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LITIGATION

Herbalife founder's trust beats back \$350 million lawsuit

Akin Gump helped the Herbalife founder's estate win a defense verdict in the case.

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LOS ANGELES — Trustees of the estate of a nutrition entrepreneur and multimillionaire have successfully defended a lawsuit seeking more than \$350 million in damages for a breach of a contract designed to skirt federal estate taxes.

The jury reached a verdict Thursday in favor of the Trustees of the Estate of Mark Hughes after two days of deliberations and four weeks of trial in the courtroom of Los Angeles County Superior Court Judge Victor E. Chavez.

Hughes founded Herbalife International of America Inc., a leading distributor of herbal products. He died in 2000 of an accidental overdose of alcohol and antidepressants.

The lawsuit originated out of a 2002 contract the trustees — Conrad Lee Klein, Jack Reynolds and Christopher Pair — entered

into in order to save the trust more than \$167 million in estate taxes after Hughes' death. At the time Hughes died, his estate was worth several hundred million dollars and was subject to a 55 percent federal estate tax rate.

Zacadia Financial Limited Partnership served as a middleman in the deal between a Hughes-related company, Hughes Investment Partnership, and the trust in order for the trust to avoid paying the estate tax. Zacadia was due to net \$12 million in 2027 as part of the deal, according to Edward A. Woods of Akin Gump Strauss Hauer & Feld LLP, an attorney representing the trustees.

Zacadia alleged that terms of the agreement were breached and it was entitled to more than \$350 million in damages. *Zacadia Financial Limited Partnership v. Klein*, BC396443 (L.A. Super. Ct., filed Aug. 18, 2008).

The jury agreed with the plaintiff that there had been breaches of the loan documents, but found that none of the breaches were material in nature and Zacadia was not entitled to damages, Woods said.

Woods, along with co-trial counsel Susan K. Leader, praised the jury, considering the large dollar amounts and the complexity

of a deal designed to avoid the payment of taxes.

"I'm glad we had a smart jury and I'm glad they saw things the way we did," Woods said. "Without a smart jury, I don't know what we would have done."

Charles F. Kester of Kester & Isenberg, who represents Zacadia, declined to comment.

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Hughes' estate has been involved in multiple lawsuits over the years, including one pending in federal court alleging that Hughes was a wiretapping victim of now-imprisoned private investigator Anthony Pellicano.

A trial is scheduled in July before Superior Court Judge Mitchell L. Beckloff in a case in which Hughes' only son and the trust's sole beneficiary, Alexander R. Hughes, is seeking to remove the trustees from administering the trust. Previous similar attempts by Suzan Hughes, Mark Hughes' third wife and Alexander Hughes' mother, have been unsuccessful.