

Fraud Verdict Against Akaushi Assoc.

Jury Sends Akaushi Breeders Association a \$30 Million Message

As the value of DNA and cattle lineage continues to increase throughout the beef industry, it's notable that one of the world's most widely recognized premium branded programs has just been hit with a \$30 million verdict for what a jury saw as failure to deliver on some key promises to buyers.

Last week a trial ended in a court in Fort Bend County, Texas, with some astounding findings. Twinwood Cattle Company had sued the American Akaushi Association (AAA), HeartBrand Holdings, and Ronald Beeman, chairman of the board of both entities, over DNA identifications for cattle bought through HeartBrand. A jury found unanimously that defendants breached a contract with Twinwood, and fraudulently concealed breaches and tortious conduct for several years around the issue. The suit was filed in 2018.

Twinwood, based at Simonton, Texas, was a member of the AAA from 2009 through 2016. Testimony for Twinwood alleged the AAA promised members they would receive DNA-verified pedigrees for registered animals, as well as certificates of registration. This was meant to identify lineage of those animals registered by the AAA, adding to the value of Twinwood's herd and production from those lines.

The AAA, when asked to provide DNA parental proof on some animals Twinwood had acquired from HeartBrand, was unable to do so. After repeated attempts to obtain this information, Twinwood withdrew its membership from the AAA and filed suit. Twinwood alleged that after leaving the AAA they learned lineage was not verified on more than half of the registered animals they bought during their years of membership. During this time Ronald Beeman was both the chairman of HeartBrand, the entity that sold the animals to Twinwood, and one of two board members of the AAA. The other board member was his son, Jordan Beeman, also president of HeartBrand.

A ROYAL HISTORY

The Akaushi breed is from Japan, where it is known as the "Emperor's Breed." They did not exist outside of Japan until 1994, when eight females and three males were shipped to the U.S. on a specially equipped Boeing 747. They were the beginning of the HeartBrand herd. By 2015, full-blooded Akaushi in the U.S. were numbered at an estimated 1,000 bulls and 8,700 females. The breed has spread across the country.

HeartBrand has been in the business of selling full-blooded Akaushi bulls and semen, and marketing beef under its own branded label, since 2006. Today there are USDA specifications for certification of approved beef programs that claim the Akaushi influence. The value of the elite Akaushi genetics is what ultimately led to this recent lawsuit.

DAMAGES HIT THE \$30 MILLION MARK

Twinwood engaged Texas law firm, McKool Smith, to handle its case. Lead counsel for Twinwood, Willie Wood, spoke with DTN about the verdict and the complexity of the case.

Wood stressed one of the major issues in the case was that the AAA is a wholly owned subsidiary of HeartBrand. He said that to his knowledge the AAA is the only for-profit breed association in the U.S. He noted experts from the cattle industry testified as to how the AAA was different from other breed associations in terms of how it was managed and structured.

"Most (breed associations) are member driven and have a diverse board of directors," Wood explained. "This was part of the case. There was a lack of diversity in terms of not having different types of breeders, or even breeders from different parts of the country on the (AAA) board. They were the largest breeder, controlling the association."

The jury, which Wood described as "very good and attentive" to the complexity of the case, awarded Twinwood \$4.4 million in lost profits sustained in the past; \$7 million in lost profits sustained in the future; \$10.5 million in terms of difference in herd value; \$1.3 million to compensate for fraud; and \$3.3 million in exemplary damages. Legal fees took the award over the \$30 million mark.

Wood, a veteran litigator and a Texas cattle producer who raises Texas Longhorns and Black Angus, stressed that this case should take nothing away from the Akaushi breed.

"It's important to give credit to the breed," he said. "This is just a tremendous breed with great potential. We were not attacking the breed at all, but the manner in which we were treated as members of the (American Akaushi) Association. We presented evidence that they knew there were gaps in the pedigrees of many of our animals, meaning they could not verify our cattle in terms of both sire and dam and matings, all the way back to 1994."

Wood said many animals are affected by these gaps, and that while everyone agrees the cattle are full-blooded Akaushi, without parent-verification it can be difficult to sell those genetics at an elite level.

He concluded that the case points to the importance for all producers of seedstock cattle to be aware of the need to keep good records, and to build some redundancy into their systems.

"If you don't have a proper DNA profile because a sample was lost, or the sample was not correctly analyzed by a lab, an association, or even a breeder, it can have an impact on your business," he said. "This highlights the importance of good records, taking good samples, and having multiple samples available -- rather than sending the only sample you have to an association, who then sends that to the lab. This highlights the importance of integrity for all breeders to keep good records."

DTN reached out to the American Akaushi Association for any comments on the verdict, but at presstime no one had responded.

<https://www.dtnpf.com/agriculture/web/ag/livestock/article/2021/07/26/jury-sends-akaushi-breeders-30>



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The HSB POA is administered by a 7-member Board of Directors who serve 3-year terms and receive no salary. Elections are held at the annual HSB POA members' meeting during the month of March.



Donald Beeman: President

My name is Donald Beeman, my wife Debbie and I raised our 4 children in the Cy-Fair area of Northwest Houston. My twin brother (Ronald) and I have worked together for over 40 years in the meat business. Our families are still very active in Heart Brand Beef and continue working to grow the brand. In 2005, Debbie and I purchased our first home in HSB, one of the best decisions we have ever made. Debbie and I enjoy playing golf and spending time with our friends.

ABSTRACT OF JUDGMENT

THE STATE OF TEXAS }
COUNTY OF FORT BEND }

I, BEVERLEY MCGREW WALKER, Clerk of the District Court of Fort Bend County, Texas, do hereby certify that in a certain suit pending in the **458TH JUDICIAL DISTRICT COURT**, wherein

TWINWOOD CATTLE COMPANY, INC. V. AMERICAN AKAUSHI ASSOCIATION, INC.

Cause No **18-DCV-250789**, the said **PLAINTIFF TWINWOOD CATTLE COMPANY INC**, recovered judgment on **September 17, 2021**, against said **DEFENDANT, RONALD BEEMAN**

Name:	RONALD BEEMAN
SS#:	UNKNOWN
DL:	UNKNOWN
D.O.B:	UNKNOWN
Address:	2628 STATE HIGHWAY 95, FLATONIA TEXAS 78941

<u>AMOUNT OF JUDGMENT</u>	<u>AMOUNT OF ATTORNEY FEES</u>	<u>AMOUNT OF COSTS</u>	<u>RATE OF INTEREST</u>	<u>AMOUNT OF CREDITS</u>	<u>AMOUNT DUE</u>
\$1,300,000.00; \$132,136.99 AS PREJUDGMENT INTEREST; PLUS AN ADDITIONAL \$178.08 PER DAY IN PREJUDGMENT INTEREST FROM 09/18/2021 UNTIL THE DAY BEFORE THIS FINAL JUDGMENT IS SIGNED	\$.00	\$666.00	5% PER ANNUM	NONE	TOTAL AMOUNT

TWINWOOD RECOVER FROM AAA \$1,300,000.00 IN ACTUAL DAMAGES WITH RESPECT TO AAA'S FRAUD; PLUS PREJUDGMENT INTEREST ON THE ACTUAL DAMAGES FOR FRAUD AWARDED IN THE AMOUNT OF \$132,136.99 CALCULATED AS SIMPLE INTEREST AT THE RATE OF 5 PERCENT FROM SEPTEMBER 6, 2019 THROUGH SEPTEMBER 17, 2021; PLUS AN ADDITIONAL \$178.08 PER DAY IN PREJUDGMENT INTEREST FROM SEPTEMBER 18, 2021 UNTIL THE DAY BEFORE THIS FINAL JUDGMENT IS SIGNED; PLUS POST-JUDGMENT INTEREST ON THE DAMAGES AWARDED AT THE RATE OF 5 PERCENT, COMPOUNDED ANNUALLY, FROM THE DATE OF THE SIGNING OF THIS JUDGMENT UNTIL THE AMOUNTS AWARDED TO TWINWOOD ARE PAID OR TWINWOOD'S JUDGMENT AWARD IS OTHERWISE SATISFIED; HEARTBRAND AND RONALD BEEMAN ARE JOINTLY AND SEVERALLY LIABLE WITH AAA FOR THESE AMOUNTS IN THIS PARAGRAPH; ALL COSTS OF COURT

Said judgment is of record in said Court

Requested By : **KAITLYN DAWSON**
600 TRAVIS STREET SUITE 7000
HOUSTON TEXAS 77002

Telephone No: **713-485-7322**

Plaintiff or Judgment Creditor:
TWINWOOD CATTLE COMPANY INC.
10514 FM 1489
SIMONTON TEXAS 77476

Given under my hand and seal of office, at Richmond, Texas, on this the 1st day of October, 2021

**DISTRICT CLERK BEVERLEY MCGREW
WALKER
FORT BEND COUNTY, TEXAS**

Physical Address:

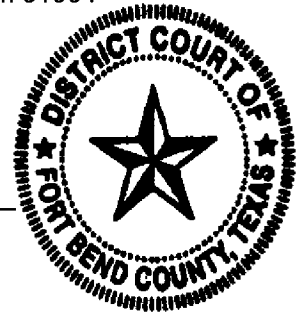
1422 Eugene Heimann Circle, Room 31004
Richmond, Texas 77469

Mailing Address:

301 Jackson Street, Room 101
Richmond, Texas 77469

By: *Nereyda Cantu*

Deputy District Clerk NEREYDA CANTU
Telephone (281) 341 - 4516



Form 622
(Revised 12/08)
 Return in duplicate to:
 Secretary of State
 P.O. Box 13697
 Austin, TX 78711-3697
 512 463-5555
 FAX: 512 463-5709
Filing Fee: see instructions



**Certificate of Merger
 Combination Merger
 Business Organizations Code**

This space reserved for office use.

FILED
 In the Office of the
 Secretary of State of Texas
 SEP 23 2010
Corporations Section

Parties to the Merger

Pursuant to chapter 10 of the Texas Business Organizations Code, and the title applicable to each domestic filing entity identified below, the undersigned parties submit this certificate of merger.

The name, organizational form, state of incorporation or organization, and file number, if any, issued by the secretary of state for each organization that is a party to the merger are as follows:

Party 1

AKAUSHI CATTLE, INC.

Name of Organization

The organization is a for-profit organization It is organized under the laws of

Specify organizational form (e.g., for-profit corporation)

Texas

USA

The file number, if any, is

800654902

State

Country

Texas Secretary of State file number

Its principal place of business is 404 Airport Drive, Yoakum, Texas 77995

Address

City

State

The organization will survive the merger. The organization will not survive the merger.

The plan of merger amends the name of the organization. The new name is set forth below.

N/A

Name as Amended

Party 2

HEARTBRAND BEEF, INC.

Name of Organization

The organization is a for-profit organization It is organized under the laws of

Specify organizational form (e.g., for-profit corporation)

Texas

USA

The file number, if any, is

800649654

State

Country

Texas Secretary of State file number

Its principal place of business is 404 Airport Drive, Yoakum, Texas 77995

Address

City

State

The organization will survive the merger. The organization will not survive the merger.

The plan of merger amends the name of the organization. The new name is set forth below.

Same

Name as Amended

Party 3

Name of Organization

The organization is a _____ It is organized under the laws of _____

Specify organizational form (e.g., for-profit corporation)

The file number, if any, is _____

State Country

Texas Secretary of State file number

Its principal place of business is _____

Address

City

State

The organization will survive the merger. The organization will not survive the merger.

The plan of merger amends the name of the organization. The new name is set forth below.

Name as Amended

Plan of Merger

The plan of merger is attached.

If the plan of merger is not attached, the following statements must be completed.

Alternative Statements

In lieu of providing the plan of merger, each domestic filing entity certifies that:

1. A signed plan of merger is on file at the principal place of business of each surviving, acquiring, or new domestic entity or non-code organization that is named in this form as a party to the merger or an organization created by the merger.

2. On written request, a copy of the plan of merger will be furnished without cost by each surviving, acquiring, or new domestic entity or non-code organization to any owner or member of any domestic entity that is a party to or created by the plan of merger and, if the certificate of merger identifies multiple surviving domestic entities or non-code organizations, to any creditor or obligee of the parties to the merger at the time of the merger if a liability or obligation is then outstanding.

Complete item 3B if the merger effected changes to the certificate of formation of a surviving filing entity.

3A. No amendments to the certificate of formation of any surviving filing entity that is a party to the merger are effected by the merger.

3B. The plan of merger effected changes or amendments to the certificate of formation of:

Name of filing entity effecting amendments

The changes or amendments to the filing entity's certificate of formation, other than the name change noted previously, are stated below.

Amendment Text Area

4. Organizations Created by Merger

The name, jurisdiction of organization, principal place of business address, and entity description of each entity or other organization to be created pursuant to the plan of merger are set forth below. The certificate of formation of each new domestic filing entity to be created is being filed with this certificate of merger.

N/A

Name of New Organization 1 Jurisdiction Entity Type (See instructions)

Principal Place of Business Address City State Zip Code

Name of New Organization 2 Jurisdiction Entity Type (See instructions)

Principal Place of Business Address City State Zip Code

Name of New Organization 3 Jurisdiction Entity Type (See instructions)

Principal Place of Business Address City State Zip

Approval of the Plan of Merger

The plan of merger has been approved as required by the laws of the jurisdiction of formation of each organization that is a party to the merger and by the governing documents of those organizations.

The approval of the owners or members of [Name of domestic entity] was not required by the provisions of the BOC.

Effectiveness of Filing (Select either A, B, or C.)

A. This document becomes effective when the document is accepted and filed by the secretary of state.

B. This document becomes effective at a later date, which is not more than ninety (90) days from the date of signing. The delayed effective date is:

C. This document takes effect on the occurrence of the future event or fact, other than the passage of time. The 90th day after the date of signing is:

The following event or fact will cause the document to take effect in the manner described below:

Tax Certificate

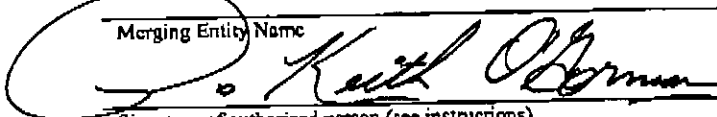
Attached hereto is a certificate from the comptroller of public accounts that all taxes under title 2, Tax Code, have been paid by the non-surviving filing entity.

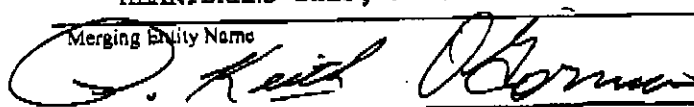
In lieu of providing the tax certificate, one or more of the surviving, acquiring or newly created organizations will be liable for the payment of the required franchise taxes.

Execution

The undersigned signs this document subject to the penalties imposed by law for the submission of a materially false or fraudulent instrument. The undersigned certifies that the statements contained herein are true and correct, and that the person signing is authorized under the provisions of the Business Organizations Code, or other law applicable to and governing the merging entity, to execute the filing instrument.

Date: 9/9/10

AKAUSHI CATTLE, INC.
 Merging Entity Name

 Signature of authorized person (see instructions)
P. KEITH O'GORMAN
 Printed or typed name of authorized person

HEARTBRAND BEEF, INC.
 Merging Entity Name

 Signature of authorized person (see instructions)
P. KEITH O'GORMAN
 Printed or typed name of authorized person

 Merging Entity Name

 Signature of authorized person (see instructions)

 Printed or typed name of authorized person

TEXAS FRANCHISE TAX PUBLIC INFORMATION REPORT



Comptroller of Public Accounts FORM 05-102 (9-09/29)

To be filed by Corporations and Limited Liability Companies (LLC) and Financial Institutions This report MUST be signed and filed to satisfy franchise tax requirements

Tcode 13196

Taxpayer number

1 7 4 1 7 0 8 8 6 5 9

Report year

2 0 1 0

You have certain rights under Chapter 552 and 559, Government Code, to review, request, and correct information we have on file about you. Contact us at: (512) 463-4600, or (800) 252-1381, toll free nationwide.

Taxpayer name EDDY PACKING CO., INC.

Mailing address PO BOX 392

City YOAKUM

State TX

ZIP Code 77995

Plus 4 0392

Secretary of State file number or Comptroller file number

0030428500

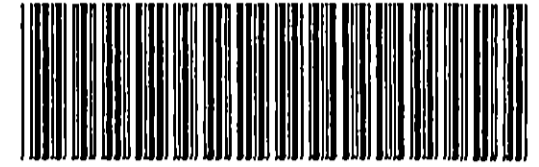
Blacken circle if there are currently no changes from previous year; if no information is displayed, complete the applicable information in Sections A, B and C.

Principal office PO BOX 392

YOAKUM TX 77995

Principal place of business PO BOX 392

YOAKUM TX 77995



1741708865910

Please sign below!

Officer, director and member information is reported as of the date a Public Information Report is completed. The information is updated annually as part of the franchise tax report. There is no requirement or procedure for supplementing the information as officers, directors, or members change throughout the year.

SECTION A Name, title and mailing address of each officer, director or member.

Table with columns: Name, Title, Director (YES/NO), Term expiration (m, m, d, d, y, y), State, ZIP code. Includes Ronald Beeman (President, FLATONIA, TX 78941), Donald Beeman (Director, YOAKUM, TX 77995), and P Keith O'Gorman (Director, SAN ANTONIO, TX 78209).

SECTION B Enter the information required for each corporation or LLC, if any, in which this entity owns an interest of ten percent (10%) or more.

Table with columns: Name of owned (subsidiary) corporation or limited liability company, State of formation, Texas SOS file number, Percentage of Ownership. Includes Beeman Meat Products Inc (TX, 100%) and Akaushi Cattle Inc (TX, 52%).

SECTION C Enter the information required for each corporation or LLC, if any, that owns an interest of ten percent (10%) or more in this entity or limited liability company.

Table with columns: Name of owned (parent) corporation or limited liability company, State of formation, Texas SOS file number, Percentage of Ownership. Includes NONE.

Registered agent and registered office currently on file. (See instructions if you need to make changes) Agent: P KEITH O'GORMAN

Office: 750 RITTIMAN RD. City SAN ANTONIO State TX ZIP Code 78209

The above information is required by Section 171.203 of the Tax Code for each corporation or limited liability company that files a Texas Franchise Tax Report. Use additional sheets for Sections A, B, and C, if necessary. The information will be available for public inspection.

I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief, as of the date below, and that a copy of this report has been mailed to each person named in this report who is an officer, director or member and who is not currently employed by this, or a related, corporation or limited liability company.

sign here [Signature] Title PRESIDENT Date 05/13/2010 Area code and phone number (361) 293 - 2361

Texas Comptroller Official Use Only




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**STATEMENT OF CHANGE
OF
REGISTERED AGENT AND ADDRESS
BY A TEXAS CORPORATION**

FILED
In the Office of the
Secretary of State of Texas
JUL 23 1998
Corporations Section

1. The name of the Corporation is EDDY PACKING CO., INC.
2. The address, including the street number, of its present registered office, as shown in the records of the Secretary of the State of Texas, prior to filing this statement is Airport Road, P.O. Box 392, Yoakum, Texas 77995.
3. The address, including the street number to which its registered office is to be changed, is 750 Rittiman Rd., San Antonio, Texas 78209.
4. The name of its registered agent, as shown in the records of the Secretary of the State of Texas, prior to filing this statement, is Larry Rutledge.
5. The name of the registered agent is to be changed to P. Keith O'Gorman.
6. The address of its Registered Office and the address of the business office of its Registered Agent will be identical.
7. Such change is authorized by the Directors in accordance with the ByLaws.



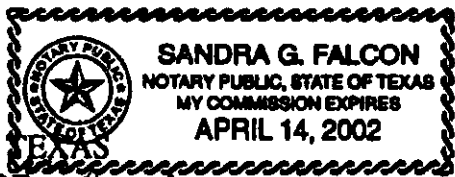
RONALD BEEMAN, Director


DONALD BEEMAN, Director


STATE OF TEXAS
COUNTY OF Brewer

Before me, a Notary Public, on this day personally appeared RONALD BEEMAN, known to me to be the person whose names are subscribed to the foregoing document, and being by me first duly sworn, declared that the statements therein contained are true and correct.

Given under my hand and seal of office this 21st day of July, 1998.



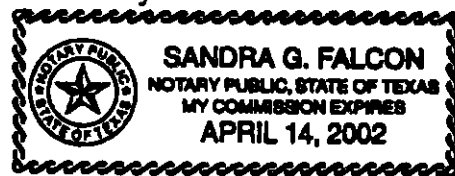
STATE OF TEXAS
COUNTY OF Brewer



NOTARY PUBLIC, STATE OF TEXAS

Before me, a Notary Public, on this day personally appeared DONALD BEEMAN, known to me to be the person whose names are subscribed to the foregoing document, and being by me first duly sworn, declared that the statements therein contained are true and correct.

Given under my hand and seal of office this 21st day of July, 1998.



STATE OF TEXAS
COUNTY OF Brewer



NOTARY PUBLIC, STATE OF TEXAS