

OHIO COURT OF APPEALS, NINTH JUDICIAL DISTRICT

Weygandt v. Ward

2013-Ohio-1937 (Ohio Ct. App. 2013) · No. 09-CV-0088; C.A. No. 12CA0004 · Decided May 13, 2013

SUMMARY

The Ninth District Court of Appeals of Ohio reviewed a challenge to Virgil Ward's sale of a 240-acre farm under a will granting him a power of sale. The court held that his discretion was limited by fiduciary duties to remainder beneficiaries and that the trial court properly considered the adequacy of consideration and evidence of fair market value. It affirmed in part and reversed in part, remanding for the trial court to determine whether statutory protections for good-faith purchasers under R.C. 5810.12(A) applied before voiding the transaction.

CASE DETAILS

|                       |                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| COURT                 | Ohio Court of Appeals, Ninth Judicial District                                                                                                                                                                                                                                                                                                                                                                                     |
| WRITING FOR THE COURT | Donna J. Carr; Whitmore, P.J.; Moore, J.                                                                                                                                                                                                                                                                                                                                                                                           |
| JURISDICTION          | Ohio                                                                                                                                                                                                                                                                                                                                                                                                                               |
| DECIDED               | May 13, 2013                                                                                                                                                                                                                                                                                                                                                                                                                       |
| DOCKET                | 09-CV-0088; C.A. No. 12CA0004                                                                                                                                                                                                                                                                                                                                                                                                      |
| DISPOSITION           | reversed_and_remanded                                                                                                                                                                                                                                                                                                                                                                                                              |
| PROCEDURAL POSTURE    | Appeal from a judgment of the Wayne County Court of Common Pleas that declared documents relating to the sale of a farm null and void after finding that Virgil Ward breached fiduciary duties owed to remainder beneficiaries.                                                                                                                                                                                                    |
| STANDARD OF REVIEW    | Questions concerning the scope of the law-of-the-case doctrine and interpretation of the governing statutory and fiduciary principles were reviewed as legal matters. The finding of breach was reviewed for sufficiency of the evidence and manifest weight of the evidence. Admission of evidence was reviewed for relevance and evidentiary correctness, and a protective discovery order was reviewed for abuse of discretion. |
| PRECEDENTIAL VALUE    | Published Ohio Court of Appeals decision                                                                                                                                                                                                                                                                                                                                                                                           |
| PARTIES               | Roger Baker, Diane Baker, Linda Flickinger v. Early Weygandt, et al.                                                                                                                                                                                                                                                                                                                                                               |

TOPICS

trust administration

trustee duties

breach of trust

remedies

appellate procedure

## PRACTICE AREAS

trusts

trust administration

real estate

remedies

evidence

appellate procedure

## QUESTIONS PRESENTED

1. Whether the Bakers could relitigate whether Virgil's power of sale was limited by fiduciary duties owed to the remainder beneficiaries.
2. Whether the trial court properly considered the adequacy of consideration in determining whether Virgil acted within his authority and breached his fiduciary duty.
3. Whether the trial court properly interpreted the will and considered the sale price and terms in evaluating Virgil's authority.
4. Whether the breach of fiduciary duty justified voiding the transaction rather than awarding damages, including whether the Bakers were protected under R.C. 5810.12(A).
5. Whether evidence of the farm's fair market value and expert appraisal testimony was relevant and admissible.
6. Whether the trial court abused its discretion by protecting two out-of-state plaintiffs from being required to travel to Ohio for oral depositions.

## HOLDINGS

1. The Bakers could not relitigate whether Virgil's power of sale was limited by fiduciary duties to the remainder beneficiaries; the prior appellate decision established that limitation as the law of the case.
2. Because Virgil owed fiduciary duties as an implied quasi-trustee, the trial court properly considered whether he received adequate consideration when selling the farm and whether the sale was made in good faith.
3. The trial court's determination that Virgil breached his fiduciary duty by selling the farm for a price far below its fair market value was supported by sufficient evidence and was not against the manifest weight of the evidence.
4. The trial court erred by voiding the conveyance without determining whether R.C. 5810.12(A) protected the Bakers as persons who dealt with a trustee in good faith and without knowledge that the trustee was exceeding his powers.
5. The trial court properly admitted evidence of the farm's fair market value and expert testimony concerning the value of a fee-simple interest because the evidence was relevant to whether the transaction's price and restrictions breached Virgil's fiduciary duty.
6. The trial court did not abuse its discretion by protecting two out-of-state plaintiffs from having to travel to Ohio for oral depositions, particularly because less burdensome discovery methods remained available.

## KEY QUOTATIONS

*“Rather, Virgil’s authority was limited by the duties he owed to the other beneficiaries as an implied trustee.”* (¶ 9)

*“We conclude that, because Virgil owed a fiduciary duty to his sisters, it was appropriate for the trial court, as part of its determination of whether Virgil breached his duty, to analyze whether he received adequate consideration when he sold the 240-acre farm.”* (¶ 12)

*“Upon review of the trial court’s decision, we conclude that it is incomplete.”* (¶ 21)

*“The judgment of the Wayne County Court of Common Pleas is affirmed in part and reversed in part, and this matter is remanded for that court to resolve that issue in the first instance.”* (¶ 32)

## FACTUAL BACKGROUND

Fred Ward’s will gave his wife a life estate and then gave his son, Virgil Ward, a life estate in the real property with a power to sell on terms he deemed advisable. The will required sale proceeds to be divided among Virgil and his four sisters or their descendants. Virgil sold a 240-acre farm to his niece and her husband, the Bakers, for \$240,000, while evidence accepted by the trial court valued the property at \$1,170,000; the transaction also reserved Virgil’s occupancy, imposed an agricultural easement, and gave Virgil the first \$50,000 in mortgage payments. The remainder beneficiaries challenged the transaction, and the trial court found that the sale breached Virgil’s fiduciary duty.

## PROCEDURAL HISTORY

In an earlier appeal, the Ninth District held that Virgil Ward, who held a life estate and power of sale, owed fiduciary duties to his sisters and their descendants as an implied quasi-trustee and remanded for a determination whether he acted within his authority. Following a trial, the common pleas court found that the farm was sold for grossly inadequate consideration and that the transaction breached Ward’s fiduciary duty, then voided the conveyance documents. The appellate court affirmed the rulings concerning fiduciary duty, consideration, evidence, and discovery, but reversed and remanded because the trial court had not analyzed whether the Bakers were protected as good-faith purchasers under R.C. 5810.12(A).

## DISPOSITION

reversed\_and\_remanded

## REMAND INSTRUCTIONS

The Wayne County Court of Common Pleas must determine in the first instance whether R.C. 5810.12(A) applies to protect the Bakers, including resolving whether the Bakers acted in good faith, lacked knowledge that Virgil exceeded or improperly exercised his powers, and determining the applicable burden of proof. The judgment was otherwise affirmed.

## CASES CITED

- Weygandt v. Ward, 9th Dist. No. 09CA0050, 2010-Ohio-2015

- Johnson v. Johnson, 51 Ohio St. 446 (1894)
- Neiswinter v. Nationwide Mut. Fire Ins. Co., 9th Dist. No. 23648, 2008-Ohio-37
- Nolan v. Nolan, 11 Ohio St.3d 1 (1984)
- Hubbard ex rel. Creed v. Sauline, 74 Ohio St.3d 402 (1996)
- Stevens v. Natl. City Bank, 45 Ohio St.3d 276 (1989)
- Commerce & Industry Ins. Co. v. Toledo, 45 Ohio St.3d 96 (1989)
- Rudy v. Bodenmiller, 2d Dist. No. 89 CA 54, 1990 WL 205109
- Peoples Bank Natl. Assn. v. Tome, 4th Dist. No. 10CA38, 2011-Ohio-5412
- FirstMerit Bank, N.A. v. Inks, 9th Dist. Nos. 25980, 26182, 2012-Ohio-5155
- Med. Mut. of Ohio v. Schlotterer, 122 Ohio St.3d 181, 2009-Ohio-2496
- Montrose Ford, Inc. v. Starn, 147 Ohio App.3d 256 (9th Dist. 2002)
- Alpha Benefits Agency, Inc. v. King Ins. Agency, Inc., 134 Ohio App.3d 673 (8th Dist. 1999)