18, 2006, which was four days after arrival. Complainant's statement that notice was not provided until six days after arrival is therefore erroneous.<sup>24</sup>

The issue that must be determined then is whether the notice provided four days following arrival is timely. Arguing in the affirmative, Respondent states the Department has long recognized that the reasonable amount of time for notice of a breach hinges upon the type of produce involved, because different types of produce have varying degrees of perishability. In making this argument, Respondent states that while notice of a breach provided three days after arrival for tomatoes was found to be untimely in *Produce Specialists of Arizona, Inc. v. Gulfport Tomatoes, Inc.*, 42 Agric. Dec. 1194 (U.S.D.A. 1983), the decision made a point of distinguishing between the inherently perishable nature of the tomatoes in that case and the chipping potatoes at issue in *Spudco, Inc. v. Yick Lung Co., Inc.*, 36 Agric Dec. 715, 778 (U.S.D.A. 1977), clarifying that while seven days after arrival constitutes untimely notification for produce as hardy as potatoes in *Spudco*, three days after arrival is untimely for the highly perishable tomatoes. Respondent also points out that in *Well-Pict, Inc. v. Sam Wang Food Corp., Inc.*, 45 Agric. Dec. 389, 393 (U.S.D.A. 1986), notice provided two to three days after arrival for strawberries was held to be timely. Respondent asserts the onions in question are far more similar in nature to potatoes than tomatoes. Specifically, Respondent states the onions in question are harvested during the summer and fall and may be stored for several months. On this basis, Respondent asserts the nature of the subject onions permits a two to three-day window after arrival for notice of a breach to be given.<sup>25</sup> This argument nevertheless overlooks the fact that the notice provided in the instant case came four days after arrival. We conclude the notice of breach was untimely.

Section 2-607(3) of the Uniform Commercial Code specifies that where a tender has been accepted, the buyer must notify the seller of any

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<sup>23</sup> See Affidavit of Robert Hert for Complainant's Statement in Reply ("Hert Affidavit") ¶4.

<sup>24</sup> See ROI Ex. A1.

<sup>25</sup> See Resp't's Br. at 4-5.

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breach within a reasonable time after it discovers or should have discovered the breach. In their Handbook of the Law under the Commercial Code,<sup>26</sup> J. White and R. Summers, provide the following three reasons for the notice requirement:

*First*, it enables the seller to make adjustments or replacements or to suggest opportunities for cure to the end of minimizing the buyer's loss and reducing the seller's own liability to the buyer.

*Second*, it affords the seller an opportunity to arm himself for negotiation and litigation.

*Third*, it gives the seller that same kind of mind balm he gets from the statute of limitations.

In *A. C. Carpenter, Inc. v. Boyer Potato Chips*<sup>27</sup>, a case cited by White and Summers, we said:

The requirement that notice be given within a reasonable time is important, especially when the alleged breach concerns perishables. The purpose of the rule, as stated in the comment to the UCC, is to defeat commercial bad faith. If the seller is notified of a breach within a reasonable time he has opportunity to ascertain for himself the nature and extent of the breach by taking advantage of UCC section 2-515 which gives either party upon reasonable notification to the other, the right to inspect, test and sample the goods or have a third party perform similar functions for the purpose of ascertaining the facts and preserving evidence.

Similarly, in *SEL International Corp. v. Brown*, 52 Agric. Dec. 740 (U.S.D.A. 1993), we stated:

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<sup>26</sup> J. WHITE & R. SUMMERS, HANDBOOK OF THE LAW UNDER THE UNIFORM COMMERCIAL CODE § 11-9, 344 (1972).

<sup>27</sup> 28 Agric. Dec. 1557 (U.S.D.A. 1969).



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Without the notice afforded by section 2-607(3), a seller might find himself relatively defenseless against a claim for consequential damages. Absent notice, he might not have any opportunity to inspect the consequences of the alleged breach, and evidence thereof might thus be left entirely in the province of the alleged aggrieved party. But with such notice, the seller might have been able to take steps to minimize his damages . . . .

We note that in both of the cases cited above, the continued existence of the goods at the time the notice of breach is provided is deemed paramount.

In this regard, we have already determined the onions in question arrived at the contract destination on Thursday, December 14, 2006. Complainant was notified of a problem with the onions four days later, on December 18, 2006, the same day Respondent's customer, SW Produce, discovered the problem. Although we are bothered by the failure of SW Produce to act with greater speed and diligence to take physical possession of the onions once the load was made available by the railroad, we are nevertheless cognizant of the fact that the load remained intact in the railcar under constant refrigeration between the time of arrival, on Thursday, December 14, 2006, and the time the car was opened, on Monday, December 18, 2006. Hence, Respondent's failure to give notice of a problem with the onions to Complainant until four days following arrival, however untenable, nevertheless did not deprive Complainant of the opportunity to ascertain for itself the exact nature of the alleged breach through any means available. Moreover, after a USDA inspection was performed on the onions on December 19, 2006, Complainant was timely advised of the results of the inspection on December 20, 2006, at which time Complainant had the opportunity, if the results of the inspection were in question, to request an appeal inspection. Consequently, the untimely notice provided by Respondent does not appear to have prejudiced Complainant's rights with respect to securing its own evidence of the condition of the onions following arrival.

As we already mentioned, the onions were held under refrigerated conditions from the time of arrival to the time of inspection. Such conditions are presumed to retard, rather than promote, the progression of

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the decay in the onions. In spite of this, the majority of the onions, at the time of the inspection, exhibited a percentage of decay more than seven times the suitable shipping condition allowance. Such results are plainly indicative of product that was not in suitable shipping condition. Moreover, in light of the conditions under which the onions were held pending inspection, it is highly unlikely the onions were significantly less deteriorated at the time of arrival. Under this assumption, to refuse to allow Respondent to recover damages due to its failure to timely notify Complainant of the breach would certainly result in a disproportionate forfeiture on the part of Respondent. Consequently, based on the facts of this case, we conclude the notice of breach provided by Respondent, although untimely, should not prevent Respondent from recovering damages resulting from Complainant's breach.

The general measure of damages for a breach of warranty is the difference at the time and place of acceptance between the value of the goods accepted and the value they would have had if they had been as warranted, unless special circumstances show proximate damages of a different amount. U.C.C. § 2-714(2). The value of accepted goods is best shown by the gross proceeds of a prompt and proper resale as evidenced by a proper accounting prepared by the ultimate consignee. Respondent's Chung "Nae" Choi asserts in his Answering Statement affidavit that after the inspection was complete, SW Produce, with the assistance of Respondent, started trying to sell the onions to customers, but the customers kept refusing them because of excessive amounts of decay.<sup>28</sup> Mr. Choi states Dean Bearden of CDC and Bob Hert, a representative of Complainant, subsequently agreed to move the onions off the fresh market to an onion processor in Elizabeth, New Jersey.<sup>29</sup> Per Complainant's directive, Mr. Choi states SW Produce sent 1,656 sacks of onions to the processing plant in New Jersey, yielding a return of \$3.75 per sack f.o.b., less \$0.25 per sack for brokerage, for a net return of \$5,796.00.<sup>30</sup> To maximize the value of the onions, Mr. Choi states SW Produce repacked the remaining onions, 187 sacks of which were lost in repacking and 387 sacks were dumped.<sup>31</sup> Mr. Choi states that after deducting inspection costs

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<sup>28</sup> See Choi Aff. ¶9.

<sup>29</sup> See Choi Aff. ¶10.

<sup>30</sup> See Choi Aff. ¶11.

<sup>31</sup> See Choi Aff. ¶12.

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of \$405.25 and dump fees of \$413.66, Respondent received a total gross return of \$7,218.09 from the sale of the onions.<sup>32</sup>

Concerning Mr. Choi's allegation that Complainant's Robert Hert was involved in the decision to move the onions to a processor, Mr. Hert asserts in his Statement in Reply affidavit that he advised CDC it was Respondent's option to move part of the produce to another receiver, as the product in the car was theirs.<sup>33</sup> Since Respondent had already accepted the onions at the time the discussion in question took place, the responsibility lay with Respondent to sell the onions in a prompt and proper fashion, so as to mitigate the damages sustained as a result of Complainant's breach. Therefore, whether or not Mr. Hert was involved in the decision to move the onions to a processor is of no material consequence.

In addition to the affidavit testimony of Mr. Choi, Respondent submitted a number of documents that concern the resale or other disposition of the onions. First, Respondent submitted copies of two sales tickets evidencing the return of 1,656 sacks of onions to SW Produce on January 2, 2007.<sup>34</sup> Respondent also submitted copies of SW Produce invoices showing that the same 1,656 sacks of onions were resold on the same date to F & S Produce Co., Inc., Rosenhayn, New Jersey, for \$3.75 per sack.<sup>35</sup> There is, however, no evidence of the date the onions were originally sold, prior to their return to SW Produce, and the sale to F & S Produce Co., Inc., which took place two weeks after the onions were inspected, is not considered prompt. We also note that the sale to F & S Produce Co., Inc. yielded gross proceeds of \$6,210.00, from which Respondent reportedly deducted \$0.25 per sack for brokerage, leaving a net return of \$5,796.00. Respondent reported a gross return from the sale of the onions of \$7,208.09. In an account of sale Respondent faxed to CDC, Respondent indicated that 325 sacks of the onions were trimmed and sold.<sup>36</sup> Respondent did not, however, submit copies of invoices or a sufficiently detailed account of sales to establish the dates of sale and the prices at which these onions were sold. Furthermore, Respondent did not

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<sup>32</sup> See Choi Aff. ¶13.

<sup>33</sup> See Hert Aff. ¶7.

<sup>34</sup> See ROI Ex. D9.

<sup>35</sup> See Answering Statement Ex. A.

<sup>36</sup> See ROI Ex. D10.

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fully account for the onions that were reportedly dumped, as the copy of the ESI – Ameriwaste Transfer ticket submitted by Respondent evidences the disposal of 13,460 pounds of onions, or the equivalent of approximately 269-50 pound sacks.<sup>37</sup> Respondent reported sales of 1,981 sacks of onions, which means that 569 sacks of onions were not resold. Since the dump ticket apparently covers only 269 sacks of the onions, 300 sacks of the onions are not accounted for (original quantity of 2,550 sacks less 1,981 sacks sold and 269 sacks dumped = 300 sacks).

Given the noted discrepancies in the evidence submitted by Respondent concerning the resale of the onions, we find that Respondent has failed to establish that the onions were either promptly resold or properly disposed of, in the event they could not be resold. Consequently, we cannot use the gross resale proceeds reported by Respondent as the value of the onions as accepted. An alternative means of determining the value of the onions as accepted is to reduce the value they would have had if they had been as warranted by the percentage of condition defects disclosed by the inspection. *Barry Mathes, d/b/a Barry Mathes Farms v. Kenneth Rose, Co., Inc.*, 46 Agric. Dec. 1562 (U.S.D.A. 1987); *South Florida Growers Association, Inc. v. Country Fresh Growers & Distributors, Inc.*, 52 Agric. Dec. 684 (U.S.D.A. 1993).

The first and best method of ascertaining the value the onions would have had if they had been as warranted is to use the average price as shown by USDA Market News Service Reports. *Pandol Bros., Inc. v. Prevor Marketing International, Inc.*, 49 Agric. Dec. 1193 (U.S.D.A. 1990). The terminal market report for Baltimore, Maryland shows that Idaho-Oregon jumbo yellow onions in 50-pound sacks were mostly selling for \$17.00 per sack on Thursday, December 14, 2006; \$18.00 per sack on Friday, December 15, 2006, and Monday, December 18, 2006; and \$19.00 per sack on Tuesday, December 19, 2006. We conclude on the basis of the reported prices that the onions had a value if they had been as warranted of \$18.00 per sack, or a total of \$45,900.00 for 2,550 sacks.

Using a weighted average of the results from the two lots of onions inspected, we find that the \$45,900.00 value that the onions would have had if they had been as warranted should be reduced by 30 percent, or \$13,770.00, to arrive at the value of the onions as accepted. This results

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<sup>37</sup> See Answering Statement Ex. 4.

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in a value for the onions as accepted of \$32,130.00. Respondent's damages equal the difference between the value the onions would have had if they had been as warranted, \$45,900.00, and their value as accepted, \$32,130.00, or \$13,770.00. In addition, Respondent may recover the U.S.D.A. inspection fee of \$316.25 as incidental damages. Respondent's total damages therefore amount to \$14,086.25. When Respondent's damages of \$14,086.25 are deducted from the \$17,105.00 contract price of the onions, there remains a balance due Complainant from Respondent for the onions of \$3,018.75.

The Counterclaim submitted by Respondent seeks recovery of damages resulting from the breach of contract by Complainant with respect to the subject load of onions. Respondent asserts that its damages exceed the contract price of the onions by \$2,290.91. We have, however, already considered the damages sustained by Respondent as a result of Complainant's breach and determined that there is still a balance owed by Respondent to Complainant. Respondent's Counterclaim should, therefore, be dismissed.

Respondent's failure to pay Complainant \$3,018.75 is a violation of Section 2 of the Act for which reparation should be awarded to Complainant. Section 5(a) of the Act requires that we award to the person or persons injured by a violation of Section 2 of the Act "the full amount of damages sustained in consequence of such violations." Such damages include interest. *Louisville & Nashville Railroad Co. v. Sloss Sheffield Co.*, 269 U.S. 217 (1925); *Louisville & Nashville Railroad Co. v. Ohio Valley Tie Co.*, 242 U.S. 288 (1916). Since the Secretary is charged with the duty of awarding damages, he/she also has the duty, where appropriate, to award interest. See *Pearl Grange Fruit Exchange, Inc. v. Mark Bernstein Co., Inc.*, 29 Agric. Dec. 978 (U.S.D.A. 1970); *John W. Scherer v. Manhattan Pickle Co.*, 29 Agric. Dec. 335 (1970); and *Crockett v. Producers Marketing Association, Inc.*, 22 Agric. Dec. 66 (U.S.D.A. 1963). The interest that is to be applied shall be determined in accordance with 28 U.S.C. § 1961, *i.e.*, the interest rate shall be calculated at a rate equal to the weekly average one-year constant maturity treasury yield, as published by the Board of Governors of the Federal Reserve System, for the calendar week preceding the date of the Order. *PGB International, LLC v. Bayche Companies, Inc.*, 65 Agric. Dec. 669 (U.S.D.A. 2006) (Order on Reconsideration). Complainant in this action paid \$300.00 to

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file its formal Complaint. Pursuant to 7 U.S.C. § 499e(a), the party found to have violated Section 2 of the Act is liable for any handling fees paid by the injured party.

## **ORDER**

Within 30 days from the date of this Order, Respondent shall pay Complainant as reparation \$3,018.75, with interest thereon at the rate of .45% per annum from January 1, 2006, until paid, plus the amount of \$300.00.

The Counterclaim is dismissed.

Copies of this Order shall be served upon the parties.

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**PERISHABLE AGRICULTURAL COMMODITIES ACT**

**REPARATION DECISIONS**

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**April – June 2015**

**TITANIUM FABRICS LLC v. WATERMELONS INC., d/b/a ALL SWEET WATERMELONS.**

**Docket No. E-R-2013-277.**

**Decision and Order.**

**Filed April 3, 2015.**

[Cite as: 76 Agric. Dec. T (U.S.D.A. 2015)].

**PACA-R.**

**Price After Sale**

The term “price after sale” is not defined in either the Uniform Commercial Code or the Act and Regulations (Other Than Rules of Practice) under the Act (7 C.F.R. § 46.43(j)). It is considered a subcategory of the “open price term” (U.C.C. § 2-305(1)), and is generally understood as meaning that the parties will agree on a price following the prompt resale of the produce. *See Eustis Fruit Co. v. Auster Co.*, 51 Agric. Dec. 865, 877 (1991). If the parties are unable to agree upon a price, U.C.C. § 2-305(1) provides that the price shall be a reasonable price at the time for delivery.

Complainant, Pro se.

Paul T. Gentile, P.C., Counsel for Respondent.

Shelton S. Smallwood, Presiding Officer.

Leslie S. Wowk, Examiner.

*Decision and Order issued by William G. Jenson, Judicial Officer.*

**DECISION AND ORDER**

**Preliminary Statement**

This is a reparation proceeding under the Perishable Agricultural Commodities Act, 1930, as amended (7 U.S.C. §§ 499a-499s) (PACA); and the Rules of Practice under the PACA (7 C.F.R. §§ 47.1-47.49) (Rules of Practice). On October 7, 2013, Titanium Fabrics LLC (“Titanium Fabrics”) filed a timely formal Complaint seeking an award of reparation in the amount of \$238,376.10 from Respondent Watermelons, Inc., doing business as All Sweet Watermelons (“All Sweet”), in connection with 23

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shipments of watermelons imported from Mexico and shipped from Nogales, Arizona, to Respondent in Howell, New Jersey. Respondent filed an Answer on December 5, 2013, denying the material allegations in the Complaint and requesting an oral hearing. Copies of the Department's Report of Investigation were served on the parties.

Based on Respondent's request for an oral hearing, and because the amount of damages alleged in the Complaint is in excess of \$30,000.00, a hearing was held in accordance with section 47.15 of the Rules of Practice (7 C.F.R. § 47.15). The oral hearing was held on Tuesday, October 7, 2014, via audio-visual telecommunication. The Presiding Officer, Shelton S. Smallwood, attended in Washington, D.C., while Complainant attended in San Dimas, California, and Respondent attended in Somerset, New Jersey. The Complainant was not represented by counsel. The Respondent was represented by Paul T. Gentile of Paul T. Gentile, P.C., New York, New York.

At the hearing, the parties were given an opportunity to present testimony and submit evidence. Complainant called one witness, Ramin Namvar, Vice President of Titanium Fabrics. Respondent called two witnesses: 1) Charles Pagano, President of All Sweet Watermelons, and 2) Frank Basso, an independent contractor who assisted Complainant with the sale of the watermelons to Respondent. Complainant introduced sixty exhibits into evidence at the hearing. Complainant's hearing exhibits are cited herein as CX-1 through CX-23A and Exhibit F Page 1 and Page 2 of 2. In addition, the record remained open for 30 days following the hearing to allow Respondent to provide accounts of sale for the watermelons. Respondent submitted the accounts of sale into evidence and those documents are cited herein as RX-1 at 1-23. The Department's Report of Investigation is also considered evidence in this case.

At the conclusion of the hearing, a schedule was set for the filing of post-hearing briefs and requests for fees and expenses. Simultaneous briefs were due by December 1, 2014. Both parties submitted post-hearing briefs and counsel for Respondent submitted a request for fees and expenses. Complainant's and Respondent's briefs are referred to herein as "CB" and "RB," respectively.



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**Findings of Fact**

1. Complainant is a limited liability company whose post office address is 6001 E. Slauson Avenue, Commerce, CA 90040. Complainant is not licensed under the PACA.
2. Respondent is a corporation whose mailing address is 19 Miller Road, Howell, NJ 07731. At the time of the transactions involved herein, Respondent was licensed under the PACA.
3. On April 30, 2013, Complainant shipped from loading point in Nogales, Arizona, to Respondent in Howell, New Jersey, 15 2/3 bins of seedless watermelon 45's, 42 2/3 bins of seedless watermelon 60's, and 3 2/3 bins of seedless watermelon 80's. *See* CX-4B. Respondent prepared the following account of sales for the watermelons:

	Dumps	80ct	45ct	60ct	Total
Bins Sold		3	15	42	60
Price Sold P/B		\$120	\$230	\$225	\$13,260.00
Wash and Repack \$10.50 P/B		3	15	42	(\$630.00)
Trucking from AZ to NJ					(\$6,400.00)
Trucking to Customer P/B		\$10	\$16.50	\$16.50	(\$970.50)
Lumper Fee \$2.50 P/B		3	15	42	(\$150.00)
All Sweet Commission P/B		\$20	\$20	\$20	(\$1,200.00)

All Sweet's Return      \$3,909.50

*See* RX-1 at 4. For this shipment, Complainant issued invoice number P-0007 billing Respondent for 40,708 pounds of watermelons at \$0.25 per pound, for a total invoice price of \$10,177.00. *See* CX-4.

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4. On May 1, 2013, Complainant shipped from loading point in Nogales, Arizona, to Respondent in Howell, New Jersey, 9 2/3 bins of seedless watermelon 40's, 27 2/3 bins of seedless watermelon 45's, and 24 2/3 bins of seedless watermelon 60's. See CX-2B. Respondent prepared the following account of sales for the watermelons:

Account of Sales	Dumps	40ct	45ct	60ct	Total
Bins Sold		9	27	24	60
Price Sold P/B		\$170	\$250	\$235	\$13,920.00
Wash and Repack \$10.50 P/B		9	27	24	(\$630.00)
Trucking from AZ to NJ					(\$6,600.00)
Trucking to Customer P/B		\$10	\$16.50	\$16.50	(\$931.50)
Lumper Fee \$2.50 P/B		9	27	24	(\$150.00)
All Sweet Commission P/B		\$20	\$20	\$20	(\$1,200.00)

All Sweet's Return \$4,408.50

See RX-1 at 2. For this shipment, Complainant issued invoice number P-0005 billing Respondent for 40,040 pounds of watermelons at \$0.25 per pound, for a total invoice price of \$10,010.00. See CX-2.

5. On May 1, 2013, Complainant shipped from loading point in Nogales, Arizona, to Respondent in Howell, New Jersey, 15 2/3 bins of seedless watermelon 40's, 36 2/3 bins of seedless watermelon 45's, and 9 2/3 bins of seedless watermelon 60's. See CX-5B. Respondent prepared the following account of sales for the watermelons:

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	Dumps	40ct	45ct	60ct	Total
Bins Sold		18	33	9	60
Price Sold P/B		\$160	\$230	\$225	\$12,495.00
Wash and Repack \$10.50 P/B		18	33	9	(\$630.00)
Trucking from AZ to NJ					(\$6,400.00)
Trucking to Customer P/B		\$10	\$16.50	\$16.50	(\$873.00)
Lumper Fee \$2.50 P/B		18	33	9	(\$150.00)
All Sweet Commission P/B		\$20	\$20	\$20	(\$1,200.00)

All Sweet's Return \$3,242.00

*See* RX-1 at 5. For this shipment, Complainant issued invoice number P-0008 billing Respondent for 40,198 pounds of watermelons at \$0.25 per pound, for a total invoice price of \$10,049.50. *See* CX-5.

6. On May 3, 2013, Complainant shipped from loading point in Nogales, Arizona, to Respondent in Howell, New Jersey, 9 2/3 bins of seedless watermelon 40's, 33 2/3 bins of seedless watermelon 45's, and 18 2/3 bins of seedless watermelon 60's. *See* CX-6B. Respondent prepared the following account of sales for the watermelons:

	Dumps	40ct	45ct	60ct	Total
Bins Sold		9	33	18	60
Price Sold P/B		\$160	\$230	\$225	\$13,080.00
Wash and Repack \$10.50 P/B		9	33	18	(\$630.00)
Trucking from AZ to NJ					(\$6,200.00)
Trucking to Customer P/B		\$10	\$16.50	\$16.50	(\$931.50)

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Lumper Fee \$2.50 P/B		9	33	18	(\$150.00)
All Sweet Commission P/B		\$20	\$20	\$20	(\$1,200.00)

All Sweet's Return                      \$3,968.50

See RX-1 at 6. For this shipment, Complainant issued invoice number P-0009 billing Respondent for 40,300 pounds of watermelons at \$0.25 per pound, for a total invoice price of \$10,075.00. See CX-6.

7. On May 3, 2013, Complainant shipped from loading point in Nogales, Arizona, to Respondent in Howell, New Jersey, 21 2/3 bins of seedless watermelon 40's, 21 2/3 bins of seedless watermelon 45's, and 18 2/3 bins of seedless watermelon 60's. See CX-8B. Respondent prepared the following account of sales for the watermelons:

Account of Sales	Dumps	40ct	45ct	60ct	Total
Bins Sold		19	19	18	56
Price Sold P/B		\$160	\$230	\$225	\$11,460.00
Bins Dumped \$20 P/B		2	2		(\$300.00)
Wash and Repack \$10.50 P/B		19	19	18	(\$588.00)
Trucking Deduct \$103 P/B					(\$412.00)
Trucking from AZ to NJ					(\$6,200.00)
Trucking to Customer P/B		\$10	\$16.50	\$16.50	(\$565.50)
Lumper Fee \$2.50 P/B		19	19	18	(\$140.00)
All Sweet Commission P/B		\$20	\$20	\$20	(\$1,120.00)

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All Sweet's Return      \$2,119.50

*See* RX-1 at 8. For this shipment, Complainant issued invoice number P-0011 billing Respondent for 40,788 pounds of watermelons at \$0.25 per pound, for a total invoice price of \$10,197.00. *See* CX-8.

8. On May 4, 2013, Complainant shipped from loading point in Nogales, Arizona, to Respondent in Howell, New Jersey, 15 2/3 bins of seedless watermelon 40's, 24 2/3 bins of seedless watermelon 45's, and 21 2/3 bins of seedless watermelon 60's. *See* CX-7A. Respondent prepared the following account of sales for the watermelons:

Account of Sales	Dumps	40ct	45ct	60ct	Total
Bins Sold		9	26	19	54
Price Sold P/B		\$160	\$230	\$225	\$11,695.00
Bins Dumped \$20 P/B		3	1	2	(\$120.00)
Wash and Repack \$10.50 P/B		9	26	19	(\$567.00)
Trucking Deduct \$103 P/B		3	1	2	(\$618.00)
Trucking from AZ to NJ					(\$6,200.00)
Trucking to Customer P/B		\$10	\$16.50	\$16.50	(\$832.50)
Lumper Fee \$2.50 P/B		9	26	19	(\$135.00)
All Sweet Commission P/B		\$20	\$20	\$20	(\$1,080.00)

All Sweet's Return      \$2,142.50

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*See* RX-1 at 7. For this shipment, Complainant issued invoice number P-0010 billing Respondent for 40,540 pounds of watermelons at \$0.25 per pound, for a total invoice price of \$10,135.00. *See* CX-7.

9. On May 6, 2013, Complainant shipped from loading point in Nogales, Arizona, to Respondent in Howell, New Jersey, 9 2/3 bins of seedless watermelon 40's, 21 2/3 bins of seedless watermelon 45's, and 30 2/3 bins of seedless watermelon 60's. *See* CX-1B. Respondent prepared the following account of sales for the watermelons:

Account of Sales	Dumps	40ct	45ct	60ct	Total
Bins Sold		12	12	15	39
Price Sold P/B		\$170	\$250	\$235	\$8,565.00
Bins Dumped \$20 P/B	15				(\$300.00)
Wash and Repack \$10.50 P/B		12	12	15	(\$409.50)
Trucking Deduct \$116 P/B	15				(\$1,740.00)
Trucking from AZ to NJ					(\$6,300.00)
Trucking to Customer P/B		\$10	\$16.50	\$16.50	(\$565.50)
Lumper Fee \$2.50 P/B		12	12	15	(\$97.50)
All Sweet Commission P/B		\$20	\$20	\$20	(\$780.00)

All Sweet's Return (\$1,627.50)

*See* RX-1 at 1. For this shipment, Complainant issued invoice number P-0004 billing Respondent for 36,660 pounds of watermelons at \$0.25 per pound, for a total invoice price of \$9,165.00. *See* CX-1.

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10. On May 7, 2013, Complainant shipped from loading point in Nogales, Arizona, to Respondent in Howell, New Jersey, 21 2/3 bins of seedless watermelon 40's, 21 2/3 bins of seedless watermelon 45's, and 18 2/3 bins of seedless watermelon 60's. *See* CX-9A. Respondent prepared the following account of sales for the watermelons:

Account of Sales	Dumps	40ct	45ct	60ct	Total
Bins Sold		20	19	18	57
Price Sold P/B		\$160	\$230	\$225	\$11,620.00
Bins Dumped \$20 P/B		1	2		(\$60.00)
Wash and Repack \$10.50 P/B		20	19	18	(\$598.50)
Trucking Deduct \$103 P/B		1	2		(\$309.00)
Trucking from AZ to NJ					(\$6,200.00)
Trucking to Customer P/B		\$10	\$16.50	\$16.50	(\$810.50)
Lumper Fee \$2.50 P/B		20	19	18	(\$142.50)
All Sweet Commission P/B		\$20	\$20	\$20	(\$1,140.00)

All Sweet's Return \$2,359.50

*See* RX-1 at 9. For this shipment, Complainant issued invoice number P-0012 billing Respondent for 42,080 pounds of watermelons at \$0.25 per pound, for a total invoice price of \$10,520.00. *See* CX-9.

11. On May 7, 2013, Complainant shipped from loading point in Nogales, Arizona, to Respondent in Howell, New Jersey, 12 2/3 bins of seedless watermelon 40's, 24 2/3 bins of seedless watermelon 45's, and 24 2/3 bins of seedless watermelon 60's. *See* CX-3A. Respondent prepared the following account of sales for the watermelons:

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Account of Sales	Dumps	40ct	45ct	60ct	Total
Bins Sold		12	20	22	54
Price Sold P/B		\$170	\$230	\$225	\$11,590.00
Bins Dumped \$20 P/B	6				(\$120.00)
Wash and Repack \$10.50 P/B		12	20	22	(\$567.00)
Trucking Deduct \$103 P/B	6				(\$618.00)
Trucking from AZ to NJ					(\$6,200.00)
Trucking to Customer P/B		\$10	\$16.50	\$16.50	(\$813.00)
Lumper Fee \$2.50 P/B		12	20	22	(\$135.00)
All Sweet Commission P/B		\$20	\$20	\$20	(\$1,080.00)

All Sweet's Return \$2,057.00

See RX-1 at 3. For this shipment, Complainant issued invoice number P-0006 billing Respondent for 41,100 pounds of watermelons at \$0.25 per pound, for a total invoice price of \$10,275.00. See CX-3.

12. On May 9, 2013, Complainant shipped from loading point in Nogales, Arizona, to Respondent in Howell, New Jersey, 15 2/3 bins of seedless watermelon 40's, 10 2/3 bins of seedless watermelon 45's, and 35 2/3 bins of seedless watermelon 60's. See CX-11A. Respondent prepared the following account of sales for the watermelons:

Account of Sales	Dumps	40ct	45ct	60ct	Total
Bins Sold		10	11	32	53
Price Sold P/B		\$160	\$230	\$225	\$11,330.00



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Bins Dumped \$20 P/B		2	2	3	(\$140.00)
Wash and Repack \$10.50 P/B		10	11	32	(\$556.50)
Trucking Deduct \$107.50 P/B		2	2	3	(\$752.50)
Trucking from AZ to NJ					(\$6,450.00)
Trucking to Customer P/B		\$10	\$16.50	\$16.50	(\$809.50)
Lumper Fee \$2.50 P/B		10	11	32	(\$132.50)
All Sweet Commission P/B		\$20	\$20	\$20	(\$1,060.00)

All Sweet's Return                      \$1,429.00

See RX-1 at 11. For this shipment, Complainant issued invoice number P-0014 billing Respondent for 41,920 pounds of watermelons at \$0.25 per pound, for a total invoice price of \$10,480.00. See CX-11.

13. On May 10, 2013, Complainant shipped from loading point in Nogales, Arizona, to Respondent in Howell, New Jersey, 12 2/3 bins of seedless watermelon 40's, 15 2/3 bins of seedless watermelon 45's, 6 2/3 bins of seedless watermelon 60's, and 27 2/3 bins of seedless watermelon #2's. See CX-12A. Respondent prepared the following account of sales for the watermelons:

Account of Sales	Dumps	40ct	45ct	60ct	Total
Bins Sold		12	15	6	33
Price Sold P/B		\$160	\$230	\$225	\$6,720.00
Bins Dumped \$20 P/B	27				(\$540.00)

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Wash and Repack \$10.50 P/B		12	15	6	(\$346.50)
Trucking Deduct \$105 P/B	27				(\$2,835.00)
Trucking from AZ to NJ					(\$6,300.00)
Trucking to Customer P/B		\$10	\$16.50	\$16.50	(\$466.50)
Lumper Fee \$2.50 P/B		12	15	6	(\$82.50)
All Sweet Commission P/B		\$20	\$20	\$20	(\$660.00)

All Sweet's Return (\$4,510.50)

See RX-1 at 12. For this shipment, Complainant issued invoice number P-0015 billing Respondent for 42,320 pounds of watermelons at \$0.25 per pound, for a total invoice price of \$10,580.00. See CX-12.

14. On May 12, 2013, Complainant shipped from loading point in Nogales, Arizona, to Respondent in Howell, New Jersey, 18 2/3 bins of seedless watermelon 40's, 18 2/3 bins of seedless watermelon 45's, and 24 2/3 bins of seedless watermelon 60's. See CX-10A. Respondent prepared the following account of sales for the watermelons:

Account of Sales	Dumps	40ct	45ct	60ct	Total
Bins Sold		16	15	22	53
Price Sold P/B		\$160	\$230	\$225	\$10,960.00
Bins Dumped \$20 P/B		2	3	2	(\$140.00)
Wash and Repack \$10.50 P/B		16	15	22	(\$556.50)

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Trucking Deduct \$103 P/B		2	3	2	(\$721.00)
Trucking from AZ to NJ					(\$6,200.00)
Trucking to Customer P/B		\$10	\$16.50	\$16.50	(\$770.50)
Lumper Fee \$2.50 P/B		16	15	22	(\$132.50)
All Sweet Commission P/B		\$20	\$20	\$20	(\$1,060.00)

All Sweet's Return      \$1,379.50

*See* RX-1 at 10. For this shipment, Complainant issued invoice number P-0013 billing Respondent for 42,480 pounds of watermelons at \$0.25 per pound, for a total invoice price of \$10,620.00. *See* CX-10.

15. On May 13, 2013, Complainant shipped from loading point in Nogales, Arizona, to Respondent in Howell, New Jersey, 30 bins of seedless watermelon 8's and 27 bins of seedless watermelon 4's. *See* CX-13A. Respondent prepared the following account of sales for the watermelons:

Account of Sales	Dumps	40ct	45ct	60ct	Total
Bins Sold		16	3	9	28
Price Sold P/B		\$160	\$230	\$225	\$5,275.00
Bins Dumped \$20 P/B	29				(\$580.00)
Wash and Repack \$10.50 P/B		16	3	9	(\$294.00)
Trucking Deduct \$109 P/B	29				(\$3,161.00)
Trucking from AZ to NJ					(\$6,200.00)

**ERRATA**

Trucking to Customer P/B		\$10	\$16.50	\$16.50	(\$358.00)
Lumper Fee \$2.50 P/B		16	3	9	(\$70.00)
All Sweet Commission P/B		\$20	\$20	\$20	(\$560.00)

All Sweet's Return (\$5,948.00)

See RX-1 at 13. For this shipment, Complainant issued invoice number P-0016 billing Respondent for 39,445 pounds of watermelons at \$0.26 per pound, for a total invoice price of \$10,255.70. See CX-13.

16. On May 14, 2013, Complainant shipped from loading point in Nogales, Arizona, to Respondent in Howell, New Jersey, 57 2/3 bins of seedless watermelons. See CX-14A. Respondent prepared the following account of sales for the watermelons:

Account of Sales	Dumps	40ct	45ct	60ct	Total
Bins Sold		34	20	3	57
Price Sold P/B		\$160	\$230	\$225	\$10,715.00
Bins Dumped \$20 P/B					\$0.00
Wash and Repack \$10.50 P/B		34	20	3	(\$598.50)
Trucking Deduct \$109 P/B					\$0.00
Trucking from AZ to NJ					(\$6,200.00)
Trucking to Customer P/B		\$10	\$16.50	\$16.50	(\$719.50)
Lumper Fee \$2.50 P/B		34	20	3	(\$142.50)

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All Sweet Commission P/B		\$20	\$20	\$20	(\$1,140.00)
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All Sweet's Return \$1,914.50

See RX-1 at 14. For this shipment, Complainant issued invoice number P-0017 billing Respondent for 39,225 pounds of watermelons at \$0.26 per pound, for a total invoice price of \$10,198.50. See CX-14.

17. On May 14, 2013, Complainant shipped from loading point in Nogales, Arizona, to Respondent in Howell, New Jersey, 57 2/3 bins of seedless watermelons. See CX-16A. Respondent prepared the following account of sales for the watermelons:

Account of Sales	Dumps	40ct	45ct	60ct	Total
Bins Sold		17	22	21	60
Price Sold P/B		\$160	\$230	\$225	\$12,505.00
Bins Dumped \$20 P/B					\$0.00
Wash and Repack \$10.50 P/B		17	22	21	(\$630.00)
Trucking Deduct \$103 P/B					\$0.00
Trucking from AZ to NJ					(\$6,200.00)
Trucking to Customer P/B		\$10	\$16.50	\$16.50	(\$879.50)
Lumper Fee \$2.50 P/B		17	22	21	(\$150.00)
All Sweet Commission P/B		\$20	\$20	\$20	(\$1,200.00)

All Sweet's Return (\$3,445.50)

**ERRATA**

See RX-1 at 1. For this shipment, Complainant issued invoice number P-0019 billing Respondent for 41,000 pounds of watermelons at \$0.26 per pound, for a total invoice price of \$10,660.00. See CX-16.

18. On May 16, 2013, Complainant shipped from loading point in Nogales, Arizona, to Respondent in Howell, New Jersey, 60 2/3 bins of seedless watermelons. See CX-17A. Respondent prepared the following account of sales for the watermelons:

Account of Sales	Dumps	40ct	45ct	60ct	Total
Bins Sold		54			54
Price Sold P/B		\$155	\$230	\$225	\$8,370.00
Bins Dumped \$20 P/B		6			(\$120.00)
Wash and Repack \$10.50 P/B		54			(\$567.00)
Trucking Deduct \$105 P/B					(\$630.00)
Trucking from AZ to NJ					(\$6,300.00)
Trucking to Customer P/B		\$10	\$16.50	\$16.50	(\$540.00)
Lumper Fee \$2.50 P/B		54			(\$135.00)
All Sweet Commission P/B		\$20	\$20	\$20	(\$1,080.00)

All Sweet's Return (\$1,002.00)

See RX-1 at 17. For this shipment, Complainant issued invoice number P-0020 billing Respondent for 42,040 pounds of watermelons at \$0.26 per pound, for a total invoice price of \$10,930.40. See CX-17.

19. On May 17, 2013, Complainant shipped from loading point in Nogales, Arizona, to Respondent in Howell, New Jersey, 60 bins of seedless

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watermelon 4's. *See* CX-15A. Respondent prepared the following account of sales for the watermelons:

Account of Sales	Dumps	40ct	45ct	60ct	Total
Bins Sold		42	10	3	55
Price Sold P/B		\$160	\$230	\$225	\$9,695.00
Bins Dumped \$20 P/B	2				(\$40.00)
Wash and Repack \$10.50 P/B		42	10	3	(\$577.50)
Trucking Deduct \$109 P/B	2				(\$218.00)
Trucking from AZ to NJ					(\$6,200.00)
Trucking to Customer P/B		\$10	\$16.50	\$16.50	(\$634.50)
Lumper Fee \$2.50 P/B		42	10	3	(\$137.50)
All Sweet Commission P/B		\$20	\$20	\$20	(\$1,100.00)

All Sweet's Return \$787.50

*See* RX-1 at 1. For this shipment, Complainant issued invoice number P-0018 billing Respondent for 39,240 pounds of watermelons at \$0.26 per pound, for a total invoice price of \$10,202.40. *See* CX-15.

20. On May 17, 2013, Complainant shipped from loading point in Nogales, Arizona, to Respondent in Howell, New Jersey, 60 2/3 bins of watermelon 40's. *See* CX-19A. Respondent prepared the following account of sales for the watermelons:

Account of Sales	Dumps	40ct	45ct	60ct	Total
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**ERRATA**

Bins Sold					0
Price Sold P/B		\$155	\$230	\$225	\$0.00
Bins Dumped \$20 P/B	60				(\$1,200.00)
Wash and Repack \$10.50 P/B					\$0.00)
Trucking Deduct \$105 P/B	60				(\$6,300.00)
Trucking from AZ to NJ	Charged back to truck company for damages				\$2,025.00
Trucking to Customer P/B		\$10	\$16.50	\$16.50	\$0.00
Lumper Fee \$2.50 P/B					\$0.00
All Sweet Commission P/B		\$20	\$20	\$20	\$0.00

All Sweet's Return (\$5,475.00)

See RX-1 at 19. For this shipment, Complainant issued invoice number P-0022 billing Respondent for 41,360 pounds of watermelons at \$0.26 per pound, for a total invoice price of \$10,753.60. See CX-19.

21. On May 17, 2013, Complainant shipped from loading point in Nogales, Arizona, to Respondent in Howell, New Jersey, 60 bins of seedless watermelon 60's. See CX-21A. Respondent prepared the following account of sales for the watermelons:

Account of Sales	Dumps	40ct	45ct	60ct	Total
Bins Sold				45	45
Price Sold P/B		\$155	\$230	\$225	\$10,125.00
Bins Dumped \$20 P/B	15				(\$300.00)



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Wash and Repack \$10.50 P/B				45	(\$472.50)
Trucking Deduct \$107 P/B	15				(\$1,605.00)
Trucking from AZ to NJ					(\$6,400.00)
Trucking to Customer P/B		\$10	\$16.50	\$16.50	(\$742.50)
Lumper Fee \$2.50 P/B				45	(\$112.50)
All Sweet Commission P/B		\$20	\$20	\$20	(\$900.00)

All Sweet's Return (\$407.50)

See RX-1 at 21. For this shipment, Complainant issued invoice number P-0024 billing Respondent for 40,440 pounds of watermelons at \$0.26 per pound, for a total invoice price of \$10,514.40. See CX-21.

22. On May 17, 2013, Complainant shipped from loading point in Nogales, Arizona, to Respondent in Howell, New Jersey, 60 bins of seedless watermelon 45's. See CX-22A. Respondent prepared the following account of sales for the watermelons:

Account of Sales	Dumps	40ct	45ct	60ct	Total
Bins Sold			57		57
Price Sold P/B		\$155	\$230	\$225	\$13,110.00
Bins Dumped \$20 P/B	3				(\$60.00)
Wash and Repack \$10.50 P/B			57		(\$598.50)
Trucking Deduct \$105 P/B	3				(\$321.00)

**ERRATA**

Trucking from AZ to NJ					(\$6,400.00)
Trucking to Customer P/B		\$10	\$16.50	\$16.50	(\$940.50)
Lumper Fee \$2.50 P/B			57		(\$142.50)
All Sweet Commission P/B		\$20	\$20	\$20	(\$1,140.00)

All Sweet's Return \$3,507.50

See RX-1 at 22. For this shipment, Complainant issued invoice number P-0025 billing Respondent for 41,460 pounds of watermelons at \$0.26 per pound, for a total invoice price of \$10,779.60. See CX-22.

23. On May 18, 2013, Complainant shipped from loading point in Nogales, Arizona, to Respondent in Howell, New Jersey, 30 bins of seedless watermelon 40's and 30 bins of seedless watermelon 45's. See CX-23A. Respondent prepared the following account of sales for the watermelons:

Account of Sales	Dumps	40ct	45ct	60ct	Total
Bins Sold		30	10		40
Price Sold P/B		\$155	\$230	\$225	\$6,950.00
Bins Dumped \$20 P/B	20				(\$400.00)
Wash and Repack \$10.50 P/B		30	10		(\$420.00)
Trucking Deduct \$105 P/B	20				(\$2,100.00)
Trucking from AZ to NJ					(\$6,300.00)
Trucking to Customer P/B		\$10	\$16.50	\$16.50	(\$465.00)
Lumper Fee \$2.50 P/B		30	10		(\$100.00)

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All Sweet Commission P/B		\$20	\$20	\$20	(\$800.00)
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All Sweet's Return (\$3,635.00)

See RX-1 at 23. For this shipment, Complainant issued invoice number P-0026 billing Respondent for 41,820 pounds of watermelons at \$0.26 per pound, for a total invoice price of \$10,873.20. See CX-23.

24. On May 18, 2013, Complainant shipped from loading point in Nogales, Arizona, to Respondent in Howell, New Jersey, 30 2/3 bins of seedless watermelon 60's, 27 2/3 bins of seedless watermelon 40's, and 3 2/3 bins of seedless watermelon 45's. See CX-20A. Respondent prepared the following account of sales for the watermelons:

Account of Sales	Dumps	40ct	45ct	60ct	Total
Bins Sold		3	21	29	53
Price Sold P/B		\$155	\$230	\$225	\$11,820.00
Bins Dumped \$20 P/B	7				(\$140.00)
Wash and Repack \$10.50 P/B		3	21	29	(\$556.50)
Trucking Deduct \$105 P/B	7				(\$735.00)
Trucking from AZ to NJ					(\$6,300.00)
Trucking to Customer P/B		\$10	\$16.50	\$16.50	(\$855.00)
Lumper Fee \$2.50 P/B		3	21	29	(\$132.50)
All Sweet Commission P/B		\$20	\$20	\$20	(\$1,060.00)

All Sweet's Return \$2,041.50

**ERRATA**

See RX-1 at 20. For this shipment, Complainant issued invoice number P-0023 billing Respondent for 40,660 pounds of watermelons at \$0.26 per pound, for a total invoice price of \$10,571.60. See CX-20.

25. On May 18, 2013, Complainant shipped from loading point in Nogales, Arizona, to Respondent in Howell, New Jersey, 60 bins of seedless watermelon 60's. See CX-18A. Respondent prepared the following account of sales for the watermelons:

Account of Sales	Dumps	40ct	45ct	60ct	Total
Bins Sold			45		45
Price Sold P/B		\$155	\$230	\$225	\$10,350.00
Bins Dumped \$20 P/B	15				(\$300.00)
Wash and Repack \$10.50 P/B			45		(\$472.50)
Trucking Deduct \$105 P/B	15				(\$1,575.00)
Trucking from AZ to NJ					(\$6,300.00)
Trucking to Customer P/B		\$10	\$16.50	\$16.50	(\$742.50)
Lumper Fee \$2.50 P/B			45		(\$112.50)
All Sweet Commission P/B		\$20	\$20	\$20	(\$900.00)

All Sweet's Return                (\$52.50)

See RX-1 at 18. For this shipment, Complainant issued invoice number P-0021 billing Respondent for 39,820 pounds of watermelons at \$0.26 per pound, for a total invoice price of \$10,353.20. See CX-18.

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26. The informal complaint was filed on August 13, 2013, which is within nine months from the date the cause of action accrued.

**Conclusions**

The Complainant and Respondent agree that Complainant sold to Respondent 23 loads of watermelons, by oral contract, for shipment from the state of Arizona to Respondent's place of business in Howell, New Jersey. The 23 loads were shipped on or between April 20, 2013, and May 18, 2013. In dispute are the terms of the agreement. Complainant alleges that the sales were for an agreed upon set price of \$0.25 and \$0.26 per pound as indicated on its invoices, which Complainant's Ramin Namvar states were timely sent to Respondent. *See* ROI Ex. A, 2-25; Tr. 41: 13-14, 70: 2-20. Respondent alleges that the transactions were on a price after sale basis and states it did not receive Complainant's invoices until mere days before Complainant filed its informal complaint. *See* Tr. 129: 3-12, 130: 18-19, 155: 9-13.

Where the parties put forth affirmative but conflicting allegations with respect to the terms of the contract, the burden rests upon each to establish his allegation by a preponderance of the evidence. *Vernon C. Justice v. Eastern Potato Dealers of Maine, Inc.*, 30 Agric. Dec. 1352, 1356 (U.S.D.A. 1971); *Harland W. Chidsey Farms v. Bert Guerin*, 27 Agric. Dec. 384, 386 (U.S.D.A. 1968). Complainant's allegation that the watermelons were sold to Respondent at the prices reflected on its invoices is supported only by the testimony of its Vice President, Mr. Ramin Namvar (Tr. 40: 2-20), which is refuted by the testimony of Respondent's President, Mr. Charles Pagano (Tr. 129: 3-22), and the copies of its invoices, which Respondent states it did not receive until just before the informal complaint was filed. (Tr. 130: 13-19). Since the informal complaint was filed on August 13, 2013, this would mean that Respondent did not receive the invoices until several months after the transactions took place.

As Respondent has refuted Complainant's testimony concerning a price agreement for the watermelons, and Complainant has not established by a preponderance of the evidence that it sent invoices to Respondent at the time of the transactions that were received by Respondent without objection, we conclude that Complainant has failed to sustain its burden

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to prove that Respondent agreed to purchase the subject watermelons at the prices invoiced.

As we mentioned, Respondent asserts that the price terms of the transactions were price after sale. The term “price after sale” is not defined in either the Uniform Commercial Code or the Act and Regulations (Other Than Rules of Practice) under the Act (7 C.F.R. § 46.43(j)). It is considered a subcategory of the “open price term” (U.C.C. § 2-305(1)),<sup>1</sup> and is generally understood as meaning that the parties will agree on a price following the prompt resale of the produce. *See Eustis Fruit Co., Inc. v. The Auster Co., Inc.*, 51 Agric. Dec. 865, 877 (U.S.D.A. 1991). If the parties are unable to agree upon a price, U.C.C. § 2-305(1) provides that the price shall be a reasonable price at the time for delivery.

Respondent admittedly purchased the 23 loads of watermelons in question from Respondent, and the record establishes that the parties failed to agree upon a price. Therefore, it matters not whether the parties specifically agreed that the watermelons were sold “price after sale.” Where there is a purchase agreement and a failure to reach an agreement on price, the buyer is liable to the seller for a reasonable price. (U.C.C. § 2-305(1)). Accordingly, Respondent is liable to Complainant for the reasonable value of the watermelons it purchased and accepted.

To determine the reasonable value of the watermelons, we refer to relevant USDA Market News reports.<sup>2</sup> *Idaho Bonded Produce & Supply Co. v. Farm Market Service, Inc.*, 42 Agric. Dec. 1679, 1682 (U.S.D.A.

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<sup>1</sup> *See Well Pict, Inc. v. Ag-West Growers, Inc.*, 39 Agric. Dec. 1221, 1227-28 (U.S.D.A. 1980). U.C.C. section 2-305(1) states “the parties if they so intend can conclude a contract for sale even though the price is not settled.” 38 U.C.C. § 2-305(1).

<sup>2</sup> While we have held that there are instances where a detailed account of sale provided by the receiver may provide a better measure of reasonable value than USDA Market News reports, such as when the produce is in poor condition (*see M. Offutt Co. v. Caruso Produce, Inc.*, 49 Agric. Dec. 596, 605 (U.S.D.A. 1990)), Respondent did not submit a USDA inspection or any other independent evidence showing the condition of the subject watermelons; also, the accounts of sale submitted by Respondent (*see* RX-1 at 1-23) do not provide a description of each individual sale (date, quantity sold and price), and therefore lack sufficient detail to be accepted as evidence of the reasonable value of the watermelons. *Supreme Berries, Inc. v. McEntire*, 49 Agric. Dec. 1210, 1217 (U.S.D.A. 1990).

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1983). The terminal price reports for New York City, the nearest reporting location to Respondent, do not list prices for 40, 45, and 60-count watermelons originating from Mexico during the time period in question. Alternatively, we refer to the shipping point price report for watermelons crossing the U.S./Mexico border through Nogales, Arizona. The reports issued during the time period in question show that between April 30 and May 6, 2013, 24-inch bins of seedless watermelons, 35 to 60-count, were mostly selling for \$0.22 per pound. From May 7 to May 10, 2013, the prevailing price for the same watermelons decreased to \$0.20 to \$0.22 per pound, and from May 13 to May 17, 2013, the price decreased again to \$0.20 per pound.

Complainant submitted into evidence a copy of a fax cover sheet received from Respondent's Charles Pagano on May 22, 2013, attached to which is a table listing the 23 loads of watermelons in question and showing the ship weight, received weight, and the quantity of #2 watermelons received in each shipment, if any. *See* Exhibit F Page 1 and Page 2 of 2. The table lists received weights totaling 928,901 pounds, of which 82,695 pounds is designated as "#2's/Garbage." For the remaining 846,206 pounds of watermelons, the document states these watermelons needed to be washed and repacked at a cost of \$0.015 per pound, or a total of \$12,693.09 (846,206 pounds at \$0.015 per pound).

In reference to this document, Complainant's Ramin Namvar testified at hearing, "[h]e (Charles Pagano) agreed to all the invoices, less all the deductions he had on that exhibit, based on the prices that were invoiced." *See* Tr. 41: 14-17. Further, when asked "[w]as All Sweet entitled to a credit of some sort?" Mr. Namvar answered, "I told you yes" (*see* Tr. 50: 4-6); and when Mr. Namvar was asked "what was the credit that they were entitled to?" Mr. Namvar answered "82,000 pounds." *See* Tr. 50: 7-9. This is apparently in reference to the 82,695 pounds of watermelons that Respondent referred to as "#2's/Garbage" on the document in question. With respect to the charge for washing and repacking, Mr. Namvar stated "you (Charles Pagano) had told me that every melon needed to be washed, re-packed at labor cost of .105 per pound.<sup>3</sup> All Sweet will be needing \$12,693.09 re-packing and shipping these melons." *See* Tr. 170: 11-15.

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<sup>3</sup> While the hearing transcript describes the repacking cost as ".105" or 10 and a half cents per pound, the parties testify that the cost was a penny and a half (*see*

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While Mr. Namvar asserts in Complainant’s post-hearing brief that the “claimed expenses for washing and claimed deductions for allegedly dirty loads should be disallowed” (*see* CB at 3), Mr. Namvar did not, at any time during the hearing, indicate that he objected to these charges. Rather, Mr. Namvar’s testimony at hearing indicates that he submitted the document in question listing these charges to establish that Respondent made no claim with respect to the balance of the watermelons, thereby creating the presumption that those watermelons were received in good condition. *See* Tr. 174: 8-19. In so doing, Mr. Namvar also indicated that he was in agreement with the losses and charges listed on this document. Therefore, we will not entertain his assertion made post-hearing, when Respondent had no opportunity for rebuttal, that the claimed deductions should be disallowed.

Assigning a reasonable value to the watermelons using the f.o.b. shipping point prices reported by USDA Market News, and allowing the deductions just mentioned, we arrive at the following:

INV/PO Number	Date	LBS. Received	Price/LB	Total
P-0007/31134	4/30/2013	40655	\$0.22	\$8,944.10
P-0005/31132	5/01/2013	39634	\$0.22	\$8,719.48
P-0008/31135	5/01/2013	40198	\$0.22	\$8,843.56
P-0009/31136	5/03/2013	39811	\$0.22	\$8,758.42
P-0011/31138	5/03/2013	40420	\$0.22	\$8,892.40
P-0010/31137	5/04/2013	41922	\$0.22	\$9,222.84
P-0004/31131	5/06/2013	25230	\$0.22	\$5,550.60
		11430 #2	\$0.00	\$0.00
P-0012/31139	5/07/2013	41779	\$0.21	\$8,773.59
P-0006/31133	5/07/2013	40495	\$0.21	\$8,503.95
P-0014/31146	5/09/2013	41456	\$0.21	\$8,705.76
P-0015/31150	5/10/2013	41801	\$0.21	\$8,778.21
P-0013/31145	5/12/2013	41971	\$0.20	\$8,394.20
P-0016/31151	5/13/2013	18317	\$0.20	\$3,663.40

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Tr. 169:17-22), and the total claim for repacking of \$12,693.09 represents 846,206 pounds at \$0.015 per pound.



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		20225	#2	\$0.00	\$0.00
P-0017/31152	5/14/2013	38782		\$0.20	\$7,756.40
P-0019/31154	5/14/2013	40218		\$0.20	\$8,043.60
P-0020/31155	5/16/2013	41669		\$0.20	\$8,333.80
P-0018/31153	5/17/2013	39088		\$0.20	\$7,817.60
P-0022/31157	5/17/2013	41360	#2	\$0.00	\$0.00
P-0024/31159	5/17/2013	40440		\$0.20	\$8,088.00
P-0025/31160	5/17/2013	40877		\$0.20	\$8,175.40
P-0026/31162	5/18/2013	41452		\$0.20	\$8,290.40
P-0023/31158	5/18/2013	40409		\$0.20	\$8,081.80
P-0021/31156	5/18/2013	29582		\$0.20	\$5,916.40
		9680	#2	\$0.00	\$0.00
<b>TOTAL</b>					\$176,253.91
<b>LESS: Washing and Repacking (846,206 LBS @ \$0.015/LB)</b>					(\$12,693.09)
<b>NET AMOUNT DUE</b>					\$163,560.82

Since the f.o.b. shipping point prices reported by USDA Market News do not include freight, it is unnecessary to deduct freight from the prices listed above. Also, unlike terminal market prices, the prices reported at shipping point do not include a profit markup for the buyer who purchased the produce at shipping point. Therefore, no further deduction for Respondent's profit and handling is warranted. Accordingly, we find that that Respondent owes Complainant \$163,560.82 for the 23 loads of watermelons that it purchased and accepted from Complainant.

Respondent asserts in its post-hearing brief that "the sum of \$20,000.00 must be credited to Respondent for a check in the amount of \$20,000.00 payable to Complainant as a measure of 'good faith' near the time this reparation action was commenced," and that "[t]he \$20,000.00 payment was neither denied nor refuted by the Complainant at the hearing." See RB at 8. Respondent references page 126, lines 14-21, of the hearing transcript in connection with this assertion. See RB at 8. This reference is to testimony from Charles Pagano wherein Mr. Pagano states, in pertinent part: "He (Ramin Namvar) did come down about six weeks later, came down, said, I do need some money, we didn't negotiate price yet, but I did give him a check for \$20,000 in good faith." See Tr. 126: 14-17. Mr. Namvar, during his cross-examination of Mr. Pagano did not question Mr. Pagano concerning the alleged payment. Accordingly, we find that the preponderance of the evidence supports Respondent's claim that it paid

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\$20,000.00 for the watermelons at issue in this dispute. Therefore, the net amount due Complainant from Respondent for the watermelons is \$143,560.82.

Respondent's failure to pay Complainant \$143,560.82 is a violation of section 2 of the PACA (7 U.S.C. § 499b) for which reparation should be awarded to Complainant. Section 5(a) of the PACA (7 U.S.C. § 499e(a)) requires that we award to the person or persons injured by a violation of section 2 of the PACA (7 U.S.C. § 499b) "the full amount of damages . . . sustained in consequence of such violation." 7 U.S.C. § 499e(a). Such damages, where appropriate, include interest. *See Louisville & Nashville R.R. v. Sloss-Sheffield Steel & Iron Co.*, 269 U.S. 217, 239-40 (1925); *see also Louisville & Nashville R.R. v. Ohio Valley Tie Co.*, 242 U.S. 288, 291 (1916); *Crockett v. Producers Mktg. Ass'n*, 22 Agric. Dec. 66, 67 (U.S.D.A. 1963). The interest to be applied

shall be determined in accordance with 28 U.S.C. § 1961, i.e., the interest rate shall be calculated . . . at a rate equal to the weekly average one-year constant maturity treasury yield, as published by the Board of Governors of the Federal Reserve System, for the calendar week preceding the date of the Order.

*PGB Int'l, LLC v. Bayche Cos.*, 65 Agric. Dec. 669, 672-73 (U.S.D.A. 2006); Notice of Change in Interest Rate Awarded in Reparation Proceedings Under the Perishable Agricultural Commodities Act, 71 Fed. Reg. 25,133 (Apr. 28, 2006).

Section 7(a) of the PACA (7 U.S.C. § 499g(a)) states that, after an oral reparation hearing under the PACA, the "Secretary shall order any commission merchant, dealer, or broker, who is the losing party to pay the prevailing party, as reparation or additional reparation, reasonable fees and expenses incurred in connection with any such hearing." Complainant is the prevailing party. Complainant did not submit a claim for fees and expenses, so none will be awarded.

Complainant in this action paid \$500.00 to file its formal Complaint as required by section 47.6(c) of the Rules of Practice (7 C.F.R. § 47.6(c)). Pursuant to 7 U.S.C. § 499e(a), the party found to have violated section 2

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of the PACA (7 U.S.C. § 499b) is liable for any handling fees paid by the injured party.

**ORDER**

Within 30 days from the date of this Order, Respondent shall pay Complainant as reparation \$143,560.82, with interest thereon at the rate of 0.26 of one percent per annum from July 1, 2013, until paid, plus the amount of \$500.00.

Copies of this Order shall be served upon the parties.

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**PERISHABLE AGRICULTURAL COMMODITIES ACT**

**DEPARTMENTAL DECISIONS**

**In re: JONATHAN DYER; DREW JOHNSON, a/k/a DREW R. JOHNSON; and MICHAEL S. RAWLINGS.**

**Docket Nos. 14-0166, 14-0168, 14-0169.**

**Decision and Order.**

**Filed May 19, 2017.**

**PACA-APP.**

Stephen P. McCarron, Esq., and Mary Jean Fassett, Esq., for Petitioners.  
Charles L. Kendall, Esq., for Respondent.  
Initial Decision and Order by Jill S. Clifton, Administrative Law Judge.

**DECISION AND ORDER**

**Decision Summary**

1. Each of these three Petitioners, Jonathan Dyer; and Drew Johnson, also known as Drew R. Johnson; and Michael S. Rawlings, was a Director (and NOT *only nominally* a Director), of Adams Produce Company LLC during at least part of August 8, 2011 through May 18, 2012, when Adams Produce Company LLC violated the Perishable Agricultural Commodities Act (PACA), specifically section 2(4) of the PACA (7 U.S.C. § 499b(4)). Yet none of these three Petitioners was “responsibly connected” within the meaning of section 1(b)(9) of the PACA (7 U.S.C. § 499a(b)(9)), because none of these three Petitioners was actively involved in the activities resulting in the PACA violations during August 8, 2011 through May 18, 2012, and none of these three Petitioners was ever an owner of Adams Produce Company LLC which was the alter ego of Chief Executive Officer Scott Grinstead, full name Scott David Grinstead, who was an owner and not only Chief Executive Officer but also a Director with three of six votes. Chief Executive Officer Scott Grinstead, Director with three of six votes, through his crimes and fraud and profligate spending, rendered Adams Produce Company LLC’s financial statements and information false and misleading beginning with 2009 financial statements and information and continuing thereafter, and destroyed Adams Produce Company LLC’s corporate form and made these three Petitioners

## PERISHABLE AGRICULTURAL COMMODITIES ACT

powerless to get Adams Produce Company LLC's suppliers of perishable agricultural commodities paid on time, or at all. Scott Grinstead was the sole owner and operator of Grinstead & Associates, LLC, a 44.7 per cent owner of Adams Produce Company LLC during the PACA violations. Scott Grinstead destroyed and disrupted the corporate form of not only Adams Produce Company LLC, but also Grinstead & Associates, LLC; Scott Grinstead operated both Adams Produce Company LLC and Grinstead & Associates, LLC as if he were the lawless sole proprietor of each of them. Adams Produce Company LLC was the alter ego of its owner Scott Grinstead.

### Overview

2. Two factors loom large: (a) the law established by the United States Court of Appeals in *Taylor and Finberg*, 636 F.3d 608 (D.C. Cir. 2011); and (b) the crimes and fraud and profligate spending by Chief Executive Officer Scott David Grinstead, Director with three of six votes, at the expense of, among others:

(i) suppliers of fresh fruit and vegetables to Adams Produce Company LLC owed more than \$10 million not paid when due during August 8, 2011 through May 18, 2012; and

(ii) investors in Adams Produce Company LLC, including CIC Partners with which these 3 Petitioners were affiliated and its wholly-owned subsidiary API Holdings LLC.

3. One paragraph from the twenty-one-page United States Sentencing Memorandum concerning Scott David Grinstead is particularly haunting (PX-3, p. 5):

A large portion of the reduction in income the defendant [Scott David Grinstead] is advancing here is attributable to false and fraudulent accounts receivables that he required be put on Adams Produce's financial statements. He later supported the false accounts receivables with counterfeited and forged confirmation letters. The defendant benefitted from his deceit then. He should not benefit a second time by reducing tax loss now

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based on the removal of fraudulently-included income  
from the Adams Produce financial statements.

PX-3, p. 5.

### **Procedural History**

4. The Hearing was held in Dallas, Texas on March 22, 2016; and in Washington, D.C. on August 31, 2016. The Transcript is Tr. 1 - Tr. 317, in two volumes.

5. Four Petitions were consolidated for Hearing; this Decision addresses three of those four Petitions. Each Petitioner requested review of (appealed) the determination by the Director, PACA Division, Specialty Crops Program, Agricultural Marketing Service, United States Department of Agriculture, that each was “responsibly connected” with Adams Produce Company LLC during August 8, 2011 through May 18, 2012 when Adams Produce Company LLC failed to make full payment promptly of the purchase prices or balances thereof totaling \$10,735,186.81 for fruits and vegetables, all being perishable agricultural commodities.

6. To understand “responsibly connected,” *see* section 1(b)(9) of the Perishable Agricultural Commodities Act, 7 U.S.C. § 499a(b)(9):

(9) The term “responsibly connected” means affiliated or connected with a commission merchant, dealer, or broker as (A) partner in a partnership, or (B) officer, director, or holder of more than 10 per centum of the outstanding stock of a corporation or association. A person shall not be deemed to be responsibly connected if the person demonstrates by a preponderance of the evidence that the person was not actively involved in the activities resulting in a violation of this chapter and that the person either was only nominally a partner, officer, director, or shareholder of a violating licensee or entity subject to license or was not an owner of a violating licensee or entity subject to license which was the alter ego of its owners.

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7 U.S.C. § 499a(b)(9).

7. The parties' Updated Stipulation as to Proceedings was filed on June 11, 2015. Petitioners' Exhibits 1 through 26 (PX 1 - PX 26) were admitted into evidence by stipulation. (Tr. 29). Respondent's Exhibits, one volume of Agency Records for each Petitioner, were admitted into evidence (Tr. 11); and Government Exhibit 11 (RX 11) and Government Exhibit 12 (RX 12), were admitted into evidence (Tr. 272).

8. The parties filed briefs: (a) January 13, 2017, Petitioners' Opening Brief; (b) March 10, 2017, AMS's Opposition Brief; and (c) April 10, 2017, Petitioners' Reply Brief.

### Parties and Allegations

9. This Decision and Order<sup>1</sup> decides Petitions brought by three non-government parties, each an individual, challenging "responsibly connected" determinations made in 2014 by the PACA Director. [The cases of 4 Petitioners were consolidated for Hearing; I intend to decide the case of the fourth Petitioner in a separate Decision and Order, to be issued in approximately six weeks, because his circumstances are distinct from the three whose Petitions are decided here, who were more similarly situated to one another.] These three Petitioners became Directors of Adams Produce Company LLC in 2010. The fourth Petitioner, Steven C. Finberg, was not a Director but an Officer of Adams Produce Company LLC, who had been hired in 2007 to be Executive Vice President of Adams Produce Company, Inc. (Tr. 223), and who remained an officer, becoming Chief Operating Officer in 2009. Tr. 230; RX-11, p. 3.]

10. The PACA Division is a Division of the Specialty Crops Program, Agricultural Marketing Service, United States Department of Agriculture. The three Petitioners here are Jonathan Dyer; and Drew Johnson, also known as Drew R. Johnson; and Michael S. Rawlings. Each of these three Petitioners was either a "principal" (employee) of, or partner in, CIC Partners, a private equity investment firm that became interested in about

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<sup>1</sup> This Decision and Order does *not* address the Petition of Steven C. Finberg, a/k/a Steve Finberg (PACA-APP Docket No. 14-0167), which will be decided separately in approximately six weeks.



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2009 in investing in a company named Adams Produce Company, Inc. CIC Partners did accomplish investment, buying out Adams and McCray family members. See PX-7, a letter of intent, dated in February 2010. Adams Produce Company, Inc. created Adams Produce Company LLC, in part to contain the investment. On or about September 29, 2010, CIC Partners through a wholly-owned subsidiary named API Holdings LLC became an investor in Adams Produce Company LLC. Finberg RX-4, pp. 41-93. [The evidence from any of the four cases is available for each case. Tr. 16.] On or about September 29, 2010 is when the three Petitioners here became three of the six Directors of Adams Produce Company LLC.

### **Findings of Fact**

11. This timeline consists of Findings of Fact, with additional Findings of Fact following.

- 2009 - In 2009 the company with which these three Petitioners were affiliated, CIC Partners, had not yet invested in the yet-to- be-formed Adams Produce Company LLC but had begun investigating the predecessor, Adams Produce Company Inc., performing due diligence.
- 2010 March 1 - Frost Cummings Tidwell Group, LLC, an outside accounting firm hired by Adams Produce Company Inc. agreed to audit 2009. PX-8, PX-24 (duplicates).
- 2010 March 11-16 - Chief Executive Officer Scott David Grinstead had been “cooking the books” to make Adams Produce Company Inc. look more profitable by fraudulently increasing income and had enlisted the help of the Chief Financial Officer John Stephen (“Steve”) Alexander. The email string at PX-9 documents a portion of the fraudulent alterations of the financial statements and information that Chief Executive Officer Scott David Grinstead ordered be done. PX-9.

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2010 September 29 - CIC Partners, through a wholly-owned subsidiary named API Holdings LLC, invested in Adams Produce Company LLC, oblivious to the fraudulent alterations of the 2009 financial statements and information, which fraud induced it to invest. Finberg RX-4, pp. 41-93.

2011 August 8 through

2012 May 18 - Suppliers of fresh fruit and vegetables were not timely paid by purchaser Adams Produce Company LLC, the overdue amount totaling \$10,735,186.81, according to a Default Decision.

2011 October - Adams Produce Company LLC received a letter from the Department of Justice which advised that DOJ had begun an investigation (“whistle-blower”).

Fulbright & Jaworski was hired to assist in the DOJ investigation of Adams Produce Company LLC, ultimately costing CIC Partners, which had to pay this expense, roughly \$2 million or more. Tr. 112, 117.

2011 November 9 - Petitioner Michael S. Rawlings resigned as a Director of Adams Produce Company LLC. PX-26.

2012 February - Much crime, fraud and profligate spending had been uncovered due to the work of Fulbright & Jaworski and the work of the “Special Committee” comprised of Petitioner Jonathan Dyer and Petitioner Drew Johnson; finally Adams Produce Company LLC CEO Scott Grinstead & CFO Steve Alexander, when separated into different rooms and confronted without the other present, confessed wrongdoing to the “Special Committee.”

2012 March first week, or

mid- to late February - Chief Executive Officer Scott David Grinstead was removed “let go” Tr. 253 (2012 March, first week, per Steven C. Finberg); Tr. 136-37 (2012

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mid- to late February, per Drew Johnson). The damage lived on.

2012 early March - Chief Restructuring Officer (CRO) Tom Donoghue with Deloitte became management of Adams Produce Company LLC.

2012 March 3rd week -\$1 million deposited by CIC Partners, through its wholly-owned subsidiary named API Holdings LLC; and \$1 million deposited by Adams and McCray family members (enough to pay the remainder owed to suppliers of fresh fruit and vegetables, \$1,928,417.74). Tr. 118.

PNC Bank advised by Petitioner Drew Johnson with CRO Tom Donoghue in telephone conference NOT to sweep the money owed to the suppliers of fresh fruit and vegetables; PNC Bank nevertheless took the \$2 million for itself.

2012 April 25 - Bankruptcy filing of Adams Produce Company LLC.

2012 April - Adams Produce Company LLC ceased operations.

12. The profligate spending by CEO Scott Grinstead, using the money of Adams Produce Company LLC as if that money were his personal funds, is strong evidence that Adams Produce Company LLC was the alter ego of Scott Grinstead, full name Scott David Grinstead. Adams Produce Company LLC paid for between \$200,000.00 and \$400,000.00 of personal expenses for Scott David Grinstead during 2011 and early 2012, which Scott David Grinstead charged on his American Express card; then caused Adams Produce to wire funds to American Express in payment; which he falsely promised to reimburse and intentionally did not repay, for clothing, jewelry, personal travel for himself and his family, casino debts, strip clubs, lawn care at his home, and items related to his vacation home. PX-1, PX-2, PX-3.

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13. In contrast, CIC Partners invested \$8.2 million and lost nearly all of it. A settlement with the auditor (*see* Dyer RX 8) returned some money, but then the \$2 million plus paid to Fulbright & Jaworski to assist DOJ used that. Petitioner Drew Johnson testified credibly: “We didn’t take a dime. Once the DOJ gave any indication there was a problem, we never took a dime out of this company. All we did is put money in, and that money went to the banks or it went to pay PACA bills. So all the money we put in, none of it went to us.” Tr. 116-18.

14. Regarding the Board meetings that these three Petitioners attended, CEO Scott Grinstead did 90% of the talking, controlling and communicating the information that the Directors relied on. These three Petitioners were three of six Directors; CEO Scott Grinstead was the only other Director, with three votes. Directors rely on management to give accurate information, but that, of course, was not happening at Adams Produce Company LLC. It was not until about February 2012 that the “Special Committee” was formed (Petitioner Jonathan Dyer and Petitioner Drew Johnson) and started to uncover hard evidence that there were problems. (Petitioner Michael S. Rawlings had already been gone about three months.) Tr. 111-14.

15. BEFORE CIC Partners invested, fraudulent activities were hidden from them. The audit they relied on, of 2009, was not reliable. Sometime before March 1, 2010, Adams Produce Company, Inc. hired Frost Cummings Tidwell Group LLC to audit the Adams Produce Company, Inc. December 31, 2009 balance sheet and the related statements of operations, stockholders’ equity (deficit), and cash flows for 2009. PX-24.

16. BEFORE CIC Partners invested, a number of fraudulent entries regarding 2009 were made and documented with false statements within Adams Produce Company, Inc. by CEO Scott Grinstead, including two Kontos forgeries. These two Kontos forgeries may not have been known to anyone other than CEO Scott Grinstead, except for Adams Produce Company, Inc. CFO Steve Alexander:

- (a) the 2010 forgery by Scott Grinstead on Alex Kontos Fruit Co. letterhead appearing to bear the signature of its President John

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Kontos, falsely promising \$390,000.00 reimbursement to Adams Produce Company. PX-22, p. 2.

- (b) the 2010 forgery by Scott Grinstead on Alex Kontos Fruit Co. letterhead appearing to bear the signature of its President John Kontos, falsely promising \$665,000.00 reimbursement to Adams Produce Company. PX 22, p. 3.

17. Bonus payments to two former employees, Tommy Sundy (\$260,000.00) and Mike Alise (\$312,000.00), were fraudulently reclassified to inflate earnings. This was CEO Scott Grinstead at work again, with the knowledge of CFO Steve Alexander, changing the financial history of 2009. Instead of showing these payments as earnings that Adams Produce Company, Inc. was required to pay, these payments were classified as notes receivable. The auditors, Frost Cummings Tidwell Group, LLC, failed to perform any due diligence on the illegal reclassifications of the Tommy Sundy and Mike Alise bonus payments, which falsely increased earnings by \$572,000.00. PX-9, Tr. 44-49. Tr. 112.

18. CEO Scott Grinstead fabricated fraudulent receivables from other customers besides Kontos, including a \$136,000.00 receivable from Pro Act, a produce vendor to Adams; and a \$113,000.00 receivable from Amber Street Produce Company, another produce vendor to Adams. These fraudulent entries were apparently known to no one within Adams Produce Company, Inc. except CEO Scott Grinstead and CFO Steve Alexander. PX-9.

19. On September 24, 2010, a few days before the closing of the transaction on September 29, 2010, CEO Scott Grinstead and CFO Steve Alexander sent a letter to the auditors, Frost Cummings, stating that all representations regarding the accounting transactions were true and correct, which was of course false. PX-25.

20. It was not until about February 2012 that the fraudulent altering of 2009 financial statements and information became known to the "Special Committee" comprised of Petitioner Jonathan Dyer and Petitioner Drew Johnson. The work of Fulbright & Jaworski in uncovering a whole other set of fraud, the fraud against the United States, referred to as the "Tom

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Lange” or DOJ investigation, was helpful; but much of the fraud against Adams Produce Company LLC (including fraud against investor CIC Partners through its wholly-owned subsidiary named API Holdings LLC), would not have been found except for the work by Petitioner Jonathan Dyer and Petitioner Drew Johnson. Not counting the fraud against the United States, the fraud against the investors in Adams Produce Company LLC began with about \$2 million in fraudulent mis-statement of 2009 earnings.

21. Each of the three Petitioners here, Jonathan Dyer; and Drew Johnson, also known as Drew R. Johnson; and Michael S. Rawlings was a Director of Adams Produce Company LLC during a portion of the August 8, 2011 through May 18, 2012 period when Adams Produce Company LLC failed to pay produce sellers timely. Each had become a Director of Adams Produce Company LLC at its inception, on or about September 29, 2010 (RX 5, Tr. 36), after having taken part in a due diligence evaluation without realizing that the financial audit of Adams Produce Company, Inc.’s 2009 performance relied on false and fraudulent accounts receivable and notes receivable that CEO Scott Grinstead had required be put on Adams Produce Company, Inc.’s 2009 financial statements, which false accounts receivable and notes receivable were later supported by counterfeited and forged confirmation letters and other false documents created by CEO Scott Grinstead. On November 9, 2011, Petitioner Michael S. Rawlings stopped being a Director of Adams Produce Company LLC. PX 26. At the end of April 2012, when Adams Produce Company LLC ceased operations after filing bankruptcy, Petitioner Jonathan Dyer and Petitioner Drew Johnson stopped being Directors. Adams Produce Company LLC’s suppliers of perishable agricultural commodities were paid all but \$1,928,417.74 before the Complaint in PACA-D Docket No. 13-0284 was filed on June 28, 2013, as stated in paragraph III of that Complaint.

22. On or about September 29, 2010, at the formation of Adams Produce Company LLC, each the three Petitioners here was tasked by CIC Partners to be a Director of Adams Produce Company LLC, in part to oversee the investment to Adams Produce Company LLC: \$7-1/2 million of CIC Partners’ money, invested through a wholly-owned subsidiary API Holdings, LLC; plus \$3-1/2 million borrowed from PNC Bank on a term

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note. Tr. 36. Each was a Director with one of six votes; Director Scott Grinstead held the other three of six votes.

23. In or about October 2011, the United States Department of Justice (DOJ) delivered a letter to Adams Produce Company LLC, advising that it was conducting a fraud investigation. Had it not been for a “whistle-blower,” DOJ would not have known to investigate, and the Directors of Adams Produce Company LLC would not have known to investigate. Well, one Director knew: Scott Grinstead knew. Scott Grinstead was a Director; in fact, he was the equivalent of 3 Directors. But none of these 3 Petitioners knew or could have known. Scott Grinstead was the equivalent of three Directors because he had three votes to cast. He was authorized to appoint up to two other Directors, but he chose to retain the authority himself.

24. To assist the Department of Justice in its investigation of Adams Produce Company LLC, CIC Partners paid into Adams Produce Company LLC the more than \$2 million paid to Fulbright & Jaworski. Tr. 112, 117.

25. Petitioner Jonathan Dyer was an employee, a principal, not a partner, in CIC Partners. Tr. 32, Tr. 199. Petitioner Drew Johnson was a partner in CIC Partners. Tr. 120. Petitioner Michael S. Rawlings was a partner in CIC Partners. Tr. 199.

26. During the telephone conference with PNC Bank and the Chief Restructuring Officer (CRO) Tom Donoghue, Petitioner Drew Johnson made it clear to management and lenders what the PACA statutes were, and that all the produce sellers needed to be paid in accordance with their contracts. All the money (the new \$2 million, one-half provided by former owners Adams and McCray, and the other half provided by the parent company of API Holdings LLC, CIC Partners) needed to go in to assure liquidity to pay PACA. Nevertheless, the PNC Bank swept the accounts. Tr. 126.

### **Discussion**

27. Every witness was credible, and Drew Johnson was especially knowledgeable and persuasive: Drew Johnson’s testimony was consistent with the documents in evidence and helpful to me in understanding how

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Scott David Grinstead could so quickly destroy, without more people being aware, the Adams Produce company with 400 employees that had operated continuously for more than 100 years.

28.Scott Grinstead accomplished his crimes and fraud and profligate spending nearly single-handedly: Grinstead needed the assistance of only Chief Financial Officer John Stephen (“Steve”) Alexander and the auditing firm Frost Cummings Tidwell Group. At the end, after Scott Grinstead had been stripped of his authority and had stopped coming to work, PNC Bank completed the destruction. PNC Bank helped itself to the \$2 million, \$1 million freshly deposited by former owners Adams and McCray and \$1 million freshly deposited by the parent company of API Holdings LLC, CIC Partners. PNC Bank had been warned in a conference call not to sweep that \$2 million and knew the \$2 million was intended to keep the company operating and to pay the suppliers of perishable agricultural commodities. When PNC Bank instead took the \$2 million for itself, Adams Produce was caused to file bankruptcy and cease operations.

29.Hear how Drew Johnson explains it. CIC Partners had been introduced to Scott Grinstead through investments that CIC Partners had made in the food industry. Tr. 107.

Mr. McCarron: All right. And what happened after your introduction with Mr. Grinstead?

Mr. Johnson: We subsequently did extensive diligence to analyze Adams, and met with him over a series of months.

Mr. McCarron: What did that diligence consist of?

Mr. Johnson: We hired third-party firms to meet with management, to assess their capability. We hired a group to do a facilities inspection. We waited for the auditors to finish their audit before we would ever invest, which proved to be a fraudulent audit.

Mr. McCarron: Which proved to be what?



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Mr. Johnson: A fraudulent audit. But we waited for that to transpire because we expected the auditors to verify the financials, which they didn't do.

Mr. McCarron: And who was the auditor?

Mr. Johnson: A firm named Frost Cummings Tidwell.

Tr. 107. *See* Johnson RX 8.

30. Hear how Drew Johnson explains the 6 Directors of the newly formed Adams Produce Company LLC Board. Tr. 127-29. *See* Johnson RX 5 (67 page agreement).

Judge Clifton: RX 5. Back to page 28 and on to page 29.

Mr. Johnson: Uh-huh.

Judge Clifton: So, right here in this agreement, it says that the CIC directors would be -- and what does it say?

Mr. Johnson: Drew Johnson, Jonathan Dyer, Michael Rawlings.

Judge Clifton: All right. And on the previous page, it says that there would be six directors.

Mr. Johnson: Uh-huh.

Judge Clifton: But now that we get to RX 5, page 29, it tells about the other three, and what does it tell us about those Grinstead directors?

Mr. Johnson: That he can appoint them at such time as he wishes, or that he can use those votes for himself.

Judge Clifton: Right. So the initial Grinstead director will be Scott Grinstead.

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Mr. Johnson: Uh-huh.

Judge Clifton: Until such time as he appoints additional Grinstead directors, Scott Grinstead is entitled to cast three votes.

Mr. Johnson: Yap.

Judge Clifton: So it's not as unbalanced as I thought.

Mr. Johnson: Nope.

Judge Clifton: It's not a matter of four to one or three to one, it's –

Mr. Johnson: I had a note here to talk to you about that, because you asked earlier.

Judge Clifton: I'm glad that Mr. Kendall led us to that, so now I understand that part.

Mr. Johnson: And it's now presumably clear why he didn't want to appoint somebody else, because he wanted to exercise his own votes.

Judge Clifton: Yes.

Mr. Johnson: When you're perpetrating a fraud, it's a little easier to do that when you control them.

Tr. 127-29.

31.Hear how Drew Johnson explains his role as a Director of Adams Produce Company LLC. Tr. 110-119.

Mr. McCarron: So, now, after the investment was made, in September of 2010, what was your role in that -- in the company?

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Mr. Johnson: Initially, my role, I would describe as standard role for any director of a privately held company. So, we reviewed information that management supplied us, asked them questions about compliance with various laws and financial issues. My role changed materially once we had the DOJ letter. So, until the DOJ letter, I would say my responsibilities were consistent with a normal board member, which were, you know, limited board meetings. Subsequent to the DOJ letter, my role significantly changed.

Mr. McCarron: Right. And in what respect did your role change? What did you do?

Mr. Johnson: Well, at that point, it became clear that the audit and the management had both made fraudulent, negligent decisions, and so we could not rely on either management nor the audit findings, so we brought in new management, we fired the old management, we took a very active role.

Mr. Johnson: I say "we," Jonathan probably did more -- essentially, more work than I did, but we brought in new people, forensic accountants to try to get to the bottom of the problems. We met with Sundy on the lease, we tracked down the Kontos fraudulent receivable to try to understand the nature of the problems.

Mr. McCarron: So, when was -- when did you learn about the problem, initially?

Mr. Johnson: Well, we certainly were alerted to a potential problem in October, when we got the DOJ letter. At the time, management continued to maintain their innocence, and we really had no basis for knowing what was going on at that point.

Mr. McCarron: Wait. Can you explain that a little bit more?

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Mr. McCarron: At the time the notice came from DOJ, what did Grinstead tell you? Did he continue to say there was no fraud?

Mr. Johnson: Yes, he maintained his innocence really until -- we stopped talking to Grinstead -- the DOJ's case was about the contracting with the government, and I really still to this day don't know much about that. But because that investigation was going on, we started to ask other questions and scrutinize accounts generally, looking for that fraud or any fraud, and we found other fraud that wasn't part of the DOJ scope. That fraud included the Kontos forged receivable, the Sundry and Alise re-bookings and mis-bookings. So, we found that because we started to dig and asks questions. That really wasn't the DOJ's scope, even though they ended up using our findings for their prosecution. Does that answer your question?

Mr. McCarron: It does. So, you hired Fulbright, and how much did you pay Fulbright, do you recall?

Mr. Johnson: Exceptionally a lot. If I had to guess, it was over \$2 million.

Mr. McCarron: All right. Now, after the October --

Mr. Johnson: You asked when I found out about that. I would say that we had -- our suspicions were raised when the DOJ started -- sent us a letter, we started to dig and ask questions. I would say by February of 2012, we started to uncover specific, hard evidence that there was problems.

Mr. McCarron: And after this October surprise from the DOJ, did you -- and you started -- and Fulbright started to go into the records, what was your contact, if any, with the auditing company, Frost auditing?

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Mr. Johnson: Well, it became very clear quickly that they had violated their duties, so we didn't have much discussion with them.

Mr. McCarron: All right. Now, can you just give us a brief overview of these board meetings? How many did you have, to your recollection?

Mr. Johnson: Oh, maybe four, if I had to guess.

Mr. McCarron: All right. And what happened in those meetings?

Mr. Johnson: Well, in a board meeting, you're relying on management to provide you information, you're not auditing their information, you expect, you know, an auditor and the management team to feed you accurate information. So, we would get a report on operations, on finance, on new companies that -- they wanted to buy more companies. Most of that information was controlled and communicated by Scott Grinstead. I would say he did 90 percent of the talking in these meetings.

Mr. McCarron: And what did he tell you at the meetings, in terms of the health of the company and how things were going?

Mr. Johnson: Well, as has been well chronicled, Scott's a master of manipulation, so he thought things were going great, and he was going to take over the world.

Mr. McCarron: Now, after the investigation that you started with Fulbright, what role did you take, as a board member, at that point? Were there still other meetings after Fulbright came on board in October or November?

Mr. Johnson: Other meetings or other board meetings?

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Mr. McCarron: Board meetings.

Mr. Johnson: No. Because at that point, the board was comprised of somebody who we knew was a fraud, and we were advised by the lawyers that having a meeting with him was probably not a good idea.

Mr. McCarron: I see. All right. But then, did you form some other sort of an entity that was to investigate everything that happened?

Mr. Johnson: Yeah, we formed a special committee, which I believe included Jonathan and me.

Mr. McCarron: And what did you do, as a special committee?

Mr. Johnson: We terminated Scott Grinstead or put him on leave, I guess was the technical term at the time.

Mr. McCarron: When was that?

Mr. Johnson: I don't recall exact date. We also hired outside -- a new -- somebody with accounting background to come in and help ascertain the financial health of the business. We also put -- analyzed the situation to decide if we should put more money in to try to help.

Mr. McCarron: What was the result of that analysis about putting more money in to see if you could salvage the situation?

Mr. Johnson: Well, the barriers to putting more money in were two-fold. One, we wanted the DOJ -- we felt like we were cooperating with the DOJ, providing them actual help in their prosecution, which I think if you'll ask them they would say we were great citizens in helping prosecute Scott. But we wanted them to tell us that they were going after him and that they weren't going to go

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after us, because we couldn't put money into a black hole which would just potentially go away. They, of course, had a hard time doing that, number one. Number two, if we put money in the banks were going to take it. In fact, Counsel here asked if we gave a directive to management to pay PACA vendors instead of others. Management at this time was gone. Scott Grinstead was out of there.

Mr. McCarron: When was this now, just to give an approximate? January? February?

Mr. Johnson: It had to be after January, probably after February, I actually think. I don't recall the exact date. But there was a very specific conversation when we did put money in, we told the lenders, we need you to let us use this for liquidity and to pay PACA. You can't sweep -- you know, we don't want you to sweep this. We don't want to put money in and have you take it all, that's not going to help us. We had[sic] a hard time getting the lenders to agree to anything in writing. We specifically told them, if you sweep this money, you're sweeping it at the expense of PACA vendors, that's on you, that's your liability, it's not us. We don't have control over the account. The bank had control. The bank swept the accounts. So, when we put money in, we'd hope that Tom O'Donoghue, who was in there as a chief restructuring officer, would use it to pay vendors and figure out how to keep the lights on so that we didn't go into bankruptcy, because if we go into bankruptcy, of course, no PACA guys are going to get paid. So, we specifically gave direction to PNC, do not sweep this. So the people you should be talking to, in my opinion, that's -- USDA Counsel -- is go talk to PNC. They took the money, not us. We didn't take a dime. Once the DOJ gave any indication there was a problem, we never took a dime out of this company. All we did is put money in, and that money went to the banks or it went to pay PACA bills. So all the money we put in, none of it went to us. It all went to PACA or it went to the banks.

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And if the banks took it instead of PACA, that's their problem, not mine.

Mr. McCarron: So, how much money did CIC lose in this deal?

Mr. Johnson: I think we invested \$8.2 million, and we lost nearly all of it. We got a little bit back from the settlement. Well, we invested 8.2, we got back some, but then had to pay Fulbright two plus million. So whatever we got back in settlement from the auditors who defrauded us and from the sellers who defrauded us, all that money basically went back to pay the lawyers, which we funded the DOJ's investigation.

Mr. McCarron: Explain that a little bit more, when you say that you helped fund the DOJ's investigation.

Mr. Johnson: We paid Fulbright. Fulbright then spent money with us going through all the e-mails, and we spent all that time and money. That money was used to uncover the fraud, which then the DOJ used in their prosecution of Grinstead. It's all in the sentencing memo.

Mr. McCarron: Now, so who funded the investigation by Fulbright to uncover –

Mr. Johnson: Technically, the company did, but with the money that we put in.

Mr. McCarron: When you say "we," who do you mean by "we"?

Mr. Johnson: A combination of CIC, the sellers, who at that point realized that they had misrepresented, whether intentionally or not, I don't know, but the sellers signed documents saying that they didn't -- that the financials they were giving us were accurate. That proved not to be true. So, the sellers put in money, as did we, and the



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company was making money every day on commercial accounts, not government accounts, and that money also got used to pay Fulbright expenses and the DOJ investigation.

Mr. McCarron: So, when you say -- let me just -- so when you say "we," you're including you, as CIC, and Adams and McCray. Are they the families, is that correct?

Mr. Johnson: That's correct.

Mr. McCarron: Now, how much money did they put in, Adams and McCray, to try to salvage the investment that clearly was fraudulent from the beginning?

Mr. Johnson: I don't recall the exact number.

Mr. McCarron: And then, after Fulbright did the investigation and Grinstead was charged with all these crimes -- and have you seen the indictment and the plea agreement --

Mr. Johnson: Yes. And I was present at the sentencing because I was a witness against Grinstead.

Mr. McCarron: And what was the nature of your testimony at the criminal sentencing?

Mr. Johnson: That he had defrauded us out of all of our money.

Mr. McCarron: And after PNC swept the account, was it then that the company filed for bankruptcy?

Mr. Johnson: Yes.

Tr. 110-119.

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32. Hear Drew Johnson at the end of his testimony, analyzing AMS's "responsibly connected" claim against him for his work at Adams Produce Company LLC. Tr. 132-37.

Mr. Johnson: Well, responsibly connected, I got that one, the alter ego issue. And I don't know where alter ego and fraud overlap, and so forth. I can say this, I was a victim, personally. I lost a significant amount of money, so did my partners and those people whose money I represent. We all lost significant amounts of money because of the fraud here, not just by Grinstead but by an auditing firm. I think I did everything any reasonable person would do in my position. I haven't heard anybody argue that somehow I wasn't fiscally responsible, as brought up by Counsel Kendall. I believe we were beyond fiscally responsible. In fact, I would argue we put, you know, money in a situation where very few people would because we were trying to help a situation. And, in fact, PACA people were better off because of our actions, not worse. We didn't know the fraud. It took our money to uncover it. Once we did, we were still putting money in, which some of which went to PNC but some of it did go to the PACA payables. So I would assert the PACA people were better off for our actions, not worse. So, I feel like here I am, I lost enough -- lost a lot of money, that was painful enough, that had reputational impact, et cetera. We aided the DOJ in their investigation, and I would suggest, if you care, talk to the DOJ lawyer, who I think would say, yeah, those guys were great, did everything we asked them to do and more. All the forgeries, all the mis-bookings, that was found by us, not the DOJ. The DOJ was off working on the Tom Lange stuff, which I don't know what happened with that. All I can tell you is, I think we were responsible stewards of our duties and discharging them and getting facts in front of the DOJ to aid their efforts. So, it's a bit offensive to me to have the federal government, who I think should send me a thank you for helping victims get paid, instead of trying to sanction me for behavior that I think is beyond

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reproach. My reputation has already been besmirched by a fraudulent investor. I did everything I could to help the government. I find it offensive that now, on top of that, my reputation be further besmirched by sanctioning me, when all I did is do everything a responsible person would do and more. Most people would have ran for the hills and said, fine, DOJ, run your own investigation, good luck, because we'd already lost our money. We put in more money. We tried to save the company. We tried to save the employees' jobs. The commercial business was a legitimate business. We were hoping somehow we could keep it going. It didn't work. So, I don't understand how all this law stuff works, but all I know is, we did everything any responsible person would do. We discharged our duties the best we knew how. I lost a lot of money and a lot of time, and I think the government and the PACA people should be thanking me, not sanctioning me.

Judge Clifton: If it hadn't been for your work, Grinstead would not have been removed, and you would not have brought in the Deloitte management.

Mr. Johnson: Absolutely. And I think the DOJ's case would have been a lot weaker. The smoking gun was the forgery that we found. I don't know even --he pled to the government contract problem, but I don't even know how good that evidence was. The smoking gun was the forgery, which we found. So, I don't even know if Grinstead -- what would have happened to Grinstead. The guy needed to be brought to justice, we helped aid.

Judge Clifton: At what point did the chief financial officer begin to help you, if at any?

Mr. Johnson: Well, never really. He -- we had a point where we started to uncover the problems through our -- the special committee's investigation. We flew Grinstead to see -- and the CFO out. We started scrutinizing them,

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asking questions about payments to their Amex bills, which we scrutinized what's this Amex bill for, et cetera, et cetera.

Judge Clifton: Now, you're talking about the credit card for personal items of Grinstead that the company paid for.

Mr. Johnson: And by that time, we said, this Kontos thing looks fishy to us, let us understand that. So, we were asking these questions. They were both in the room. At one point, we dismissed one and put one in the other room and put one in the other room and kept going. We were there until midnight that night, I'm sure, trying to get to the bottom of this. At that point, the CFO finally said, yeah, I let this go on. We said, why did you not tell us? It's your job. He said, well, I feared for my job. Grinstead was a persuasive but also a tyrant, and I think he put fear in his CFO, and the CFO was reluctant to share these things with us until he was backed into a corner.

Judge Clifton: Was he also let go, when Grinstead was let go?

Mr. Johnson: I don't recall that. Once the CRO came in, I think he determined who he wanted there to help manage it. I don't recall the exact timing.

Judge Clifton: And what was the date on the time line when Grinstead was let go?

Mr. Johnson: I don't know exactly, must have been after February, this February meeting I'm talking about, but shortly thereafter. So if I had to guess, I would guess late February, mid to late February.

Judge Clifton: And that's 2012.

Mr. Johnson: Yes, ma'am.

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Tr. 132-37.

33. I conclude that Scott Grinstead, full name Scott David Grinstead, is an owner. There were two owners of Adams Produce Company LLC during the time of the PACA violations: API Holdings, LLC [which was wholly owned by CIC Partners] at 55.3%; and Grinstead & Associates, LLC [which was wholly owned by Scott Grinstead] at 44.7%.

34. Why do I pierce through, to conclude that Scott Grinstead is an owner? - - when I do NOT do the same with API Holdings, LLC? Scott Grinstead, nearly single-handedly, although he needed the help of Chief Financial Officer John Stephen (“Steve”) Alexander, is the one who destroyed and disrupted the corporate form. *See Findings of Fact*, paragraphs 11 through 26. *Taylor and Finberg*, 636 F.3d 608 (D.C. Cir. 2011) instructs me not to choose form over substance. *Taylor and Finberg* controls here.

35. The thievery by Scott Grinstead took years and millions of dollars to detect and prove - - I conclude that Mr. McCarron's theory of the case is correct - - Scott Grinstead managed to use Adams Produce as his personal piggy bank despite corporate structure with the intended safeguards of prudent investment employed by the firm with which the 3 Petitioners were associated. Scott Grinstead destroyed and disrupted the corporate form of Adams Produce Company LLC AND of Grinstead & Associates, LLC, each of which he operated as if he were the lawless sole proprietor. Scott Grinstead was an owner.

### **Conclusions**

36. The Secretary of Agriculture has jurisdiction over Petitioner Jonathan Dyer, and over Petitioner Drew Johnson a/k/a Drew R. Johnson, and over Petitioner Michael S. Rawlings, and over the subject matter involved herein.

37. A Default Decision and Order was issued against Adams Produce Company LLC, filed with the USDA Hearing Clerk on November 25, 2013 in PACA-D Docket No. 13-0284, issued by former Chief Judge Peter M. Davenport. That Default Decision can be seen on the USDA / Office of Administrative Law Judges website, currently

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<https://www.oaljdecisions.dm.usda.gov/sites/default/files/DD%20-%20Adams%20Produce%20-%202013-0284.pdf>.

38.I take official notice of the Default Decision and Order identified in paragraph 37 and conclude accordingly that Adams Produce Company LLC willfully, flagrantly, and repeatedly violated section 2(4) of the PACA (7 U.S.C. § 499b(4)) by failing to make full payment promptly during August 8, 2011 through May 18, 2012 of the purchase prices or balances thereof totaling \$10,735,186.81 for fruits and vegetables, all being perishable agricultural commodities that Adams Produce Company LLC purchased, received, and accepted in the course of interstate commerce, as specified in Appendix A to the Complaint in PACA-D Docket No. 13-0284. I conclude further that \$1,928,417.74 remained unpaid when that Complaint was filed on June 28, 2013, as stated in paragraph III of that Complaint and confirmed by Mr. Kendall in the AMS Brief filed March 10, 2017, p. 2.

39.If this were the usual situation, I would find the Directors during August 8, 2011 through May 18, 2012 of Adams Produce Company LLC to be “responsibly connected” (within the meaning of the PACA) to Adams Produce Company LLC, which would subject those Directors to licensing restrictions under section 4(b) of the PACA, 7 U.S.C. § 499d(b); and employment sanctions under section 8(b) of the PACA, 7 U.S.C. § 499h(b). This is NOT the usual situation; here, only one of the Directors, Scott Grinstead, full name Scott David Grinstead, who was also the Chief Executive Officer, was in a position to know of his own crimes and fraud and profligate spending which destroyed Adams Produce Company LLC’s ability to make full payment promptly for the fruits and vegetables it purchased. So long as AMS was effective in subjecting Scott Grinstead to licensing restrictions under section 4(b) of the PACA, 7 U.S.C. § 499d(b); and employment sanctions under section 8(b) of the PACA, 7 U.S.C. § 499h(b), AMS has met its duty under the PACA with regard to the Directors. No other Director of Adams Produce Company LLC need be similarly sanctioned. *See* paragraphs 27 through 35.

40.Each of these three Petitioners, Jonathan Dyer; Drew Johnson a/k/a Drew R. Johnson; and Michael S. Rawlings, was not an officer of Adams Produce Company LLC. Each of these three Petitioners was a Director of Adams Produce Company LLC during a portion of August 8, 2011

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through May 18, 2012, but each of these three Petitioners was NOT “responsibly connected” within the meaning of the PACA to Adams Produce Company LLC for the following reasons. Each of these three Petitioners was NOT actively involved in the activities that resulted in the failures to make full payment promptly to the Adams Produce Company LLC’s suppliers of perishable agricultural commodities. Each of these three Petitioners’ contributions to Adams Produce Company LLC were positive and exemplary and in direct contrast and opposition to the crimes and fraud and profligate spending of Scott Grinstead. Each of these 3 Petitioners was not an owner of Adams Produce Company LLC. There were two owners: API Holdings, LLC [which was wholly owned by CIC Partners] and Grinstead & Associates, LLC [which was only Scott Grinstead]. Scott Grinstead destroyed and disrupted the corporate form of Adams Produce Company LLC AND of Grinstead & Associates, LLC, each of which he operated as if he were the lawless sole proprietor. Scott Grinstead was an owner, and Adams Produce Company LLC was the alter ego of its owner Scott Grinstead.

#### **ORDER**

41. The PACA Division Director’s Determinations in July 2014 regarding each of these 3 Petitioners, Jonathan Dyer; Drew Johnson a/k/a Drew R. Johnson; and Michael S. Rawlings, are reversed: each of these 3 Petitioners was NOT responsibly connected with Adams Produce Company LLC during August 8, 2011 through May 18, 2012. Each of these 3 Petitioners, even though he was a Director with 1 of 6 votes of Adams Produce Company LLC from September 28, 2010 through April 2012, was NOT responsibly connected with Adams Produce Company LLC during August 8, 2011 through May 18, 2012, because the crimes and fraud and profligate spending of Scott Grinstead, who was not only Chief Executive Officer but also a Director with 3 of 6 votes, destroyed Adams Produce Company LLC’s ability to make full payment promptly for the fruits and vegetables it purchased and destroyed the corporate form by concealing Scott Grinstead’s activities from the Directors and others; and made Adams Produce Company LLC the alter ego of Scott Grinstead; consequently the corporate form must be disregarded so as not work an injustice. Consequently, NO licensing restrictions under section 4(b) of the PACA, 7 U.S.C. § 499d(b); and NO employment sanctions under

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section 8(b) of the PACA, 7 U.S.C. § 499h(b); will be imposed on any of these 3 Petitioners.

### Finality

42. This Decision and Order shall be final without further proceedings 35 days after service unless an appeal to the Judicial Officer is filed with the Hearing Clerk within 30 days after service, pursuant to section 1.145 of the Rules of Practice (7 C.F.R. § 1.145; *see* Appendix A).

Copies of this Decision and Order shall be served by the Hearing Clerk upon each of the parties, with a courtesy copy to Steven C. Finberg, a/k/a Steve Finberg (PACA-APP Docket No. 14-0167), for whom a Decision and Order will be issued separately.

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Miscellaneous Orders & Dismissals  
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**MISCELLANEOUS ORDERS & DISMISSALS**

*Editor's Note: This volume continues the new format of reporting Administrative Law Judge orders involving non-precedent matters [Miscellaneous Orders] with the sparse case citation but without the body of the order. Miscellaneous Orders (if any) issued by the Judicial Officer will continue to be reported here in full context. The parties in the case will still be reported in Part IV (List of Decisions Reported – Alphabetical Index). Also, the full text of these cases will continue to be posted in a timely manner at: <https://www.oaljdecisions.dm.usda.gov/misc-current>.*

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No Miscellaneous Orders or Dismissals reported.

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## DEFAULT DECISIONS

## DEFAULT DECISIONS

*Editor's Note: This volume continues the new format of reporting Administrative Law Judge orders involving non-precedent matters [Default Orders] with the sparse case citation but without the body of the order. Default Orders (if any) issued by the Judicial Officer will continue to be reported here in full context. The parties in the case will still be reported in Part IV (List of Decisions Reported – Alphabetical Index). Also, the full text of these cases will continue to be posted in a timely manner at: [www.dm.usda.gov/oaljdecisions/](http://www.dm.usda.gov/oaljdecisions/).*

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**Default Decision and Order.**

**Filed January 30, 2017.**

#### **WORLD BEST TROPICAL, LLC.**

**Docket No. 16-0077.**

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**Filed February 9, 2017.**

#### **ABL FARMS, INC.**

**Docket No. 16-0184.**

**Default Decision and Order.**

**Filed March 22, 2017.**

#### **ACCEL SERVICES, INC.**

**Docket No. 16-0183.**

**Default Decision and Order.**

**Filed May 2, 2017.**

#### **VIRGINIO MORENO, d/b/a FRESHPAK DISTRIBUTION.**

**Docket No. 17-0005.**

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**Felda Vegetable Farms, Inc.**

Docket No. 16-0041.  
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Filed January 26, 2017.

**American Fruit and Produce Corporation.**

Docket No. 17-0015.  
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Filed February 2, 2017.

**Northern Produce Mushrooms, Inc.**

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**Cathy G. Poppell.**

Docket No. 16-0151.  
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Filed May 23, 2017.

**Organic Avenue, LLC.**

Docket No. 17-0216.  
Consent Decision and Order.  
Filed June 9, 2017.

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SECRETARY OF AGRICULTURE AND THE COURTS  
PERTAINING TO STATUTES ADMINISTERED BY THE  
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