

IN THE COURT OF APPEALS OF IOWA

No. 6-102 / 05-0950
Filed April 26, 2006

**IN RE THE MARRIAGE OF KARIN WINWOOD
and DAVID WINWOOD,**

**Upon the Petition of
KARIN WINWOOD,**
Petitioner-Appellee/Cross-Appellant,

**And Concerning
DAVID WINWOOD,**
Respondent-Appellant/Cross-Appellee.

Appeal from the Iowa District Court for Iowa County, Thomas M. Horan,
Judge.

David Winwood appeals and Karin Winwood cross-appeals from the
property distribution included in the parties' dissolution decree. **AFFIRMED.**

Richard D. Stochl of Elwood, O'Donohoe, Stochl, Braun & Churbuck, New
Hampton, for appellant.

Thomas M. Buchanan of Elwood, Elwood & Buchanan, Williamsburg, for
appellee.

Heard by Zimmer, P.J., and Hecht and Eisenhauer, JJ.

HECHT, J.

David Winwood appeals and Karin Winwood cross-appeals from the property distribution included in the parties' dissolution decree. We affirm.

I. Background Facts and Proceedings.

David and Karin Winwood were married for thirty-two years. Beginning in 1974, David worked as a research agronomist for Holden's Foundation Seeds (Holden), a very successful family-owned corporation in the business of producing parent corn seed stock and corn germ plasm. For the majority of his tenure, David worked long hours for Holden for which he earned a modest salary.¹ David testified that Holden was a family-oriented business that treated its employees very well if they in turn were loyal and dedicated workers.

Karin also worked outside the home, earning approximately \$30,000 per year working in a local bank. Her total earnings over the course of the marriage were approximately \$760,000. Karin also took on the venerable task of caring for the Winwood's two children, both of whom have since reached majority, enabling David to work the long hours required by Holden and to commit himself to the role of primary wage earner. The parties estimate their net worth was \$650,000 as of 1996.

In 1997, Monsanto Inc., approached Holden with an offer to purchase Holden and its facilities. Following negotiations, Monsanto agreed to purchase Holden for \$945 million. Holden, although under no legal obligation to do so,

¹ The record suggests that during the prime breeding season, David would work as many as eighty hours a week. His position with Holden also required extended periods of travel. At the inception of his career, David earned approximately \$10,000 per year. By 1995, David was earning approximately \$85,000 per year.

insisted that a portion of the sale price be paid to the Holden employees. This was accomplished when \$180 million of the purchase price paid by Monsanto was deposited into a bonus trust for Holden employees.

Representatives from Holden stated the bonus trust was established to reward Holden employees for the increase in value of the corporation. The amount of each employee's share of the bonus trust was determined by multiplying by nineteen the balance of the employee's profit sharing plan previously created by Holden. Each employee's share of the trust could be augmented further at the discretion of Holden by the allocation of a portion of the sale price designated as Holden's "discretionary fund."

Given the size of the trust and the small number of employees to which it would be distributed, Monsanto was reasonably concerned that upfront distributions to former Holden employees would cause key employees to retire earlier than expected, lowering the value of the research company they had purchased. Monsanto therefore agreed to increase the corpus of the bonus trust to \$200 million in exchange for the addition of contingencies pertaining to the vesting of the employees' interests in the bonus trust. In order to receive the maximum distribution from the trust, each employee not yet of retirement age would be required to maintain satisfactory work performance for Monsanto over the course of several years.²

² The initial payment of \$180 million into the trust represented a portion of the purchase price paid by Monsanto to Holden. The subsequent contribution of \$20 million to the trust made by Monsanto was in excess of the purchase price paid to Holden. Of the initial payment, one-sixth of each employee's share vested in 1997 if the employee remained satisfactorily employed by Monsanto, with another one-sixth vesting on the same basis in 1998, and the remaining two-thirds vesting equally in 1998 and 1999. The subsequent contribution was allocated to those employees who remained satisfactorily

David received total distributions of \$7,540,152 from the trust. This included \$6,811,136 from the initial contribution derived from the sale price paid to Holden, \$729,016 from the subsequent contribution made by Monsanto to induce employment persistency, and an additional \$250,000 from the Holden discretionary fund. Because David maintained his employment with Monsanto, his trust account had fully vested by December of 2002.³

In June of 2004, Karin filed this dissolution action. At the time of trial, the parties had together accumulated property with a net value of \$4,958,951.68. At trial, David contended the payments from the bonus trust should be set aside to him as gifts. David contended that Holden was under no legal obligation to create the bonus trust, and the company's shareholders would have received an additional \$180 million but for Holden's insistence that such amount be given to the company's faithful employees. David also argued that but for his excellent work at Holden the generous bonus would not have been received, and he and Karin would have accumulated a much smaller estate.⁴ The district court, however, refused to set aside the entire proceeds from the bonus trust as a gift to David. Instead, the district court allocated to Karin marital assets valued at \$934,666.86. The court allocated to David marital assets valued at

employed through 2001, with one-half vesting in 2000 and the balance vesting in 2001. Each of the installment payments from the trust were treated as W-2 income to the employee recipients. None of the former Holden shareholders paid gift taxes on the bonus trust funds.

³ It appears that the installment payments from the bonus trust were used by the Winwoods to fund numerous non-retirement accounts and to purchase and maintain real estate obtained during the marriage.

⁴ David contends the estate would have been approximately \$1,350,000 but for the bonus trust proceeds.

\$3,954,634.79, and ordered him to pay the sum of \$1,141,232.66 to Karin. Thus, the dissolution decree allocated to David approximately 57% of the marital assets, leaving Karin with approximately 43%.

Both parties appeal the district court's marital property division seeking a greater share of the marital estate. David appeals, seeking to have the proceeds remaining from the bonus trust payments set aside as his personal property. Karin cross-appeals, seeking what is essentially a statistically equal division of the marital property, including the bonus trust proceeds. She notes that the parties were married for more than thirty-two years during which Karin (1) handled the parties' finances, (2) maintained a full-time job, and (3) took the role of primary care-giver for the children and maintained the household.

II. Scope and Standard of Review.

We review the financial aspects of a dissolution decree de novo. Iowa R. App. P. 6.4. We review the entire record and adjudicate anew all economic issues properly presented on appeal. *In re Marriage of Steenhoek*, 305 N.W.2d 448, 452 (Iowa 1981).

III. Discussion.

We first address David's claim that the district court erred in failing to set aside the proceeds from the bonus trust as his personal property. Gifts and inherited property received by one party to the marriage are generally considered personal property of that party and exempt from the marital property division required in dissolution actions. Iowa Code section 598.21(2) (2005); *In re Marriage of Schriener*, 695 N.W.2d 493, 496 (Iowa 2005). After de novo review of

the entire record, we conclude the property division ordered by the district court was equitable.

We believe several aspects of the bonus trust support this conclusion. The stated objective for the creation of the bonus trust was to reward Holden employees for the increase in value of the corporation. This objective is evidenced by the fact that the amount of an individual employee's bonus was based on the balance of that employee's profit sharing plan, multiplied by nineteen. As such, other than the \$250,000 David received from the Holden discretionary fund, the bulk of the bonus payments owing to Holden was not derived from any fondness for David personally, but was instead objectively determined by and entirely dependent upon the collective quality of David's and other employees' previous work. The trust payments are therefore more akin to contractual, work-related bonuses than they are to gifts, and as such have strong characteristics of income. See *Dallenbach v. MAPCO Gas Products, Inc.*, 459 N.W.2d 483, 488 (Iowa 1990) (holding that employee's annual bonus was income and not a gift where the bonus was clearly designed as was part of the compensation for his labor or services). As we have already noted, the trust payments were treated as wages for tax purposes and were included in David's W-2 statements provided by his employer.

Further, the manner in which the bonus trust was structured suggests the trust payments were also designed to benefit Monsanto by maintaining and motivating the workforce of the subsidiary corporation. Monsanto agreed to augment the corpus of the trust by \$20 million in order to secure the longevity contingencies placed on the trust by the sale documents. As was mentioned

above, employees who had not achieved retirement age were required to continue satisfactory employment with Monsanto in order to fully vest and maximize their interest in the trust. While it might be said that Holden had no legal obligation to insist upon the creation of the bonus trust, Holden did agree to these vesting contingencies on Monsanto's insistence, making them part of the bargain-for-exchange.⁵ The trust payments, therefore, took on characteristics that are inconsistent with David's gift theory. See Black's Law Dictionary 709 (8th ed. 2004) (defining "gift" as "[t]he voluntary transfer of property to another without compensation"); see also *Gray v. Roth*, 438 N.W.2d 25, 29 (Iowa Ct. App. 1989) (noting that a gift fails where there is a condition attached to the vesting of title to the property).

Finally, we believe the equities of this case do not support treating the trust proceeds as entirely separate property. It should be noted that David has conceded in his brief that even if the proceeds are found to be gifts, equity's purposes might nevertheless demand that they be divided between the parties. *In re Marriage of Goodwin*, 606 N.W.2d 315, 320 (Iowa 2000). He, however, advocates for a division that would award three-quarters of the proceeds to him. Even if we were inclined to treat the trust proceeds as gifts, which are not, we note that every trust payment was received during a period while the parties were married. As such, Karin may be said to have contributed, at least in part, to their acquisition. See *In re Marriage of Dannen*, 509 N.W.2d 132, 133 (Iowa Ct. App.

⁵ The fact that Monsanto would more likely retain a dedicated and skilled workforce for a term of years was not only valuable to Monsanto, but was likewise of reciprocal value to Holden in terms of maximizing the sale price.

1993). Given the length of the marriage, we believe the division suggested by David would be inequitable under these circumstances.

Although we cannot agree with David that the district court erred in not holding the proceeds derived from the bonus trust as his separate property, we similarly cannot agree with Karin that the district court's division of the marital assets was anything other than an equitable division. The parties to a marriage are entitled to a just and equitable share of the property accumulated through their joint efforts. *In re Marriage of Dean*, 642 N.W.2d 321, 325 (Iowa Ct. App. 2002). However, our courts do not require a statistically equal division. *In re Marriage of Campbell*, 623 N.W.2d 585, 586 (Iowa Ct. App. 2001). In arriving at a 57% to 43% split in favor of David, the district court properly weighed the relative contributions of the parties in securing the marital estate. While Karin clearly did her part in maintaining the household and undertaking the primary responsibility for caring for the children, we believe the property division awarded by the district court properly acknowledged David's predominant economic contribution to the accumulation of the parties' substantial assets. Karin's testimony established that her standard of living will not diminish if she does not receive a statistically equal share of the marital property. *Goodwin*, 606 N.W.2d at 320. We therefore conclude the property division ordered by the district court is equitable in all respects, and it is hereby affirmed.

AFFIRMED.