SUPREME COURT OF ARKANSAS

Bailey v. Delta Trust & Bank, 359 Ark. 424

198 S.W.3d 506 (2004) · No. No. 04-411 · Decided November 18, 2004

SUMMARY

The Supreme Court of Arkansas interpreted provisions of an irrevocable trust concerning the trustee's obligations to provide for the surviving spouse's care and to pay her valid debts and obligations. The court also upheld the rejection of remainder beneficiaries' claims for waste, bad faith, and breach of fiduciary duty. In addition, it addressed the amount and nature of the supersedeas bond required during the appeal.

CASE DETAILS

COURT	Supreme Court of Arkansas
WRITING FOR THE COURT	Tom Glaze, Justice
JURISDICTION	Arkansas
DECIDED	November 18, 2004
DOCKET	No. 04-411
DISPOSITION	other
PROCEDURAL POSTURE	Direct appeal by the remainder beneficiaries from a circuit-court order interpreting a trust, rejecting their cross-claims, and setting a supersedeas bond; cross-appeal by the life beneficiary challenging a conditional award of attorney fees to the remainder beneficiaries.
STANDARD OF REVIEW	Trust interpretation is governed by the settlor's intent and, when the trust is unambiguous, the plain meaning of its language. The setting of a supersedeas bond is reviewed for abuse of discretion; abuse requires more than mere error and requires action that is improvident, thoughtless, or without due consideration.
PRECEDENTIAL VALUE	Published Arkansas Supreme Court opinion; precedential
PARTIES	Frank A. Bailey, Jr., Christy Anne B. Chilcott v. Delta Trust & Bank, successor trustee to Union National Bank n/k/a Bank of America, N.A., as trustee of the Frank A. Bailey Irrevocable Trust, Doris H. Bailey

TOPICS

trusts · trustee duties · beneficiary litigation · appellate procedure · attorney fees

PRACTICE AREAS

Trusts and estates · Appellate procedure · Civil procedure · Attorney fees

QUESTIONS PRESENTED

1. Whether the trust required the trustee to provide first and foremost for Doris Bailey's care, comfort, support, maintenance, medical care, and valid debts and obligations, without requiring her to exhaust her own resources or submit proof of her financial condition.
2. Whether the evidence supported the remainder beneficiaries' claims that Doris wasted trust assets, acted in bad faith, or breached a duty to preserve the trust corpus.
3. Whether the circuit court properly exercised its discretion in setting the supersedeas bond at $181,792.28 and requiring continued support payments during the appeal.
4. Whether the circuit court could conditionally award attorney fees to Frank and Christy when they did not prevail on the appeal.

HOLDINGS

1. The trust required the trustee to provide first and foremost for Doris's care, comfort, support, maintenance, and medical care and to pay her valid debts and obligations; Doris was not required to exhaust her own assets or provide evidence of her financial condition before receiving trust funds.
2. The trial court properly dismissed the remainder beneficiaries' cross-claims because they failed to present a prima facie case that Doris acted in bad faith or intended to waste the trust assets.
3. The circuit court did not abuse its discretion by requiring a supersedeas bond of $181,792.28, calculated to secure the judgment, interest, delay damages, and Doris's support during the appeal.
4. The circuit court erred by conditionally awarding attorney fees to Frank and Christy because they were not prevailing parties.

KEY QUOTATIONS

> “*We conclude that the trial court properly interpreted the Trust agreement as requiring the Trustee to provide first and foremost for Dottie's "care, comfort, support, maintenance, and medical care" and her "valid debts and obligations."*” (198 S.W.3d 506, 515)

> “*Because Frank and Christy were not prevailing parties, the trial court erred in awarding them fees, even in the conditional manner in which it did so here.*” (198 S.W.3d 506, 520)

FACTUAL BACKGROUND

Frank A. Bailey, Sr. created a revocable trust that became irrevocable at his death. His wife, Doris, was the sole lifetime beneficiary, while his two adult children, Frank and Christy, were remainder beneficiaries. The trust authorized payments for Doris's care, comfort, support, maintenance, and medical care and separately directed the trustee to pay her valid debts and obligations. After Doris sought reimbursement for essentially all of her expenses, the trustee sought judicial instructions regarding the scope of its duties.

PROCEDURAL HISTORY

Delta Trust and Bank, acting as successor trustee, petitioned the Pulaski County Circuit Court for instructions concerning whether the trust required reimbursement of all of Doris Bailey's valid debts and obligations or only expenses the trustee deemed proper or necessary for her care and support. The circuit court interpreted the trust as imposing duties under both subsections 3(b) and 3(c), ordered payment of $91,778.84 to Doris, denied the remainder beneficiaries' claims for waste, bad faith, and breach of duty, and set a supersedeas bond of $181,792.28. The court also conditionally awarded attorney fees to Frank and Christy. The Supreme Court affirmed the direct appeal but reversed the attorney-fee award on cross-appeal.

DISPOSITION

other

CASES CITED

- Aycock Pontiac, Inc. v. Aycock, 335 Ark. 456, 983 S.W.2d 915 (1998)
- In re Estate of Lindsey, 309 Ark. 596, 832 S.W.2d 808 (1992)
- Estate of Wells v. Sanford, 281 Ark. 242, 663 S.W.2d 174 (1984)
- Martin v. Simmons First National Bank, 250 Ark. 774, 467 S.W.2d 165 (1971)
- Acklin v. Riddell, 42 Ark. App. 230, 856 S.W.2d 322 (1993)
- C. & A. Construction Co. v. Benning Construction Co., 256 Ark. 621, 509 S.W.2d 302 (1974)
- Cross v. Pharr, 215 Ark. 463, 221 S.W.2d 24 (1949)
- Alexander v. Alexander, 262 Ark. 612, 561 S.W.2d 59 (1978)
- Ryder Truck Rental, Inc. v. Sutton, 305 Ark. 374, 807 S.W.2d 909 (1991)
- Schramm v. Piazza, 53 Ark. App. 99, 918 S.W.2d 733 (1996)
- Home Mutual Fire Insurance Co. v. Jones, 62 Ark. App. 182, 969 S.W.2d 675 (1998)
- O'Neal v. State, 356 Ark. 674, 158 S.W.3d 175 (2004)
- Nazarenko v. CTI Trucking Co., 313 Ark. 570, 856 S.W.2d 869 (1993)
- Goodin v. Goodin, 240 Ark. 541, 400 S.W.2d 665 (1966)
- Rogers v. Rogers, 80 Ark. App. 430, 97 S.W.3d 429 (2003)
- Hartford Fire Insurance Co. v. Sauer, 358 Ark. 89, 186 S.W.3d 229 (2004)
- Carroll Electric Cooperative Corp. v. Carlton, 319 Ark. 555, 892 S.W.2d 496 (1995)
- Chrisco v. Sun Industries, Inc., 304 Ark. 227, 800 S.W.2d 717 (1990)
- Burnette v. Perkins & Associates, 343 Ark. 237, 33 S.W.3d 145 (2000)
- Hewitt v. Helms, 482 U.S. 755, 107 S. Ct. 2672, 96 L. Ed. 2d 654 (1987)
- Ghegan & Ghegan v. Barclay, 345 Ark. 514, 49 S.W.3d 652 (2001)
- Junkin v. Northeast Arkansas Internal Medicine Clinic, 344 Ark. 544, 42 S.W.3d 432 (2001)