

TUESDAY, MAY 26, 2026

Jury awards more than \$40M in farm sale fraud case after 4-week trial

A Los Angeles County jury returned a verdict in favor of the former owners of a prominent Asian vegetable farming business, finding that Minghong Investment Inc. and related defendants committed fraud, financial elder abuse, conversion and multiple labor violations tied to the sale and operation of the farm.

By David Houston

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A Los Angeles County jury has returned a verdict exceeding \$40 million in favor of the former owners of a Southern California farming operation specializing in Asian vegetables, concluding a four-week trial centered on allegations of fraud, elder abuse and labor violations tied to the sale of the business.

The May 19 verdict in *Felix Chac Chuo, et al. v. Minghong Investment Inc., et al.*, 22STCV08770, rejected all claims asserted by Minghong Investment Inc. against the plaintiffs while awarding substantial compensatory and punitive damages against the defendants.

At the center of the case, filed March 10, 2022, was Felix Chac Chuo Farm Inc., a farming operation in Thermal, known for supplying Asian vegetables to upscale grocery chains and restaurants throughout Southern California. According to trial testimony, founder Felix Chuo was brought to the United States from communist China as an infant and eventually built a successful 500-acre farming operation in the Coachella Valley after years of poverty and manual labor.

"He almost became homeless in the Tenderloin district," plaintiffs' attorney Craig Holden said in an interview Friday. "And he just kind of lucked upon farming."

Holden said the farm's success stemmed partly from Thermal's unusual geothermal conditions, with warm underground water allowing year-round growing during months when many competing farms shut down.

"They had a competitive advantage because they could harvest in the winter," Holden said. "And they could charge premiums for high-quality products."

According to court filings and trial evidence, Chuo suffered a heart attack in 2014 and began



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considering retirement. His longtime financial and tax advisers recommended selling the business. In 2015, the family entered into a complicated transaction with Minghong Investment Inc., a California affiliate of a Beijing-based cosmetics company focused on plant-based products. The transaction included an asset purchase agreement, consulting agreement and long-term lease arrangement.

The Chuos later alleged they had been manipulated into oppressive agreements through misleading tax advice and hidden conflicts of interest involving trusted advisers.

Minghong Investment and co-defendants Bin "Bill" Yu and B&D Consulting Corp. were repre-

sented by William P. Cassidy, Aaron M. McKown, and Yichang Chen of McKown Bailey in Newport Beach, as well as Jeffrey Richard Thurrell of Fisher & Phillips LLP in Irvine. Co-defendant Chris Yau was represented by Brian T. Smith and Rinat B. Klier Erlich of Zelms Erlich Lenkov LLP in Woodland Hills.

Holden told jurors the case ultimately became one about betrayal.

"Their own advisors ended up being the ones that acquired the very farm assets that were sold," Holden said. "They went from friend to foe. They switched sides."

According to Holden, evidence uncovered during discovery showed that shell companies linked to the Chuos' longtime advisers acquired interests connected to the transaction before the deal closed. The plaintiffs also alleged that executives brought from China to manage the farming business were effectively "no-show" employees whose roles were misrepresented in immigration filings.

"We alleged that they didn't manage the farm," Holden said. "These were jobs where people got paid on paper but never showed up to work."

The litigation itself developed into an unusually complicated commercial dispute involving international tax structures, offshore accounts, M&A documents, and Chinese-language records that required extensive translation.

Lewis Brisbois Bisgaard & Smith LLP attorneys Holden, Gary Brucker and Christy Goudamanis inherited the case approximately six months before trial after prior counsel withdrew. Holden said the legal team discovered that despite the case having been pending for years, almost no meaningful discovery had been completed.

"There were no fact witnesses or experts that had been deposed or designated," Holden said. "So, we had to do everything on a compressed schedule."

The attorneys spent weeks translating documents and conducting intensive discovery, at times taking four or five depositions per week leading into trial.

A procedural quirk also gave the plaintiffs a strategic advantage. Holden said the defendants initially filed first in federal court, but after that case was dismissed, both sides raced to file in state court. Plaintiffs filed approximately 45 minutes earlier, allowing them to proceed first at trial and retain rebuttal during closing arguments.

“That 45-minute difference made a difference,” Holden said.

Holden and his team succeeded in having several claims against their clients dismissed on summary judgment. In a February decision, Los Angeles Superior Court Judge Brock T. Hammond granted summary judgment to the Chuo defendants on claims of trademark infringement, cybersquatting, and breach of the

implied covenant of good faith and fair dealing as to the consulting services agreement, lease agreement, and asset purchase agreement.

The case proceeded to trial. Following deliberations, jurors found unanimously for the plaintiffs on claims including fraud, financial elder abuse, breach of contract, conversion, and multiple Labor Code violations. Jurors also rejected every affirmative claim brought by Minghong Investment Inc., including breach of fiduciary duty, conversion and alleged violations of Penal Code Section 496.

The verdict included \$4.4 million for breach of the lease agreement and \$1 million for breach of the consulting agreement. Jurors awarded more than \$8 million in economic damages on fraud claims and \$7.5 million in noneconomic damages. Financial elder abuse findings produced parallel awards exceeding \$15 million. The jury also awarded labor-related damages involving unpaid wages,

overtime, meal period violations, and unreimbursed business expenses, along with \$1.15 million on conversion claims.

In a second punitive damages phase, jurors found that Minghong Investment Inc., Bin “Bill” Yu, B&D Consulting Corp. and Chris Yau acted with “malice, oppression, or fraud.” Jurors awarded punitive damages totaling \$354,000.

Earlier this year, Los Angeles County Superior Court Judge Brock T. Hammond described the plaintiffs’ allegations in a summary judgment ruling as claims they had been “swindled into accepting oppressive contractual provisions that amounted to indentured servitude.”

Hammond has scheduled a June 22 status conference regarding equitable claims and post-trial briefing.

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