



Worms Turned into Disaster for Farmers

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Worms turned into disaster for farmers. More than 800 other farmers across the state are stranded with lost investments—and barns full of worms.

BEAVER DAM, Ky. — Months after being victimized in what Attorney General Ben Chandler's office is calling the biggest scam in the history of Kentucky agriculture, Angie Decker and more than 800 other farmers across the state are stranded with lost investments — and barns full of worms.

"We are \$85,000 in the hole right now," Decker said. "We have other sources of income. ... But this has hurt us majorly."

Inside a dark, hot, humid building that she rents for \$600 a month in this Western Kentucky town, Decker tends to a vast array of 106 4-by-8-foot compost-filled boxes where as many as 8million earthworms eat, reproduce and create a powerful soil enhancer.

Decker said B&B Worm Farms, the Meeker, Okla., company that contracted to buy worms from her and nearly 3,000 other farmers across the country, had assured her that many of her worms would be long gone by now — headed for promising uses in everything from fertilizer to waste management.

Instead, it's B&B's promises that have disappeared.

After what appeared to be robust growth since its 1998 founding, B&B's founder died in January, farmers stopped getting paid and in April regulators from three states — including Kentucky — filed lawsuits against the company. Today, B&B is in Chapter 7 bankruptcy, creditors and investigators from several states are poring over the business's remains and millions of worms are stuck with no place to go.

Promises of guaranteed money and easy labor and a slick sales pitch, amid uncertainty over tobacco's future, had attracted Kentucky farmers by the hundreds.

"Don't believe everything you hear," Decker said. "That's such a hard lesson to learn."

B&B sold contracts to farmers in amounts ranging from a few thousand dollars to as much as \$60,000 to grow worms. The company supplied worms, then bought the worms' descendants for amounts ranging from \$7 to \$9 a pound — guaranteed.

B&B would then sell the worms to what it pitched as a growing market of industrial users.

Worms have shown promise as living garbage disposals that can ease demand on landfills and turn what they eat into an effective and environmentally friendly soil enhancer, said Terry Garmon, marketing director for the Kentucky Department of Agriculture. However, those markets are still in their early stages and are not yet big enough to be cost effective for most users, he said.

Industrial users failed to materialize in anywhere near the numbers needed to justify the 3,000 growers B&B signed up. Purported deals with partners ranging from Tyson Foods to the government of an African nation were never consummated. Investigators said the company appeared to stay afloat in part by purchasing worms from contract farmers like Decker and reselling them not to industrial users, but to newly signed worm farmers.

Kentucky farmers are out a combined \$5.75million in contracts they purchased to grow worms for B&B, Chandler's office said. That figure does not include millions more in costs of items ranging from worm food to buildings constructed to house the worms.

While Kentucky is the hardest-hit state, farmers nationwide also have lost money from a business that took in \$20million, much of in grower contracts, over a four-year period.

Regulators concede there is little chance of recovering any significant amount of money.

GREGORY BRADLEY, a California computer instructor and convicted sex offender turned Oklahoma worm entrepreneur, was the visionary, founder and driving force behind B&B. Bradley's sudden death Jan. 26 at age 40 and quick cremation — a death certificate was issued but no autopsy was performed — just at the time his enterprise began to unravel has spurred rumors about whether he is actually dead.

John Russell, a Tulsa attorney representing Lynn Bradley, who took over the business after her husband died, said she is not giving interviews "because she currently has litigation pending against her." She is staying with relatives at a location Russell would not disclose. He dismisses speculation about Greg Bradley's fate as unfounded.

"They are rumors. ... I have no reason to believe that he is alive and I have no reason to doubt the authenticity of the death certificate," Russell said. "A lot of people involved in this are grasping to find something — an explanation or a rationalization. Someone's idle speculation becomes fact at some point."

Bradley's death certificate says he died while a patient at Mercy Health Center in Oklahoma City of "sepsis with pulmonary abscesses."

Now growers are laboring to carry on in an industry where many still see promise. The farmers are seeking markets for the worms and their nutrient-rich manure, called "castings." Some are trying to form a growers' cooperative and others are staking their fate in a startup venture in Louisiana. Still more have given up and are dumping their worms and writing off their losses.

"A LOT OF those folks are going to decide that worms is not for them when they find out it's not the lucrative business they imagined," said Neal Van Milligen, president of Kentucky Enrichment Inc., an Owensboro manager of agriculture projects. "There is no comparison in the real world to what they were told."

For a time, Bradley honored his end of the contract. Decker and other growers said that farmers who got in early enough were paid as promised. That helped reel in skeptics who had been wary. Through means ranging from word-of-mouth to print advertising to his own evangelism, Bradley built his network of

eager farmers.

It was a pitch many growers were all too ready to hear.

For farmers who'd grown weary of sliding prices for crops like tobacco, B&B's promise of guaranteed income was appealing. Because Bradley said worm farming required so little work, they could keep tending their fields. As they spoke to fellow farmers who had gotten paid as promised, the lure was too tempting for many to resist.

"This was the first thing we had ever done as far as farming that we were guaranteed a price before we had a crop," said Vickie Bryant, who farms tobacco and cattle in Monroe County with her husband, Terry. "We were real tickled with the idea of knowing what we were going to be able to make, because you don't know what your tobacco is going to make, cattle go up and down and everything is just a risk in farming."

The Bryants bought a \$5,000 B&B contract a little over two years ago and re-sold worms to B&B for more than year, "then the last three trips we made with worms we didn't get paid for. We're just trying to find out if there are actually any markets right now," she said.

THE FIRST SIGN of trouble came last year, when Oklahoma regulators discovered B&B was not legally registered with that state as a business opportunity. In August, B&B signed an agreement to halt business activity until it registered, but regulators say the company did not comply with the order.

Earlier this year, B&B imploded. The flow of worms backed up in the system as more farmers signed up and B&B bought back their worms without enough of its own customers to buy them.

The state's worm farmers, most of them along the Interstate 65 corridor in rural south-central Kentucky, are out their investments. In Ohio County alone, an estimated 120 farmers entered into contracts with B&B, said Robert Parrish, a Morgantown worm farmer and agriculture teacher who invested \$20,000 with the company.

"I just broke down in tears," said Decker, 35, who with her husband, Greg, invested \$60,000 with B&B. "It's really sad, because I'm the type of person that I take people at their word."

Michael McCain, a Lynchburg, Tenn., private investigator, said he invested \$10,000 in a worm operation after friends had early success with it and he checked the company out. At the time, farmers were getting paid and everything looked fine, he said.

"You feel like you've been violated," McCain said. "You go through the denial of it and then you go through the anger stage and then you pick up all of your pieces and you figure out what to do."

He and his wife had been looking for a low maintenance secondary income.

"Worms don't talk back," he said. "You don't have to handle them as heavily as you do cows and other big livestock."

HIS COSTS quickly spiraled beyond his initial \$10,000 investment.

"That was just for the contract," said McCain, 50. "That doesn't count for any of us how much work we had to do to our facility, our barns, our farms to get it going, nor does it account for your day-to-day expenses."

Decker, a health-care worker, and her husband, an assistant principal, continue to pay the \$600 a month to rent their facility. "We were spending two hours watering them and then we were putting 4 pounds of feed per each bed, so it costs a lot of money, too," she said.

The work itself also was a lot harder than they'd been led to believe.

"It's not as easy as they tell you when you get in," Parrish said. "They (B&B) told me that it would take around an hour a day to feed and water. I didn't experience an hour a day very often. By the time you're

done adding dirt, harvesting, those are daylong jobs. Then you've got to flip, to aerate your beds. That's a daylong job."

Seniors were attracted by what they had been told was an easy day's work.

Jack Blanton, 67, had attended a Valentine's Day week worm growers' convention in St. Louis after hearing about the industry. He had been farming cattle since moving to Morgantown, Ky., from Colorado, where he said it had become too expensive for him to farm.

"I talked to some people who were doing quite well in it and I made my investment," Blanton said. "I was growing worms by leaps and bounds. I got out of the cow business. I couldn't do both so I went with the worms." Just weeks later, "it was all over."

Chandler; regulators in two other hard-hit states, Tennessee and Mississippi; and the Oklahoma Department of Securities are among those investigating and taking action on B&B's activities. Chandler sued B&B in April, claiming it violated the Consumer Protection Act through false claims about the amount of money farmers would make. The suit alleged that B&B failed to purchase worms that its contract farmers delivered to the company and did not pay a \$75,000 bond to the Consumer Protection Division required to sell business opportunities in the state.

Karen Gambino, a Lafayette, La.-based financial professional who started a \$96,000-a-year job as B&B's chief financial officer only days after Bradley's death, said she found the company's financial records in both figurative and literal disarray. Boxes of records were stacked on computer stations, and there were no vendor or receivable ledgers, she said. Gambino, who traveled to Frankfort in April to share information with attorney general's office investigators, said she sensed from the outset that something was wrong.

Russell, Lynn Bradley's attorney, said B&B wasn't the Ponzi scheme some farmers and regulators have alleged because it wasn't supposed to rely on new investors to pay off old investors. B&B was working on real customers.

For example, last September B&B was awarded a \$325,000 incentive grant package from Louisiana's state government to divert horse manure from the Louisiana Downs racetrack to a B&B facility in the state. The manure was composted and fed to earthworms that turned the material into castings for fertilizer marketed under B&B's "Growers Pride" label.

After Greg Bradley's death, Lynn Bradley brought in a law firm and David Rhoades of Turnaround Professionals Inc. in Oklahoma City in a failed effort to salvage the company. Rhoades has spent much of his time trying to make sense of B&B as it liquidates its assets and tries to compensate worm farmers and other creditors by any means it can.

"IF THERE IS a return at all, it won't be much, unless we just get really fortunate," Rhoades said.

He said he quickly found there was "no substance" to the company.

"It didn't take us long to figure out it wasn't going to fly."

Rhoades said the company lists \$5million in direct debts and \$18million of indirect debt like money-back guarantees and has only about \$500,000 in assets.

A substantial amount of the company's money remains unaccounted for. Exactly how much is "a great question," Rhoades said. "With the volumes they saw, it takes a long time to track, and we're tracking every dollar. ... We probably will look for over \$1million worth of monies."

An Oklahoma Department of Securities lawsuit filed against B&B in April estimated that the Bradleys' business took in more than \$20million. Some money from grower contracts went for personal expenses, wire transfers to a relative's auto-parts business in Arizona and wire transfers to a Las Vegas adult entertainment business, the lawsuit alleged.

Regulators say B&B also sold more than \$14million in grower contracts after agreeing in August to the cease-and-desist order from the Oklahoma Department of Securities, which is suing to recover the money.

Russell said Lynn Bradley knew little if anything about the inner workings of B&B during the time her husband ran it.

"Greg Bradley died in January and she is forced to take up the reins of the company," Russell said. "She wasn't the one with the books and records of the company or the checkbook. That was all Greg Bradley."

During the course of their probe, Oklahoma investigators said they also discovered that Greg Bradley had been convicted of a felony involving "lewd or lascivious acts with a child under 14" and a misdemeanor theft offense, both in California. A California Department of Corrections official said Bradley was a prison inmate from March 1992 until November 1997.

Rhoades said whether the business was set up as a scam from the beginning, or resulted from good intentions gone awry, "That's the \$64,000 question. The guy I would have loved to have interviewed isn't here for me to talk to."

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