

I.

Rutilo Vargas Amaro (Vargas)¹ suffered severe injuries in a sugarcane field burn-off. He sued the field's owners, Rio Grande Valley Sugar Growers, Inc. (Sugar Growers), for negligence in the 206th district court and received a substantial settlement. In 1989, the district court adjudged Vargas incapacitated as defined by section 142.007 of the Texas Property Code, and, on Vargas's guardian's motion, the court created a trust for him under section 142.005 of the Code. The trust document provided that the trust would terminate when Vargas regained capacity, and the district court's decree stated that the trust would "take effect immediately to remain in full force and effect until further orders of this Court." TSB served as trustee during the trust's nine-year existence.

In May 1997, Vargas filed a "Motion for Termination of Trust" in the 206th district court, alleging that he had regained capacity. In September 1997, before the 206th district court had ruled on Vargas's motion, the 370th District Court of Hidalgo County issued an order in Vargas's uncontested divorce action decreeing that Vargas was fully capable of acting as sole managing conservator for his minor child and suffered no incapacity. Five days after the 370th district court issued its order, Vargas filed a motion with the 206th district court to withdraw his request to terminate the trust and, the following day, he filed a notice of nonsuit in the 206th district court. Vargas then sent a letter to TSB, demanding that TSB release the trust funds due to the divorce court's adjudication of his regained capacity. In the letter, Vargas threatened TSB

¹ The court of appeals referred to Rutilo Vargas Amaro as "Vargas." For the sake of consistency, we do the same.

with legal action if TSB did not promptly comply with the request.

TSB responded by tendering the trust funds to the 206th district court and filing a “Motion Regarding the Rutilo Vargas Amaro Trust for Declaratory Judgment and for Other Relief” under the caption of the original personal-injury suit between Vargas and Sugar Growers. In this motion, filed September 18, 1997, TSB asked the court: (1) to determine if the trust was terminated because of Vargas’s regained capacity; (2) to allow TSB to resign as trustee and to appoint a substitute trustee in case the trust was not terminated; (3) to “approve final accountings to be submitted to the Court;” and (4) to order any “other and further relief, at law or in equity, to which TSB may be justly entitled.” TSB alleged jurisdiction under Chapter 142 of the Texas Property Code, the Texas Uniform Declaratory Judgments Act,² and section 115.001 of the Texas Trust Code.³

On October 6, Vargas filed a plea to the jurisdiction arguing that the 206th district court did not have continuing jurisdiction over the trust, and that the 370th district court had jurisdiction to determine Vargas’s capacity. At the same time, he filed a “Notice of Determination of Capacity” with the 206th district court. Vargas informed the court that the 370th district court had found capacity and argued that the trust had terminated by its own terms.

Vargas then filed a new suit against TSB in the 93rd District Court, also in Hidalgo County. This suit alleged that TSB had committed fraud, breach of fiduciary duty, negligence, breach of the duty of good

² TEX. CIV. PRAC. & REM. CODE § 37.005.

³ TEX. PROP. CODE § 115.001 (providing for the original and exclusive jurisdiction of a district court “over all proceedings concerning trusts, including proceedings to: . . . (4) determine the powers, responsibilities, duties, and liability of a trustee”).

faith and fair dealing, breach of contract, and DTPA violations in administering the trust. Some of TSB's alleged misconduct, according to Vargas, had to do with improper and imprudent investment decisions, failing to keep Vargas fully informed of trust decisions, and failing to keep proper records regarding the trust. This suit is still pending and discovery is proceeding.

On November 25, 1997, the 206th district court denied Vargas's plea to the jurisdiction and claimed jurisdiction "to any matter pertaining to the assets of Mr. Rutilo Vargas as it relates to matters of his Trust." On February 26, 1998, Vargas filed a "Supplemental Notice of Determination of Capacity and Request for Release of Monies Owed to Rutilo Vargas Amaro" and scheduled a hearing for March 11, 1998. Through a letter to the court coordinator, sent six days before the hearing date, TSB gave notice that it was also scheduling a hearing on its "Motion Regarding the Rutilo Vargas Amaro Trust for Declaratory Judgment and for Other Relief." Vargas objected to TSB's request to have the 206th district court "make final legal determinations," arguing that the notice requirements of Texas Rule of Civil Procedure 245 were not met.

The 206th district court held hearings on both parties' motions and, on March 17, issued an "Order Terminating Trust, Approving Trust Administration, Investment Philosophy, Accounting, Actions and Fees, and Discharging Trustee Relating to the Rutilo Vargas Amaro Trust." In this order, the court terminated the trust due to Vargas's regained capacity and approved all accountings TSB presented, including all distributions TSB made, all fees TSB received, and all fees, costs, and expenses TSB paid. In addition, the court approved TSB's investment philosophy and ordered that "[s]ubject to the payment to Vargas . . . as directed above, the Court discharges TSB as trustee and releases TSB as trustee from any liability

to the Trust or to Vargas.”

Vargas appealed, complaining that the 206th district court erred in absolving TSB of liability for its handling of the trust. Vargas argued that the Declaratory Judgments Act could not expand the district court’s jurisdiction over the trust to allow it to adjudicate Vargas’s tort claims against TSB. The court of appeals agreed, and modified the district court’s judgment by reversing those parts of the district court’s order: (1) approving all distributions, fees, costs, and expenses TSB paid, except for the fees, costs, and expenses relating to the trust’s termination; (2) approving TSB’s investment philosophy; and (3) absolving TSB from any liability to Vargas or the Vargas trust. 28 S.W.3d at 796.

TSB filed a petition for review, asking this Court to resolve four issues: 1) Did the 206th district court exercise continuing jurisdiction over the Chapter 142 trust that it created, and thus have jurisdiction to issue its declaratory judgment in connection with the trust, related issues, and parties? 2) Did the 206th district court have jurisdiction to and properly approve the investment philosophy, distributions, and expenses of the trustee of the Vargas trust, to discharge the trustee from liability, and to issue its declaratory relief? 3) Did Vargas waive his argument concerning the proper scope of declaratory relief by failing to make the argument to the district court? and, 4) Did Vargas waive his arguments by accepting payment under the judgment?

II.

We first consider the district court’s jurisdiction over a trust created under Texas Property Code section 142.005. By filing a motion under the caption of the original *Sugar Growers* personal- injury suit, TSB invoked the 206th district court’s continuing jurisdiction over the trust created in that suit. TSB’s

motion specifically requested the 206th district court to determine whether the trust was terminated due to Vargas's regained capacity, to allow TSB to resign if the trust was not terminated, and to approve TSB's final accounting of the trust.

Chapter 142 provides that the trust will continue until terminated or revoked, and allows the court to amend, modify, or revoke the trust at any time before its termination. TEX. PROP. CODE § 142.005 (d),(f). The 206th district court's decree creating the trust stated that the trust would "take effect immediately to remain in full force and effect until further orders of this court." And the trust document itself provides that the "Court shall retain the right at any time before the termination of this trust to amend, alter, modify, or revoke this trust." Taken together, these documents invoke the 206th district court's continuing jurisdiction over the trust under Chapter 142. Therefore, the 206th district court had continuing jurisdiction over the Vargas trust until such time that it terminated the trust. Thus, although the 370th district court adjudicated Vargas's capacity in the divorce action, the 206th had jurisdiction to consider whether he regained capacity such that the trust was terminated, and the trust did not terminate until the 206th so decreed.

III.

Having determined that the 206th district court had continuing jurisdiction to determine issues related to the trust and its termination, we now consider whether the court properly exercised that jurisdiction by ordering the relief that it did. As noted, the district court has continuing jurisdiction to supervise, modify, revoke, and terminate the trust. Further, section 142.005(b)(4) provides that the trust terminates when the beneficiary regains capacity and section 142.005(e) provides that upon the trust's termination the principal

and undistributed income shall be paid to the beneficiary. In this case, neither capacity nor the district court's order terminating the trust are disputed. The question here is whether the remainder of the district court's order — specifically, approval of TSB's accounting, approval of TSB's investment philosophy, and absolving TSB of liability — was properly granted.

To determine the corpus due to the beneficiary, the trustee may provide the terminating court with a final accounting of the trust funds for examination. In its motion to the 206th district court, TSB asked the court to “approve final accountings to be submitted to the Court.” Property Code section 113.152 provides what an accounting should contain.

A written statement of accounts shall show:

- (1) all trust property that has come to the trustee's knowledge or into the trustee's possession and that has not been previously listed or inventoried as property of the trust;
- (2) a complete account of receipts, disbursements, and other transactions regarding the trust property for the period covered by the account, including their source and nature, with receipts of principal and income shown separately;
- (3) a listing of all property being administered, with an adequate description of each asset;
- (4) the cash balance on hand and the name and location of the depository where the balance is kept; and
- (5) all known liabilities owed by the trust.

TEX. PROP. CODE § 113.152. In the context of a terminating trust, the statutory requirements for an accounting form the basis for a winding up of the trust to ascertain the balance due to the beneficiary. Nowhere does section 113.152 mention investment philosophy or potential tort liability to the beneficiary with regard to an accounting. Thus, these determinations are not components of an accounting.

Accordingly, although the 206th district court's approval of TSB's accounting was appropriate under TSB's motion to the court, the 206th district court's approving TSB's investment philosophy and absolving TSB's liability were not. The 206th district court improperly granted relief that TSB did not request. TSB's motion asked the district court only to determine whether the trust was terminated, to remove TSB as trustee if the trust was not terminated, and to approve TSB's final accounting. In its motion, TSB did not ask the district court to adjudicate TSB's potential tort liability as trustee, nor to approve TSB's investment philosophy, and therefore the district court should not have ruled on these issues. We conclude that the court of appeals was correct in reversing those parts of the district court's order.

IV.

The court of appeals further modified the district court's order by reversing that part of the order approving all distributions, fees, costs, and expenses TSB paid from the Vargas trust except those relating to the trust's termination. But Chapter 142 of the Property Code gives the court of continuing jurisdiction the power to approve the trustee's fees. TEX. PROP. CODE § 142.005 (b)(6). And because the distributions, costs, and expenses of a trust would be "disbursements" under Property Code section 113.152(2), and therefore properly part of the trustee's accounting, we hold that the court of appeals erred by reversing that part of the district court's order. Accordingly, we reinstate that part.

V.

TSB argues that Vargas waived his objections to the proper scope of the declaratory relief the district court granted by failing to make the argument to the district court. We disagree. The error is that the district court's order exceeded the relief TSB's motion requested. Vargas objected at the March

hearing to the introduction and consideration of evidence that went beyond TSB's request for relief. And, Vargas's brief to the court of appeals clearly objected to the fact that the district court went far beyond the scope of TSB's motion in its final order. Vargas properly preserved his objections.

VI.

Finally, TSB argues that Vargas waived his objection to the district court's judgment by accepting payment of his trust monies under that judgment. This Court, in *Carle v. Carle*, stated that a "litigant cannot treat a judgment as both right and wrong, and if he has voluntarily accepted the benefits of a judgment, he cannot afterward prosecute an appeal therefrom." 234 S.W.2d 1002, 1004 (Tex. 1950). There is a narrow exception to this rule that as long as an appellant "accepts only that which appellee concedes, or is bound to concede, to be due him under the judgment he is not estopped to prosecute an appeal which involves only his right to a further recovery." *Id.*

Here, neither side disputes that capacity was regained and that the trust should have been terminated. And neither party argues with the winding up of the trust and the distribution of the corpus. Vargas contested only the district court's ability to rule on TSB's potential tort liability to Vargas as trustee. Therefore, Vargas's acceptance of the trust corpus is not inconsistent with his position and falls within the *Carle* exception.

VII.

In sum, we conclude that under Property Code section 142.005 and the trust documents, the district court had continuing jurisdiction to rule on the issues requested by TSB's motion; specifically, the 206th district court had jurisdiction in this case to terminate the trust and to approve TSB's final accounting,

including all distributions, fees, costs, and expenses of the trust. We hold that the 206th district court's order exceeded, in part, the relief TSB requested and should not have encompassed approving TSB's investment philosophy, nor ruling on TSB's potential tort liability to Vargas. We modify the court of appeal's judgment by reinstating that part of the 206th district court's order approving the distributions, fees, costs, and expenses TSB paid from the Vargas Trust. Accordingly, we affirm the court of appeal's judgment, as modified.

XAVIER RODRIGUEZ
JUSTICE

OPINION DELIVERED: March 28, 2002