

Trial Victory for Sheppard Mullin's Private Wealth and Fiduciary Litigation Team

07.08.2022

Sheppard Mullin was victorious at trial in connection with a case that involved highly complex Delaware trust structures in the context of a divorce proceeding. In January, Sheppard Mullin partner and Private Wealth and Fiduciary Litigation team leader Adam Streisand was contacted by the attorney who had been representing the husband, René Simon Cruz, Jr. ("René"), and litigating the case for more than two years with trial impending in less than two months. Streisand and his team took on the case, prepared around-the-clock for the March 1 trial, which lasted 5 ½ weeks, concluding on April 6. The court issued its 35-page opinion on July 6, in favor of Sheppard Mullin's client on all grounds and adopted every argument and position advanced by Streisand and his team.

Background on the Case

The case involved complex legal issues without any authority nationwide addressing the particular combination of irrevocable trust structures and family law principles, as well as difficult issues of proof. René's wife, Rena Dillon Cruz ("Rena"), comes from a Texas ranching family whose ancestors were signatories to the Texas Declaration of Independence. She inherited land in Texas, which is leased to oil companies. The couple engaged in highly complex transactions to separate the assets from Rena's estate and restructure the mineral rights in a network of trusts and LLCs under Delaware law that provided income, gift and estate tax benefits. When the couple separated, Rena contended she had no understanding of the transactions and had been unduly influenced by René, who now benefits from structures that own 50 percent of the mineral rights, that the transactions failed to transmute the character of the assets from the wife's separate property and were shams.

At trial, the Sheppard Mullin team demonstrated Rena's lack of credibility, in the integrity of the structures and that they were free of any undue influence notwithstanding the presumption under family law that transactions between husband and wife that advantage one spouse in any way are the product of undue influence. In particular, Sheppard Mullin obtained records from Minnesota and Texas that demonstrated a family history of complex estate planning in which Rena was a party which belied (or made insupportable) her contentions that she did not know what separate or community property was, what an irrevocable trust meant or what a trust asset is. The court also found significant, as urged by Sheppard Mullin, that one of the deeds conveying mineral rights to one of the entities in issue, also conveyed an interest to Rena's charitable foundation (for which she took a charitable deduction) but was not seeking to unwind.

The Sheppard Mullin trial team was led by Adam Streisand and included associate Tomasene Knight. Invaluable assistance was provided by special counsel J.D. Rees and associates Alexandra Banis, Meghan McCormick and Kylie Reynolds.

Attorneys

Alexandra M. Banis

Tomasene A. Knight

Meghan K. McCormick

J.D. Rees

Adam F. Streisand

Practice Areas

Litigation

Private Wealth and Fiduciary Litigation