SUPREME COURT OF VIRGINIA

Riverside Healthcare Association, Inc. v. Forbes

Riverside Healthcare Ass'n, Inc. v. Forbes, 709 S.E.2d 156 (Va. 2011) · No. Record No. 100108 · Decided April 21, 2011

SUMMARY

The Supreme Court of Virginia held that condemnation compensation received by a trust was properly allocated to income because the trust terms defined net income to include proceeds from the trust property, superseding the Uniform Principal and Income Act's default allocation to principal. The court also held that the remainder beneficiary adequately stated a claim for an equitable accounting under Virginia Code § 8.01-31. The judgment was affirmed in part, reversed in part, and remanded.

CASE DETAILS

COURT	Supreme Court of Virginia
WRITING FOR THE COURT	Chief Justice Cynthia D. Kinser; Cynthia D. Kinser, C.J.; Lemons, J.; Goodwyn, J.; Millette, J.; Mims, J.; Koontz, S.J.
JURISDICTION	Virginia
DECIDED	April 21, 2011
DOCKET	Record No. 100108
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Riverside appealed from a circuit court judgment that granted the trustee partial summary judgment on allocation of eminent-domain compensation and sustained the trustee's demurrer to Riverside's equitable-accounting claim.
STANDARD OF REVIEW	Questions involving interpretation of the trust and the Uniform Principal and Income Act were reviewed de novo. The sustaining of a demurrer was also reviewed de novo because it presented a question of law.
PRECEDENTIAL VALUE	Published opinion; binding Virginia Supreme Court precedent.
PARTIES	Riverside Healthcare Association, Inc., Molly E. Trant v. Sarah E. Forbes, T. Christian Henderson, Molly E. Trant, Sarah E. Forbes Riverside Trust

TOPICS

trusts | trustee duties | eminent domain | accounting | statutory interpretation

PRACTICE AREAS

trusts and estates | trust administration | eminent domain | civil procedure | remedies

QUESTIONS PRESENTED

1. Whether the trust terms allocated eminent-domain compensation to income despite the Uniform Principal and Income Act's default rule allocating proceeds of property taken by eminent domain to principal.
2. Whether Riverside stated a claim for an equitable accounting under Code § 8.01-31.
3. Whether the circuit court improperly considered an accounting that was not attached to or incorporated into the pleading when ruling on the demurrer.

HOLDINGS

1. The trust's provision defining net income to include any proceeds from the trust property allocated the condemnation compensation to income. Because the trust terms supplied a different allocation rule, the Uniform Principal and Income Act's default rule allocating eminent-domain proceeds to principal did not apply.
2. Riverside sufficiently stated a claim for an equitable accounting under Code § 8.01-31 by alleging that the fiduciary failed to pay required property taxes and storm-water fees, resulting in an overstatement of net income and receipt of more than the fiduciary's just share.

KEY QUOTATIONS

> *“the act provides only "default rules and that provisions in the terms of the trust are paramount."”* (158)

> *“By doing so, the Grantor allocated those receipts to income, and the Trustee is required to administer the Trust in accordance with its terms.”* (162)

> *“In determining whether the pleading states a cause of action, the court may also examine any exhibits accompanying the pleading.”* (163)

FACTUAL BACKGROUND

Sarah E. Forbes created an inter vivos trust that held approximately seven acres of real property in Newport News and prohibited sale of the property except to a condemnor. The trust directed distribution of all net income generated by the trust and trust property to Forbes during her lifetime and defined net income to include funds generated by or proceeds from the trust property, less specified expenses. In 2008, Virginia acquired part of the property through eminent domain, creating a dispute between the trustee and remainder beneficiary Riverside over whether the condemnation compensation was principal or income. Riverside also alleged that the trustee failed to timely pay certain property taxes and storm-water fees, allegedly overstating net income.

PROCEDURAL HISTORY

The trustee sought declaratory relief concerning whether condemnation compensation received for trust property should be distributed as income to the grantor or allocated to trust principal. Riverside asserted the compensation was principal and counterclaimed for declaratory relief, trustee removal, and an equitable accounting under Code § 8.01-31. The circuit court granted the trustee partial summary judgment on the allocation issue and sustained the demurrer to the accounting claim. The Supreme Court of Virginia affirmed in part, reversed in part, and remanded.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

Remanded for further proceedings on Riverside's claim for an equitable accounting under Code § 8.01-31.

CASES CITED

- Venables v. Seattle-First Nat'l Bank, 60 Wash. App. 941, 808 P.2d 769 (1991)
- Briel v. Moody, 77 N.J. Super. 306, 186 A.2d 314 (N.J. Super. Ct. Ch. Div. 1962)
- Kumberg v. Kumberg, 232 Kan. 692, 659 P.2d 823 (1983)
- Manufacturers Trust Co. v. Roanoke Water Works Co., 172 Va. 242, 1 S.E.2d 318 (1939)
- Keener v. Keener, 278 Va. 435, 682 S.E.2d 545 (2009)
- Horner v. Department of Mental Health, 268 Va. 187, 597 S.E.2d 202 (2004)
- Glazebrook v. Board of Supervisors, 266 Va. 550, 587 S.E.2d 589 (2003)
- Harbour v. SunTrust Bank, 278 Va. 514, 685 S.E.2d 838 (2009)
- Wallace v. Wallace, 168 Va. 216, 190 S.E. 293 (1937)
- Rady v. Staiars, 160 Va. 373, 168 S.E. 452 (1933)
- PMA Capital Ins. Co. v. U.S. Airways, Inc., 271 Va. 352, 626 S.E.2d 369 (2006)
- D.C. McClain, Inc. v. Arlington County, 249 Va. 131, 452 S.E.2d 659 (1995)
- Chase v. The Union Nat'l Bank of Lowell, 275 Mass. 503, 176 N.E. 508 (1931)
- Gould v. Lewis, 267 Ill. App. 569 (1932)
- Estate of Reynolds, 494 Pa. 616, 432 A.2d 158 (1981)
- TC MidAtlantic Dev. v. Commonwealth, 280 Va. 204, 695 S.E.2d 543 (2010)
- Dodge v. Trustees of Randolph-Macon Woman's Coll., 276 Va. 1, 661 S.E.2d 801 (2008)
- Fun v. Virginia Military Inst., 245 Va. 249, 427 S.E.2d 181 (1993)