

## Dairy Co-Owner Indicted In Theft

CASEY GROVE, Anchorage Daily News

ANCHORAGE, Alaska (AP) — A grand jury has indicted the former manager and current co-owner of Valley Dairy, which owns and operates Palmer-based Matanuska Creamery, on charges of misusing federal grant money that was intended to help Alaska's dairy industry.

Under the indictment handed up Tuesday, Kyle Beus faces three counts of wire fraud and three counts of making false statements to the U.S. Department of Agriculture.

Federal prosecutors say Beus, 48, took advantage of federal grants in 2008, illegally taking in about \$200,000, some of which came through his company, Klondike Creamery, which he started in 2006 and later expanded to make ice cream and cheese.

According to the indictment, Beus's alleged scheme worked like this:

The USDA's Rural Development program announced a grant of \$650,000 in 2007 that would help expand Alaska's dairy industry, including the state's milk processing and packaging facilities. The USDA approved a grant request from a limited liability corporation, which is not named in the indictment, for \$475,000 to support such a facility. Beus and the unnamed corporation made a deal in which Klondike Creamery, his ice cream- and cheese-making business would combine with the future Palmer milk facility. Beus was put in a position to manage the facility and the grants.

Later in 2007, Beus made plans with Washington State-based Nether Industries to have the company install equipment at the Palmer facility. In 2008, Beus and two others formed Valley Dairy, which currently owns Matanuska Creamery. Apparently seeking reimbursement from Nether Industries for "supplies, materials and management" related to the government-subsidized equipment installation, Beus, acting on behalf of Klondike Creamery, asked for and received three payments from Nether totaling roughly \$121,040, according to the indictment. The indictment does not say explicitly the true reason Beus sought the funds from Nether Industries. The false invoices he faxed the company constitute wire fraud, the indictment says.

Beus also inflated the costs of a refrigeration company's work on a dairy cooler and payments to a milk jug manufacturer — BLW Manufacturing, which Beus owned at the time — in seeking federal grant money to pay for those costs, according to the indictment. Those requests for reimbursement, made to the USDA, are the basis for the false statements charges and netted Beus about \$80,000, a federal prosecutor said.

The state's dairy industry has been teetering for years. A massive state agricultural

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program in the 1980s attempted to carve dairy farms out of the wilderness at Point MacKenzie, but it largely ended in failure. The state-owned dairy, Matanuska Maid, was forced to bring bulk milk to Alaska from Washington state to meet the demand, and it eventually failed too.

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