INDIANA SUPREME COURT

Harold O. Fulp, Jr. v. Nancy A. Gilliland

998 N.E.2d 204 (Ind. 2013) · No. 41S01-1306-TR-426 · Decided November 22, 2013

SUMMARY

The Indiana Supreme Court held that, while a revocable trust remains revocable and the settlor has capacity to revoke it, the trustee's fiduciary duties are owed exclusively to the settlor and not to remainder beneficiaries. Ruth Fulp therefore could sell trust property below market value without breaching a duty to her children, and the sale did not amend the trust. The court reversed and remanded with instructions to grant Harold Fulp Jr. specific performance of the purchase agreement.

CASE DETAILS

COURT	Indiana Supreme Court
WRITING FOR THE COURT	Rush, Justice; Dickson, Chief Justice; Rucker, Justice; David, Justice; Massa, Justice
JURISDICTION	Indiana
DECIDED	November 22, 2013
DOCKET	41S01-1306-TR-426
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Appeal from a bench-trial judgment denying specific performance of a farm purchase agreement; transfer was granted from the Indiana Court of Appeals.
STANDARD OF REVIEW	Trust and statutory interpretation are reviewed de novo. Denial of specific performance is reviewed for abuse of discretion. Findings and judgment are not set aside unless clearly erroneous under Indiana Trial Rule 52(A).
PRECEDENTIAL VALUE	published precedential opinion
PARTIES	Harold O. Fulp, Jr. v. Nancy A. Gilliland

TOPICS

trusts · trustee duties · breach of trust · specific performance · appellate procedure

PRACTICE AREAS

trusts · estate planning · real estate · contracts · remedies · appellate procedure

QUESTIONS PRESENTED

1. Whether the trustee of a fully revocable trust owes fiduciary duties to remainder beneficiaries while the trust remains revocable.
2. Whether Ruth's sale of the farm breached fiduciary duties under the trust or the Indiana Trust Code.
3. Whether the purchase agreement effectively amended the revocable trust.
4. Whether Harold Jr. was entitled to specific performance of the purchase agreement.
5. Whether Nancy tortiously interfered with the contractual relationship.

HOLDINGS

1. While a trust is revocable and the settlor has capacity to revoke it, the trustee's duties are owed exclusively to the settlor; the trustee does not owe fiduciary duties to remainder beneficiaries.
2. Ruth did not breach a fiduciary duty by selling the farm for less than fair market value because she owed no fiduciary duty as trustee to her remainder-beneficiary children.
3. The purchase agreement did not amend the trust because no amendment was necessary, Ruth signed it expressly as trustee, and it did not manifest clear and convincing evidence of an intent to change the trust's terms.
4. Harold Jr. was entitled to specific performance of the farm purchase agreement, and the trial court abused its discretion by denying that relief based on the supposed fiduciary-duty breaches.
5. Nancy did not tortiously interfere with the contractual relationship.

KEY QUOTATIONS

> *"We conclude, though, that neither the terms of Ruth's trust nor the Indiana Trust Code require her to serve two masters—her duty as trustee was only to herself."* (at 1)

> *"While a trust is revocable . . . , rights of the beneficiaries are subject to the control of, and the duties of the trustee are owed exclusively to, the settlor."* (at 5)

> *"We conclude that under the terms of the Trust and the Trust Code Ruth owed her children no fiduciary duties and was free to sell her farm at less than fair market value; and that Harold Jr. is therefore entitled to specific performance."* (at 9)

FACTUAL BACKGROUND

Ruth Fulp placed her family farm in a revocable trust naming herself as settlor, trustee, and primary beneficiary, with her three children designated to receive remaining assets at her death. As she aged and moved to the Indiana Masonic Home, Ruth agreed to sell the farm to her son Harold Jr. for $450,252, a discounted price intended to fund her care while keeping the farm in the family; a later appraisal valued the farm at more than $1 million. Before closing, Ruth resigned as trustee, Nancy became successor trustee, refused to complete the sale, and Harold sought specific performance and damages for tortious interference.

PROCEDURAL HISTORY

The Johnson Superior Court found that Ruth Fulp breached fiduciary duties to her children by selling trust property to Harold Fulp, Jr. below market value and that Harold breached a beneficiary fiduciary duty, and it denied specific performance. The Indiana Court of Appeals affirmed the result on the fiduciary-duty issue but concluded that Ruth had effectively amended the trust as settlor and held that Nancy had not tortiously interfered with the contract. The Indiana Supreme Court granted transfer, rejected the Court of Appeals' reasoning regarding amendment and fiduciary duties, adopted its conclusion on tortious interference, and reversed and remanded with instructions to grant specific performance.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

Reverse the trial court's judgment and remand with instructions to grant specific performance of the purchase agreement.

CASES CITED

- Univ. of S. Ind. Found. v. Baker, 843 N.E.2d 528 (Ind. 2006)
- Kaser v. Barker, 811 N.E.2d 930 (Ind. Ct. App. 2004), trans. denied
- Fulp v. Gilliland, 972 N.E.2d 955 (Ind. Ct. App. 2012), trans. granted, 988 N.E.2d 797
- Breeze v. Breeze, 428 N.E.2d 286 (Ind. Ct. App. 1981)
- Kesling v. Kesling, 967 N.E.2d 66 (Ind. Ct. App. 2012), trans. denied
- In re Walz, 423 N.E.2d 729 (Ind. Ct. App. 1981)
- Hauck v. Second Nat. Bank of Richmond, 153 Ind. App. 245, 286 N.E.2d 852 (1972)
- Moon v. Lesikar, 230 S.W.3d 800 (Tex. App. 2007)
- Brundage v. Bank of Am., 996 So. 2d 877 (Fla. Dist. Ct. App. 2008)
- In re Stephen M. Gunther Revocable Living Trust, 350 S.W.3d 44 (Mo. Ct. App. 2011)
- Ex Parte Synovus Trust Co., 41 So. 3d 70 (Ala. 2009)
- Marshall Cnty. Tax Awareness Comm. v. Quivey, 780 N.E.2d 380 (Ind. 2002)
- Kesler v. Marshall, 792 N.E.2d 893 (Ind. Ct. App. 2003), trans. denied
- State v. Willits, 773 N.E.2d 808 (Ind. 2002)
- Marion Cnty. Auditor v. Sawmill Creek, LLC, 964 N.E.2d 213 (Ind. 2012)