

1 S.86

2 Introduced by Senators Cummings, Campbell, Mullin and Nitka

3 Referred to Committee on

4 Date:

5 Subject: Trusts; administration of trusts

6 Statement of purpose: This bill proposes to modernize and codify trust laws,
7 to bring trust administration questions into the purview of the probate courts
8 for both testamentary and inter vivos trusts, to add provisions authorizing the
9 unitrust method of trust distributions, and to allow the appointment of trust
10 protectors to aid in discretionary decisions facing trustees.

11 An act relating to the administration of trusts

12 It is hereby enacted by the General Assembly of the State of Vermont:

13 Sec. 1. Title 14A is added to read:

14 TITLE 14A. TRUSTS

15 CHAPTER 1. GENERAL PROVISIONS AND DEFINITIONS

16 § 101. SHORT TITLE

17 This title may be cited as the Vermont Trust Code.

18 § 102. SCOPE

19 This title applies to express trusts, charitable or noncharitable, and trusts

20 created pursuant to a statute, judgment, or decree that requires the trust to be

1 administered in the manner of an express trust. This title shall not apply to
2 trusts described in the following provisions of Vermont Statutes Annotated:
3 chapter 16 of Title 3, chapter 151 of Title 6, chapters 103, 204, and 222 of Title
4 8, chapters 11A, 12, and 59 of Title 10, chapter 7 of Title 11A, chapter 11 of
5 Title 15, chapters 55, 90, and 131 of Title 16, chapters 121, 177, and 225 of
6 Title 18, chapter 9 of Title 21, chapters 65, 119, 125, and 133 of Title 24,
7 chapters 5 and 7 of Title 27, chapter 11 of Title 28, chapter 16 of Title 29, and
8 chapters 84 and 91 of Title 30.

9 § 103. DEFINITIONS

10 In this title:

11 (1) "Action," with respect to an act of a trustee, includes a failure to act.

12 (2) "Ascertainable standard" means a standard relating to an individual's
13 health, education, support, or maintenance within the meaning of Section
14 2041(b)(1)(A) or 2514(c)(1) of the Internal Revenue Code of 1986, as in effect
15 on the effective date of this title.

16 (3) "Beneficiary" means a person that:

17 (A) has a present or future beneficial interest in a trust, vested or
18 contingent; or

19 (B) in a capacity other than that of trustee, holds a power of
20 appointment over trust property.

1 (4) “Charitable trust” means a trust, or portion of a trust, created for a
2 charitable purpose described in subsection 405(a) of this title.

3 (5) “Conservator” shall have the same meaning as “Guardian of the
4 property” under subdivision 7(A)(ii) of this section.

5 (6) “Environmental law” means a federal, state, or local law, rule,
6 regulation, or ordinance relating to protection of the environment.

7 (7)(A) “Guardian.”

8 (i) “Guardian of the person” means a person appointed by the
9 probate court to make decisions regarding the support, care, education, health,
10 and welfare of a minor or adult individual.

11 (ii) “Guardian of the property” means a person appointed by the
12 probate court to administer the estate of a minor or adult individual.

13 (B) Neither term includes a guardian ad litem.

14 (8) “Interests of the beneficiaries” means the beneficial interests
15 provided in the terms of the trust.

16 (9) “Jurisdiction,” with respect to a geographic area, includes a state or
17 country.

18 (10) “Person” means an individual, corporation, business trust, estate,
19 trust, partnership, limited liability company, association, joint venture,
20 government; governmental subdivision, agency, or instrumentality; public
21 corporation, or any other legal or commercial entity.

1 (11) “Power of withdrawal” means a presently exercisable general
2 power of appointment other than a power:

3 (A) exercisable by a trustee and limited by an ascertainable standard;

4 or

5 (B) exercisable by another person only upon consent of the trustee or
6 a person holding an adverse interest.

7 (12) “Property” means anything that may be the subject of ownership,
8 whether real or personal, legal or equitable, or any interest therein.

9 (13)(A) “Qualified beneficiary” means a beneficiary who, on the date
10 the beneficiary’s qualification is determined, is:

11 (i) a “first tier” beneficiary as a distributee or permissible
12 distributee of trust income or principal;

13 (ii) a “second tier” beneficiary who would be a first tier
14 beneficiary of trust income or principal if the interests of the distributees
15 described in subdivision (A) of this subdivision (13) terminated on that date
16 without causing the trust to terminate; or

17 (iii) a “final beneficiary” who would be a distributee or
18 permissible distributee of trust income or principal if the trust terminated on
19 that date.

1 (B) Notwithstanding subdivisions (i) and (ii) of subdivision (A) of
2 this subdivision (13), a second tier beneficiary or a final beneficiary whose
3 interest in the trust:

4 (i) is created by the exercise of a power of appointment and the
5 exercise of the power of appointment is not irrevocable; or

6 (ii) may be eliminated by an amendment to the trust, shall not be a
7 “qualified beneficiary.”

8 (14) “Revocable,” as applied to a trust, means revocable by the settlor
9 without the consent of the trustee or a person holding an adverse interest.

10 (15) “Settlor” means a person, including a testator, who creates, or
11 contributes property to, a trust. If more than one person creates or contributes
12 property to a trust, each person is a settlor of the portion of the trust property
13 attributable to that person’s contribution except to the extent another person
14 has the power to revoke or withdraw that portion.

15 (16) “Spendthrift provision” means a term of a trust which restrains both
16 voluntary and involuntary transfer of a beneficiary’s interest.

17 (17) “State” means a state of the United States, the District of Columbia,
18 Puerto Rico, the United States Virgin Islands, or any territory or insular
19 possession subject to the jurisdiction of the United States. The term includes a
20 Native American tribe or band recognized by federal law or formally
21 acknowledged by a state.

1 (18) “Terms of a trust” means the manifestation of the settlor’s intent
2 regarding a trust’s provisions as expressed in the trust instrument or as may be
3 established by other evidence that would be admissible in a judicial
4 proceeding.

5 (19) “Trust instrument” means an instrument executed by the settlor that
6 contains terms of the trust, including any amendments thereto.

7 (20) “Trustee” includes an original, additional, and successor trustee,
8 and a cotrustee.

9 § 104. KNOWLEDGE

10 (a) Subject to subsection (b) of this section, a person has knowledge of a
11 fact if the person:

12 (1) has actual knowledge of it;

13 (2) has received a notice or notification of it; or

14 (3) from all the facts and circumstances known to the person at the time
15 in question, has reason to know it.

16 (b) An organization that conducts activities through employees has notice
17 or knowledge of a fact involving a trust only from the time the information was
18 received by an employee having responsibility to act for the trust, or would
19 have been brought to the employee’s attention if the organization had exercised
20 reasonable diligence. An organization exercises reasonable diligence if it
21 maintains reasonable routines for communicating significant information to the

1 employee having responsibility to act for the trust and there is reasonable
2 compliance with the routines. Reasonable diligence does not require an
3 employee of the organization to communicate information unless the
4 communication is part of the individual's regular duties or the individual
5 knows a matter involving the trust would be materially affected by the
6 information.

7 § 105. DEFAULT AND MANDATORY RULES

8 (a) Except as otherwise provided in the terms of the trust, this title governs
9 the duties and powers of a trustee, relations among trustees, and the rights and
10 interests of a beneficiary.

11 (b) The terms of a trust prevail over any provision of this title except:

12 (1) the requirements for creating a trust;

13 (2) the duty of a trustee to act in good faith and in accordance with the
14 terms and purposes of the trust and the interests of the beneficiaries;

15 (3) the requirement that a trust and its terms be for the benefit of its
16 beneficiaries, and that the trust have a purpose that is lawful, not contrary to
17 public policy, and possible to achieve;

18 (4) the power of the probate court to modify or terminate a trust under
19 sections 410 through 416 of this title;

20 (5) the effect of a spendthrift provision and the rights of certain creditors
21 and assignees to reach a trust as provided in chapter 5 of this title;

1 (6) the power of the probate court under section 702 of this title to
2 require, dispense with, or modify or terminate a bond;

3 (7) the power of the probate court under subsection 708(b) of this title to
4 adjust a trustee's compensation specified in the terms of the trust which is
5 unreasonably low or high;

6 (8) the effect of an exculpatory term under section 1008 of this title;

7 (9) the rights under sections 1010 through 1013 of this title of a person
8 other than a trustee or beneficiary;

9 (10) periods of limitation for commencing a judicial proceeding;

10 (11) the power of the probate court to take such action and exercise such
11 jurisdiction as may be necessary in the interests of justice; and

12 (12) the subject matter jurisdiction of the probate court and venue for
13 commencing a proceeding as provided in sections 203 and 204 of this title.

14 § 106. COMMON LAW OF TRUSTS; PRINCIPLES OF EQUITY

15 The common law of trusts and principles of equity supplement this title,
16 except to the extent modified by this title or another statute of this state.

17 § 107. GOVERNING LAW

18 The meaning and effect of the terms of a trust are determined by:

19 (1) the law of the jurisdiction designated in the terms unless the
20 designation of that jurisdiction's law is contrary to a strong public policy of the
21 jurisdiction having the most significant relationship to the matter at issue; or

1 (2) in the absence of a controlling designation in the terms of the trust,
2 the law of the jurisdiction having the most significant relationship to the matter
3 at issue.

4 § 108. PRINCIPAL PLACE OF ADMINISTRATION

5 (a) Without precluding other means for establishing a sufficient connection
6 with the designated jurisdiction, terms of a trust designating the principal place
7 of administration are valid and controlling if:

8 (1) a trustee's principal place of business is located in or a trustee is a
9 resident of the designated jurisdiction; or

10 (2) all or part of the administration occurs in the designated jurisdiction.

11 (b) A trustee is under a continuing duty to administer the trust at a place
12 appropriate to its purposes, its administration, and the interests of the
13 beneficiaries.

14 (c) Without precluding the right of the probate court to order, approve, or
15 disapprove a transfer, the trustee, in furtherance of the duty prescribed by
16 subsection (b) of this section, may transfer the trust's principal place of
17 administration to another state or to a jurisdiction outside the United States.

18 (d) The trustee shall notify the qualified beneficiaries of a proposed transfer
19 of a trust's principal place of administration not less than 60 days before
20 initiating the transfer. The notice of proposed transfer must include:

1 (1) the name of the jurisdiction to which the principal place of
2 administration is to be transferred;

3 (2) the address and telephone number at the new location at which the
4 trustee can be contacted;

5 (3) an explanation of the reasons for the proposed transfer;

6 (4) the date on which the proposed transfer is anticipated to occur; and

7 (5) the date, not less than 60 days after the giving of the notice, by
8 which the qualified beneficiary must notify the trustee of an objection to the
9 proposed transfer.

10 (e) The authority of a trustee under this section to transfer a trust's principal
11 place of administration terminates if a qualified beneficiary notifies the trustee
12 of an objection to the proposed transfer on or before the date specified in the
13 notice.

14 (f) In connection with a transfer of the trust's principal place of
15 administration, the trustee may transfer some or all of the trust property to a
16 successor trustee designated in the terms of the trust or appointed pursuant to
17 section 704 of this title.

18 § 109. METHODS AND WAIVER OF NOTICE

19 (a) Notice to a person under this title or the sending of a document to a
20 person under this title must be accomplished in a manner reasonably suitable
21 under the circumstances and likely to result in receipt of the notice or

1 document. Permissible methods of notice or for sending a document include
2 first-class mail, commercial delivery service, personal delivery, delivery to the
3 person's last known place of residence or place of business, or a properly
4 directed electronic message.

5 (b) Notice otherwise required under this title or a document otherwise
6 required to be sent under this title need not be provided to a person whose
7 identity or location is unknown to and not reasonably ascertainable by the
8 trustee.

9 (c) Notice under this title or the sending of a document under this title may
10 be waived by the person to be notified or sent the document.

11 (d) Notice of a judicial proceeding must be given as provided in the
12 applicable rules of court procedure.

13 § 110. OTHERS TREATED AS QUALIFIED BENEFICIARIES

14 (a) Whenever notice to qualified beneficiaries of a trust is required under
15 this title, the trustee must also give notice to any other beneficiary who has sent
16 the trustee a request for notice.

17 (b)(1) A charitable organization expressly designated to receive
18 distributions under the terms of a charitable trust has the rights of a qualified
19 beneficiary under this title if the charitable organization, on the date the
20 charitable organization's qualification is being determined, is:

1 (A) a “first tier” beneficiary as a distributee or permissible distributee
2 of trust income or principal;

3 (B) a “second tier” beneficiary who would be a first tier beneficiary
4 of trust income or principal if the interests of the distributees described in
5 subdivision (1)(A) of this subsection (b) terminated on that date without
6 causing the trust to terminate; or

7 (C) a “final beneficiary” who would be a distributee or permissible
8 distributee of trust income or principal if the trust terminated on that date.

9 (2) Notwithstanding subdivision (1) of this subsection (b), a second tier
10 beneficiary or a final beneficiary whose interest in the trust is created by the
11 exercise of a power of appointment, and the exercise of the power of
12 appointment is not irrevocable, shall not have the rights of a “qualified
13 beneficiary.”

14 (c) A person appointed to enforce a trust created for the care of an animal or
15 another noncharitable purpose as provided in section 408 or 409 of this title
16 has the rights of a qualified beneficiary under this title.

17 (d) The attorney general of this state has the rights of a qualified
18 beneficiary with respect to a charitable trust having its principal place of
19 administration in this state.

1 § 111. NONJUDICIAL SETTLEMENT AGREEMENTS

2 (a) For purposes of this section, “interested persons” means persons whose
3 consent would be required in order to achieve a binding settlement were the
4 settlement to be approved by the probate court.

5 (b) Except as otherwise provided in subsection (c) of this section, interested
6 persons may enter into a binding nonjudicial settlement agreement with respect
7 to any matter involving a trust.

8 (c) A nonjudicial settlement agreement is valid only to the extent it does not
9 violate a material purpose of the trust and includes terms and conditions that
10 could be properly approved by the probate court under this title or other
11 applicable law.

12 (d) Matters that may be resolved by a nonjudicial settlement agreement
13 include:

14 (1) the interpretation or construction of the terms of the trust;

15 (2) the approval of a trustee’s report or accounting;

16 (3) direction to a trustee to perform or to refrain from performing a
17 particular act or the grant to a trustee of any necessary or desirable power;

18 (4) the resignation or appointment of a trustee and the determination of a
19 trustee’s compensation;

20 (5) transfer of a trust’s principal place of administration; and

21 (6) liability of a trustee for an action relating to the trust.

1 (e) Any interested person may request the probate court to approve a
2 nonjudicial settlement agreement to determine whether the representation as
3 provided in chapter 3 of this title was adequate, and to determine whether the
4 agreement contains terms and conditions the probate court could have properly
5 approved.

6 § 112. RULES OF CONSTRUCTION

7 The rules of construction that apply in this state to the interpretation of and
8 disposition of property by will also apply as appropriate to the interpretation of
9 the terms of a trust and the disposition of the trust property.

10 CHAPTER 2. JUDICIAL PROCEEDINGS

11 § 201. ROLE OF COURT IN ADMINISTRATION OF TRUST

12 (a) The probate court may intervene in the administration of a trust to the
13 extent its jurisdiction is invoked by an interested person or as provided by law.

14 (b) A trust is not subject to continuing judicial supervision unless ordered
15 by the probate court.

16 (c) A judicial proceeding involving a trust may relate to any matter
17 involving the trust's administration, including a request for instructions and an
18 action to declare rights.

19 (d) Upon motion of any party in a probate action concerning the
20 administration of a trust under the provisions of this title, the presiding probate
21 judge shall permit an appeal to be taken to the superior court from any

1 interlocutory order or ruling if the judge finds that the order or ruling involves
2 a controlling question of law as to which there is substantial ground for
3 difference of opinion and that an immediate appeal may materially advance the
4 termination of the litigation.

5 § 202. JURISDICTION OVER TRUSTEE AND BENEFICIARY

6 (a) By accepting the trusteeship of a trust having its principal place of
7 administration in this state or by moving the principal place of administration
8 to this state, the trustee submits personally to the jurisdiction of the courts of
9 this state regarding any matter involving the trust.

10 (b) With respect to their interests in the trust, the beneficiaries of a trust
11 having its principal place of administration in this state are subject to the
12 jurisdiction of the courts of this state regarding any matter involving the trust.

13 By accepting a distribution from such a trust, the recipient submits personally
14 to the jurisdiction of the courts of this state regarding any matter involving the
15 trust.

16 (c) This section does not preclude other methods of obtaining jurisdiction
17 over a trustee, beneficiary, or other person receiving property from the trust.

18 § 203. SUBJECT MATTER JURISDICTION

19 (a) The probate court has exclusive jurisdiction of proceedings in this state
20 brought by a trustee or beneficiary concerning the administration of a trust.

1 (b) The consent of a person who may represent and bind another person
2 under this chapter is binding on the person represented unless the person
3 represented objects to the representation before the consent would otherwise
4 have become effective.

5 (c) Except as otherwise provided in sections 411 and 602 of this title, a
6 person who under this chapter may represent a settlor who lacks capacity may
7 receive notice and give a binding consent on the settlor's behalf.

8 § 302. REPRESENTATION BY HOLDER OF GENERAL

9 TESTAMENTARY POWER OF APPOINTMENT

10 To the extent there is no conflict of interest between the holder of a general
11 testamentary power of appointment and the persons represented with respect to
12 the particular question or dispute, the holder may represent and bind persons
13 whose interests, as permissible appointees, takers in default, or otherwise, are
14 subject to the power.

15 § 303. REPRESENTATION BY FIDUCIARIES AND PARENTS

16 To the extent there is no conflict of interest between the representative and
17 the person represented or among those being represented with respect to a
18 particular question or dispute:

19 (1) a guardian of the property may represent and bind the estate that the
20 guardian controls;

1 (2) a guardian of the person may represent and bind the ward if a
2 guardian of the ward's estate has not been appointed;

3 (3) an agent having authority to act with respect to the particular
4 question or dispute may represent and bind the principal;

5 (4) a trustee may represent and bind the beneficiaries of the trust;

6 (5) a personal representative of a decedent's estate may represent and
7 bind persons interested in the estate; and

8 (6) a parent may represent and bind the parent's minor or unborn child if
9 a guardian for the child has not been appointed.

10 § 304. REPRESENTATION BY PERSON HAVING SUBSTANTIALLY

11 IDENTICAL INTEREST

12 Unless otherwise represented, a minor, incapacitated, or unborn individual,
13 or a person whose identity or location is unknown and not reasonably
14 ascertainable, may be represented by and bound by another having a
15 substantially identical interest with respect to the particular question or dispute,
16 but only to the extent there is no conflict of interest with respect to the
17 particular question between the representative and the person represented.

18 § 305. APPOINTMENT OF REPRESENTATIVE

19 (a) If the probate court determines that an interest is not represented under
20 this chapter, or that the otherwise available representation might be inadequate,
21 the probate court may appoint a representative to receive notice, give consent,

1 and otherwise represent, bind, and act on behalf of a minor, incapacitated, or
2 unborn individual, or a person whose identity or location is unknown. A
3 representative may be appointed to represent several persons or interests.

4 (b) A representative may act on behalf of the individual represented with
5 respect to any matter arising under this title, whether or not a judicial
6 proceeding concerning the trust is pending.

7 (c) In making decisions, a representative may consider general benefit
8 accruing to the living members of the individual's family.

9 CHAPTER 4. CREATION, VALIDITY, MODIFICATION, AND

10 TERMINATION OF TRUST

11 § 401. METHODS OF CREATING TRUST

12 A trust may be created:

13 (1) by transfer of property to another person as trustee or to the trust in
14 the trust's name during the settlor's lifetime or by will or other disposition
15 taking effect upon the settlor's death;

16 (2) by declaration by the owner of property that the owner holds
17 identifiable property as trustee;

18 (3) by exercise of a power of appointment in favor of a trustee;

19 (4) pursuant to a statute or judgment or decree that requires property to
20 be administered in the manner of an express trust;

1 (5) by an agent or attorney-in-fact under a power of attorney that
2 expressly grants authority to create the trust.

3 § 402. REQUIREMENTS FOR CREATION

4 (a) A trust is created only if:

5 (1) the settlor has capacity to create a trust;

6 (2) the settlor indicates an intention to create the trust;

7 (3) the trust has a definite beneficiary or is:

8 (A) a charitable trust;

9 (B) a trust for the care of an animal, as provided in section 408 of this

10 title; or

11 (C) a trust for a noncharitable purpose, as provided in section 409 of

12 this title;

13 (4) the trustee has duties to perform; and

14 (5) the same person is not the sole trustee and current and sole
15 beneficiary.

16 (b) a settlor has capacity to create a trust if:

17 (1) the trust is created by an agent of the settlor under a power of
18 attorney that expressly grants authority to create the trust; and

19 (2) the principal had capacity to create a trust at the time the power of
20 attorney was executed.

1 (c) A beneficiary is definite if the beneficiary can be ascertained now or in
2 the future, subject to any applicable rule against perpetuities.

3 (d) A power in a trustee to select a beneficiary from an indefinite class is
4 valid. If the power is not exercised within a reasonable time, the power fails
5 and the property subject to the power passes to the persons who would have
6 taken the property had the power not been conferred.

7 § 403. TRUSTS CREATED IN OTHER JURISDICTIONS

8 A trust not created by will is validly created if its creation complies with the
9 law of the jurisdiction in which the trust instrument was executed, or the law of
10 the jurisdiction in which, at the time of creation:

11 (1) the settlor was domiciled, had a place of abode, or was a citizen;

12 (2) a trustee was domiciled or had a place of business; or

13 (3) any trust property was located.

14 § 404. TRUST PURPOSES

15 A trust may be created only to the extent its purposes are lawful, not
16 contrary to public policy, and possible to achieve. A trust and its terms must be
17 for the benefit of its beneficiaries.

18 § 405. CHARITABLE PURPOSES; ENFORCEMENT

19 (a) A charitable trust may be created for the relief of poverty; the
20 advancement of education or religion; the promotion of health, scientific,

1 literary, benevolent, governmental, or municipal purposes; or other purposes
2 the achievement of which is beneficial to the community.

3 (b) If the terms of a charitable trust do not indicate a particular charitable
4 purpose or beneficiary or if the designated charitable purpose cannot be
5 completed or no longer exists, the trustee, if authorized by the terms of the
6 trust, or if not, the probate court may select one or more charitable purposes or
7 beneficiaries. The selection must be consistent with the settlor's intention to
8 the extent it can be ascertained.

9 (c) The settlor of a charitable trust, among others, may maintain a
10 proceeding to enforce the trust.

11 § 406. CREATION OF TRUST INDUCED BY FRAUD, DURESS, OR
12 UNDUE INFLUENCE

13 A trust is void to the extent its creation was induced by fraud, duress, or
14 undue influence.

15 § 407. EVIDENCE OF ORAL TRUST

16 Except as required by a statute other than this title, a trust need not be
17 evidenced by a trust instrument, but the creation of an oral trust and its terms
18 may be established only by clear and convincing evidence.

19 § 408. TRUST FOR CARE OF ANIMAL

20 (a) A trust may be created to provide for the care of an animal alive during
21 the settlor's lifetime. The trust terminates upon the death of the animal or, if

1 the trust was created to provide for the care of more than one animal alive
2 during the settlor's lifetime, upon the death of the last surviving animal.

3 (b) A trust authorized by this section may be enforced by a person
4 appointed in the terms of the trust or, if no person is so appointed, by a person
5 appointed by the probate court. A person having an interest in the welfare of
6 the animal may request the probate court to appoint a person to enforce the
7 trust or to remove a person appointed.

8 (c) Property of a trust authorized by this section may be applied only to its
9 intended use, except to the extent the probate court determines that the value of
10 the trust property exceeds the amount required for the intended use. Except as
11 otherwise provided in the terms of the trust, property not required for the
12 intended use must be distributed to the settlor, if then living, otherwise to the
13 settlor's successors in interest.

14 § 409. NONCHARITABLE TRUST WITHOUT ASCERTAINABLE

15 BENEFICIARY

16 Except as otherwise provided in section 408 of this title or by another
17 statute, the following rules apply:

18 (1) A trust may be created for a noncharitable purpose without a definite
19 or definitely ascertainable beneficiary or for a noncharitable but otherwise
20 valid purpose to be selected by the trustee. The trust may not be enforced for
21 more than 21 years.

1 (2) A trust authorized by this section may be enforced by a person
2 appointed in the terms of the trust or, if no person is so appointed, by a person
3 appointed by the probate court.

4 (3) Property of a trust authorized by this section may be applied only to
5 its intended use, except to the extent the probate court determines that the
6 value of the trust property exceeds the amount required for the intended use.
7 Except as otherwise provided in the terms of the trust, property not required for
8 the intended use must be distributed to the settlor, if then living, otherwise to
9 the settlor's successors in interest.

10 § 410. MODIFICATION OR TERMINATION OF TRUST; PROCEEDINGS
11 FOR APPROVAL OR DISAPPROVAL

12 (a) In addition to the methods of termination prescribed by sections 411
13 through 414 of this title, a trust terminates to the extent the trust is revoked or
14 expires pursuant to its terms, no purpose of the trust remains to be achieved, or
15 the purposes of the trust have become unlawful, contrary to public policy, or
16 impossible to achieve.

17 (b) A proceeding to approve or disapprove a proposed modification or
18 termination under sections 411 through 416 of this title, or trust combination or
19 division under section 417 of this title, may be commenced by a trustee or
20 beneficiary, and a proceeding to approve or disapprove a proposed
21 modification or termination under section 411 of this title may be commenced

1 by the settlor. The settlor of a charitable trust may maintain a proceeding to
2 modify the trust under section 413 of this title.

3 § 411. MODIFICATION OR TERMINATION OF NONCHARITABLE

4 IRREVOCABLE TRUST BY CONSENT

5 (a) A noncharitable irrevocable trust may be modified or terminated upon
6 consent of the settlor and all beneficiaries, even if the modification or
7 termination is inconsistent with a material purpose of the trust. If, upon
8 petition, the probate court finds that the settlor and all beneficiaries consent to
9 the modification or termination of a noncharitable irrevocable trust, the probate
10 court shall approve the modification or termination even if the modification or
11 termination is inconsistent with a material purpose of the trust. A settlor's
12 power to consent to a trust's modification or termination may be exercised by
13 an agent under a power of attorney only to the extent expressly authorized by
14 the power of attorney or the terms of the trust; by the settlor's guardian of the
15 property with the approval of the probate court supervising the guardianship if
16 an agent is not so authorized; or by the settlor's guardian of the person with the
17 approval of the probate court supervising the guardianship if an agent is not so
18 authorized and a guardian of the property has not been appointed.

19 (b) A noncharitable irrevocable trust may be terminated upon consent of all
20 of the beneficiaries if the probate court concludes that continuance of the trust
21 is not necessary to achieve any material purpose of the trust. A noncharitable

1 irrevocable trust may be modified upon consent of all of the beneficiaries if the
2 probate court concludes that modification is not inconsistent with a material
3 purpose of the trust.

4 (c) A spendthrift provision in the terms of the trust is not presumed to
5 constitute a material purpose of the trust.

6 (d) Upon termination of a trust under subsection (a) or (b) of this section,
7 the trustee shall distribute the trust property as agreed by the beneficiaries.

8 (e) If not all of the beneficiaries consent to a proposed modification or
9 termination of the trust under subsection (a) or (b) of this section, the
10 modification or termination may be approved by the probate court if the
11 probate court is satisfied that:

12 (1) if all of the beneficiaries had consented, the trust could have been
13 modified or terminated under this section; and

14 (2) the interests of a beneficiary who does not consent will be
15 adequately protected.

16 § 412. MODIFICATION OR TERMINATION BECAUSE OF

17 UNANTICIPATED CIRCUMSTANCES OR INABILITY TO

18 ADMINISTER TRUST EFFECTIVELY

19 (a) The probate court may modify the administrative or dispositive terms of
20 a trust or terminate the trust if, because of circumstances not anticipated by the
21 settlor, modification or termination will further the purposes of the trust. To

1 the extent practicable, the modification must be made in accordance with the
2 settlor's probable intention.

3 (b) The probate court may modify the administrative terms of a trust if
4 continuation of the trust on its existing terms would be impracticable or
5 wasteful or impair the trust's administration.

6 (c) Upon termination of a trust under this section, the trustee shall
7 distribute the trust property as directed by the probate court or otherwise in a
8 manner consistent with the purposes of the trust.

9 § 413. CY PRES

10 (a) Except as otherwise provided in subsection (b) of this section, if a
11 particular charitable purpose becomes unlawful, impracticable, impossible to
12 achieve, or wasteful:

13 (1) the trust does not fail, in whole or in part;

14 (2) the trust property does not revert to the settlor or the settlor's
15 successors in interest; and

16 (3) the probate court, on motion of any trustee, or any interested person,
17 or the attorney general of the state, may apply cy pres to modify or terminate
18 the trust by directing that the trust property be applied or distributed, in whole
19 or in part, in a manner consistent with the settlor's charitable purposes.

20 (b) A provision in the terms of a charitable trust that would result in
21 distribution of the trust property to a noncharitable beneficiary prevails over

1 the power of the probate court under subsection (a) of this section to apply cy
2 pres to modify or terminate the trust only if, when the provision takes effect:

3 (1) the trust property is to revert to the settlor and the settlor is still
4 living; or

5 (2) fewer than 21 years have elapsed since the date of the trust's
6 creation.

7 § 414. MODIFICATION OR TERMINATION OF UNECONOMIC TRUST

8 (a) After notice to the qualified beneficiaries, the trustee of a trust
9 consisting of trust property having a total value less than \$100,000.00 may
10 terminate the trust if the trustee concludes that the value of the trust property is
11 insufficient to justify the cost of administration.

12 (b) The probate court may modify or terminate a trust or remove the trustee
13 and appoint a different trustee if it determines that the value of the trust
14 property is insufficient to justify the cost of administration.

15 (c) Upon termination of a trust under this section, the trustee shall
16 distribute the trust property as directed by the probate court or otherwise in a
17 manner consistent with the purposes of the trust.

18 (d) This section does not apply to an easement for conservation or
19 preservation.

1 § 415. REFORMATION TO CORRECT MISTAKES

2 The probate court may reform the terms of a trust, even if unambiguous, to
3 conform the terms to the settlor's intention if it is proved by clear and
4 convincing evidence that both the settlor's intent and the terms of the trust
5 were affected by a mistake of fact or law, whether in expression or inducement.

6 § 416. MODIFICATION TO ACHIEVE SETTLOR'S TAX OBJECTIVES

7 The probate court may modify the terms of a trust to achieve the settlor's
8 tax objectives if the modification is not contrary to the settlor's probable
9 intention. The probate court may provide that the modification has retroactive
10 effect.

11 § 417. COMBINATION AND DIVISION OF TRUSTS

12 After notice to the qualified beneficiaries, a trustee may combine two or
13 more trusts into a single trust or divide a trust into two or more separate trusts
14 if the result does not impair rights of any beneficiary or adversely affect
15 achievement of the purposes of the trust.

16 CHAPTER 5. CREDITOR'S CLAIMS; SPENDTHRIFT AND
17 DISCRETIONARY TRUSTS

18 § 501. RIGHTS OF BENEFICIARY'S CREDITOR OR ASSIGNEE

19 To the extent a beneficiary's interest is not protected by a spendthrift
20 provision, the probate court may authorize a creditor or assignee of the
21 beneficiary to reach the beneficiary's interest by attachment of present or

1 future distributions to or for the benefit of the beneficiary or other means. The
2 probate court may limit the award to such relief as is appropriate under the
3 circumstances.

4 § 502. SPENDTHRIFT PROVISION

5 (a) A spendthrift provision is valid only if it restrains both voluntary and
6 involuntary transfer of a beneficiary's interest.

7 (b) A term of a trust providing that the interest of a beneficiary is held
8 subject to a "spendthrift trust," or words of similar import, is sufficient to
9 restrain both voluntary and involuntary transfer of the beneficiary's interest.

10 (c) A beneficiary may not transfer an interest in a trust in violation of a
11 valid spendthrift provision and, except as otherwise provided in this chapter, a
12 creditor or assignee of the beneficiary may not reach the interest or a
13 distribution by the trustee before its receipt by the beneficiary.

14 § 503. EXCEPTIONS TO SPENDTHRIFT PROVISION

15 (a) In this section, "child" includes any person for whom an order or
16 judgment for child support has been entered in this or another state.

17 (b) A spendthrift provision is unenforceable against:

18 (1) a beneficiary's child who has a judgment or court order against the
19 beneficiary for support or maintenance;

20 (2) a judgment creditor who has provided services for the protection of a
21 beneficiary's interest in the trust; and

1 (3) a claim of this state or the United States to the extent a statute of this
2 state or federal law so provides.

3 (c) A claimant against which a spendthrift provision cannot be enforced
4 may obtain from a court an order attaching present or future distributions to or
5 for the benefit of the beneficiary. The court may limit the award to such relief
6 as is appropriate under the circumstances.

7 § 504. DISCRETIONARY TRUSTS; EFFECT OF STANDARD

8 (a) In this section, “child” includes any person for whom an order or
9 judgment for child support has been entered in this or another state.

10 (b) Except as otherwise provided in subsection (c) of this section, whether
11 or not a trust contains a spendthrift provision, a creditor of a beneficiary may
12 not compel a distribution that is subject to the trustee’s discretion, even if:

13 (1) the discretion is expressed in the form of a standard of distribution;
14 or

15 (2) the trustee has abused the discretion.

16 (c) To the extent a trustee has not complied with a standard of distribution
17 or has abused a discretion:

18 (1) a distribution may be ordered by the court to satisfy a judgment or
19 court order against the beneficiary for support or maintenance of the
20 beneficiary’s child, spouse, or former spouse; and

1 (2) the court shall direct the trustee to pay to the child, spouse, or former
2 spouse such amount as is equitable under the circumstances but not more than
3 the amount the trustee would have been required to distribute to or for the
4 benefit of the beneficiary had the trustee complied with the standard or not
5 abused the discretion.

6 (d) This section does not limit the right of a beneficiary to maintain a
7 judicial proceeding against a trustee for an abuse of discretion or failure to
8 comply with a standard for distribution.

9 § 505. CREDITOR'S CLAIM AGAINST SETTLOR

10 (a) Whether or not the terms of a trust contain a spendthrift provision, the
11 following rules apply:

12 (1) During the lifetime of the settlor, the property of a revocable trust is
13 subject to claims of the settlor's creditors.

14 (2) With respect to an irrevocable trust, a creditor or assignee of the
15 settlor may reach the maximum amount that can be distributed to or for the
16 settlor's benefit. If a trust has more than one settlor, the amount the creditor or
17 assignee of a particular settlor may reach may not exceed the settlor's interest
18 in the portion of the trust attributable to that settlor's contribution. This
19 subdivision shall not apply to an irrevocable "special needs trust" established
20 for a disabled person as described in 42 U.S.C. Section 1396p(d)(4) or similar
21 federal law governing the transfer to such a trust.

1 (3) After the death of a settlor, and subject to the settlor's right to direct
2 the source from which liabilities will be paid, the property of a trust that was
3 revocable at the settlor's death is subject to claims of the settlor's creditors,
4 costs of administration of the settlor's estate, the expenses of the settlor's
5 funeral and disposal of remains, and statutory allowances to a surviving spouse
6 and children to the extent the settlor's probate estate is inadequate to satisfy
7 those claims, costs, expenses, and allowances.

8 (b) For purposes of this section:

9 (1) during the period the power may be exercised, the holder of a power
10 of withdrawal is treated in the same manner as the settlor of a revocable trust to
11 the extent of the property subject to the power; and

12 (2) upon the lapse, release, or waiver of the power, the holder is treated
13 as the settlor of the trust only to the extent the value of the property affected by
14 the lapse, release, or waiver exceeds the greater of the amount specified in
15 Section 2041(b)(2) or 2514(e) of the Internal Revenue Code of 1986, or
16 Section 2503(b) of the Internal Revenue Code of 1986, in each case as in effect
17 on the effective date of this title.

18 § 506. OVERDUE DISTRIBUTION

19 (a) In this section, "mandatory distribution" means a distribution of income
20 or principal which the trustee is required to make to a beneficiary under the
21 terms of the trust, including a distribution upon termination of the trust. The

1 term does not include a distribution subject to the exercise of the trustee's
2 discretion even if:

3 (1) the discretion is expressed in the form of a standard of distribution;

4 or

5 (2) the terms of the trust authorizing a distribution couple language of
6 discretion with language of direction.

7 (b) Whether or not a trust contains a spendthrift provision, a creditor or
8 assignee of a beneficiary may reach a mandatory distribution of income or
9 principal, including a distribution upon termination of the trust, if the trustee
10 has not made the distribution to the beneficiary within a reasonable time after
11 the designated distribution date.

12 § 507. PERSONAL OBLIGATION OF TRUSTEE

13 Trust property is not subject to personal obligations of the trustee, even if
14 the trustee becomes insolvent or bankrupt.

15 CHAPTER 6. REVOCABLE TRUSTS

16 § 601. CAPACITY OF SETTLOR OF REVOCABLE TRUST

17 The capacity of a settlor required to create, amend, revoke, or add property
18 to a revocable trust, or to direct the actions of the trustee of a revocable trust, is
19 the same as that required to make a will.

1 § 602. REVOCATION OR AMENDMENT OF REVOCABLE TRUST

2 (a) Unless the terms of a trust expressly provide that the trust is irrevocable,
3 the settlor may revoke or amend the trust. This subsection does not apply to a
4 trust created under an instrument executed before the effective date of this title.

5 (b) If a revocable trust is created or funded by more than one settlor:

6 (1) to the extent the trust consists of community property or property
7 held by tenants by the entirety when added to the trust, the trust may be
8 revoked by either spouse acting alone but may be amended only by joint action
9 of both spouses;

10 (2) to the extent the trust consists of property other than community
11 property or property held by tenants by the entirety when added to the trust,
12 each settlor may revoke or amend the trust with regard to the portion of the
13 trust property attributable to that settlor's contribution; and

14 (3) upon the revocation or amendment of the trust by fewer than all of
15 the settlors, the trustee shall notify the other settlors of the revocation or
16 amendment.

17 (c) The settlor may revoke or amend a revocable trust:

18 (1) by substantial compliance with a method provided in the terms of the
19 trust; or

20 (2) if the terms of the trust do not provide a method or the method
21 provided in the terms is not expressly made exclusive, by:

1 (A) executing a later will or codicil that expressly refers to and
2 revokes or amends the trust or specifically devises or bequeaths specific
3 property that would otherwise have passed according to the terms of the trust,
4 or

5 (B) any other method manifesting clear and convincing evidence of
6 the settlor's intent.

7 (d) Upon revocation of a revocable trust, the trustee shall deliver the trust
8 property as the settlor directs, but with respect to community property or
9 property held by tenants by the entirety when added to the trust under
10 subdivision (b)(1) of this section, the trustee shall deliver one-half of the
11 property to each spouse unless the governing instrument specifically states
12 otherwise.

13 (e) A settlor's powers with respect to revocation, amendment, or
14 distribution of trust property may be exercised by an agent under a power of
15 attorney only to the extent expressly authorized by the terms of the trust or the
16 power.

17 (f) A guardian of the property of the settlor or, if no guardian of the
18 property has been appointed, a guardian of the person of the settlor may
19 exercise a settlor's powers with respect to revocation, amendment, or
20 distribution of trust property only with the approval of the probate court
21 supervising the guardianship.

1 (g) A trustee who does not have actual knowledge that a trust has been
2 revoked or amended is not liable for distributions made and other actions taken
3 on the assumption that the trust had not been amended or revoked.

4 § 603. SETTLOR'S POWERS; POWERS OF WITHDRAWAL

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

7 (b) During the period the power may be exercised, the holder of a power of
8 withdrawal has the rights of a settlor of a revocable trust under this section to
9 the extent of the property subject to the power.

10 § 604. LIMITATION ON ACTION CONTESTING VALIDITY OF
11 REVOCABLE TRUST; DISTRIBUTION OF TRUST PROPERTY

12 (a) A person may commence a judicial proceeding to contest the validity of
13 a trust that was revocable immediately before the settlor's death within the
14 earlier of:

15 (1) three years after the settlor's death; or

16 (2) four months after the trustee sent the person a copy of the trust
17 instrument and a notice informing the person of the trust's existence, of the
18 trustee's name and address, and of the time allowed for commencing a
19 proceeding.

20 (b) Upon the death of the settlor of a trust that was revocable immediately
21 before the settlor's death, the trustee may proceed to distribute the trust

1 property in accordance with the terms of the trust. The trustee is not subject to
2 liability for doing so unless:

3 (1) the trustee has actual knowledge of a pending judicial proceeding
4 contesting the validity of the trust; or

5 (2) a potential contestant has notified the trustee in writing of a possible
6 judicial proceeding to contest the trust, and a judicial proceeding is
7 commenced within 60 days after the contestant sent the notification.

8 (c) A beneficiary of a trust that is determined to have been invalid in whole
9 or in part is liable to return any distribution received to the extent that the
10 invalidity applies to the distribution.

11 CHAPTER 7. OFFICE OF TRUSTEE

12 § 701. ACCEPTING OR DECLINING TRUSTEESHIP

13 (a) Except as otherwise provided in subsection (c) of this section, a person
14 designated as trustee accepts the trusteeship:

15 (1) by substantially complying with a method of acceptance provided in
16 the terms of the trust; or

17 (2) if the terms of the trust do not provide a method or the method
18 provided in the terms is not expressly made exclusive, by accepting delivery of
19 the trust property, exercising powers or performing duties as trustee, or
20 otherwise indicating acceptance of the trusteeship.

1 (b) A person designated as trustee who has not yet accepted the trusteeship
2 may reject the trusteeship. A designated trustee who does not accept the
3 trusteeship within a reasonable time after knowing of the designation is
4 deemed to have rejected the trusteeship.

5 (c) A person designated as trustee, without accepting the trusteeship, may:

6 (1) act to preserve the trust property if, within a reasonable time after
7 acting, the person sends a rejection of the trusteeship to the settlor or, if the
8 settlor is dead or lacks capacity, to the designated cotrustee, or, if none, to the
9 successor trustee, or, if none, to a qualified beneficiary; and

10 (2) inspect or investigate trust property to determine potential liability
11 under environmental or other law or for any other purpose.

12 § 702. TRUSTEE'S BOND

13 (a) A trustee shall give bond to secure performance of the trustee's duties
14 only if the probate court finds that a bond is needed to protect the interests of
15 the beneficiaries or is required by the terms of the trust and the probate court
16 has not dispensed with the requirement.

17 (b) The probate court may specify the amount of a bond, its liabilities, and
18 whether sureties are necessary. The probate court may modify or terminate a
19 bond at any time.

1 § 703. COTRUSTEES

2 (a) Cotrustees who are unable to reach a unanimous decision may act by
3 majority decision.

4 (b) If a vacancy occurs in a cotrusteeship, the remaining cotrustees may act
5 for the trust.

6 (c) A cotrustee must participate in the performance of a trustee's function
7 unless the cotrustee is unavailable to perform the function because of absence,
8 illness, disqualification under other law, or other temporary incapacity, or the
9 cotrustee has properly delegated the performance of the function to another
10 trustee.

11 (d) If a cotrustee is unavailable to perform duties because of absence,
12 illness, disqualification under other law, or other temporary incapacity, and
13 prompt action is necessary to achieve the purposes of the trust or to avoid
14 injury to the trust property, the remaining cotrustee or a majority of the
15 remaining cotrustees may act for the trust.

16 (e) A trustee may not delegate to a cotrustee the performance of a function
17 the settlor reasonably expected the trustees to perform jointly. Unless a
18 delegation was irrevocable, a trustee may revoke a delegation previously made.

19 (f) Except as otherwise provided in subsection (g) of this section, a trustee
20 who does not join in an action of another trustee is not liable for the action.

21 (g) Each trustee shall exercise reasonable care to:

1 (1) prevent a cotrustee from committing a serious breach of trust; and

2 (2) compel a cotrustee to redress a serious breach of trust.

3 (h) A dissenting trustee who joins in an action at the direction of the
4 majority of the trustees and who notified in writing any cotrustee of the dissent
5 at or before the time of the action is not liable for the action unless the action is
6 a serious breach of trust.

7 § 704. VACANCY IN TRUSTEESHIP; APPOINTMENT OF SUCCESSOR

8 (a) A vacancy in a trusteeship occurs if:

9 (1) a person designated as trustee rejects the trusteeship;

10 (2) a person designated as trustee cannot be identified or does not exist;

11 (3) a trustee resigns;

12 (4) a trustee is disqualified or removed;

13 (5) a trustee dies; or

14 (6) a guardian is appointed for an individual serving as trustee.

15 (b) If one or more cotrustees remain in office, a vacancy in a trusteeship
16 need not be filled. A vacancy in a trusteeship must be filled if the trust has no
17 remaining trustee.

18 (c) A vacancy in a trusteeship of a noncharitable trust that is required to be
19 filled must be filled in the following order of priority:

20 (1) by a person designated in the terms of the trust to act as successor
21 trustee;

1 (2) by a person appointed by unanimous agreement of the qualified
2 beneficiaries; or

3 (3) by a person appointed by the probate court.

4 (d) A vacancy in a trusteeship of a charitable trust that is required to be
5 filled must be filled in the following order of priority:

6 (1) by a person designated in the terms of the trust to act as successor
7 trustee;

8 (2) by a person appointed by unanimous agreement of the charitable
9 organizations expressly designated to receive distributions under the terms of
10 the trust if the attorney general concurs in the selection; or

11 (3) by a person appointed by the probate court.

12 (e) Whether or not a vacancy in a trusteeship exists or is required to be
13 filled, the probate court may appoint an additional trustee or special fiduciary
14 whenever the probate court considers the appointment necessary for the
15 administration of the trust.

16 § 705. RESIGNATION OF TRUSTEE

17 (a) A trustee may resign:

18 (1) upon at least 30 days' notice in writing to the qualified beneficiaries
19 except those qualified beneficiaries under a revocable trust which the settlor
20 has the capacity to revoke and to all cotrustees; or

21 (2) with the approval of the probate court.

1 (b) In approving a resignation, the probate court may issue orders and
2 impose conditions reasonably necessary for the protection of the trust property.

3 (c) Any liability of a resigning trustee or of any sureties on the trustee's
4 bond for acts or omissions of the trustee is not discharged or affected by the
5 trustee's resignation.

6 § 706. REMOVAL AND REPLACEMENT OF TRUSTEE

7 (a) The settlor, a cotrustee, or a beneficiary may request the probate court to
8 remove a trustee under subsection (b) of this section or to replace a trustee
9 under subsection (c) of this section. A trustee may be removed by the probate
10 court on its own initiative.

11 (b) The probate court may remove a trustee if:

12 (1) the trustee is obviously unsuitable;

13 (2) the trustee has committed a serious breach of trust;

14 (3) lack of cooperation among cotrustees substantially impairs the
15 administration of the trust;

16 (4) because of unfitness, unwillingness, or persistent failure of the
17 trustee to administer the trust effectively, the court determines that removal of
18 the trustee best serves the interests of the beneficiaries;

19 (5) there has been a substantial change of circumstances or removal is
20 requested by all of the qualified beneficiaries, the probate court finds that
21 removal of the trustee best serves the interests of all of the beneficiaries and is

1 not inconsistent with a material purpose of the trust, and a suitable cotrustee or
2 successor trustee is available.

3 (6) for any cause, if the interests of the trust estate require it.

4 (c) The probate court may remove an existing trustee, and appoint a
5 replacement trustee subject to the provisions of section 704 of this title, if the
6 probate court finds that a change in trustee would be in keeping with the intent
7 of the settlor. In deciding whether to replace a trustee under this subsection,
8 the probate court may consider the following factors:

9 (1) Whether removal would substantially improve or benefit the
10 administration of the trust;

11 (2) The relationship between the grantor and the trustee as it existed at
12 the time the trust was created;

13 (3) Changes in the nature of the trustee since the creation of the trust;

14 (4) The relationship between the trustee and the beneficiaries;

15 (5) The responsiveness of the trustee to the beneficiaries;

16 (6) The experience and skill level of the trustee;

17 (7) The investment performance of the trustee;

18 (8) The charges for services performed by the trustee; and

19 (9) Any other relevant factors pertaining to the administration of the
20 trust.

1 (d) A probate court may order trustees who are replaced pursuant to an
2 action brought under subsection (c) of this section to reimburse the trust for
3 attorney's fees and court costs paid by the trust relating to the action.

4 (e) Pending a final decision on a request to remove a trustee, or in lieu of or
5 in addition to removing a trustee, the probate court may order such appropriate
6 relief under subsection 1001(b) of this title as may be necessary to protect the
7 trust property or the interests of the beneficiaries.

8 § 707. DELIVERY OF PROPERTY BY FORMER TRUSTEE

9 (a) Unless a cotrustee remains in office or the probate court otherwise
10 orders, and until the trust property is delivered to a successor trustee or other
11 person entitled to it, a trustee who has resigned or been removed has the duties
12 of a trustee and the powers necessary to protect the trust property.

13 (b) A trustee who has resigned or been removed shall proceed expeditiously
14 to deliver the trust property within the trustee's possession to the cotrustee,
15 successor trustee, or other person entitled to it.

16 § 708. COMPENSATION OF TRUSTEE

17 (a) If the terms of a trust do not specify the trustee's compensation, a
18 trustee is entitled to compensation that is reasonable under the circumstances.

19 (b) If the terms of a trust specify the trustee's compensation, the trustee is
20 entitled to be compensated as specified, but the probate court may allow more
21 or less compensation if:

1 (1) the duties of the trustee are substantially different from those
2 contemplated when the trust was created; or

3 (2) the compensation specified by the terms of the trust would be
4 unreasonably low or high.

5 (c)(1) Factors for the probate court to consider in deciding upon a trustee's
6 compensation shall include:

7 (A) the size of the trust;

8 (B) the nature and number of the assets;

9 (C) the results obtained;

10 (D) the time and responsibility required;

11 (E) the expertise required;

12 (F) any management or sale of real property or closely held business
13 interests;

14 (G) any involvement in litigation to protect the trust property;

15 (H) the fee customarily charged in the locality for similar services;

16 (I) the experience, reputation, and ability of the person performing
17 the services;

18 (J) the effect that the particular employment may have on the ability
19 of the person employed to engage in other employment;

20 (K) the time limitations imposed by the trustee or by the
21 circumstances; and

1 (L) other relevant factors.

2 (2) The order of the factors in this subsection does not imply their
3 relative importance.

4 § 709. REIMBURSEMENT OF EXPENSES

5 (a) A trustee is entitled to be reimbursed out of the trust property, with
6 reasonable interest as appropriate, for:

7 (1) expenses that were properly incurred in the administration of the
8 trust; and

9 (2) to the extent necessary to prevent unjust enrichment of the trust,
10 expenses that were not properly incurred in the administration of the trust.

11 (b) An advance by the trustee of money for the protection of the trust gives
12 rise to a lien against trust property to secure reimbursement with reasonable
13 interest.

14 CHAPTER 8. DUTIES AND POWERS OF TRUSTEE

15 § 801. DUTY TO ADMINISTER TRUST

16 Upon acceptance of a trusteeship, the trustee shall administer the trust in
17 good faith, in accordance with its terms and purposes and the interests of the
18 beneficiaries, and in accordance with this title.

19 § 802. DUTY OF LOYALTY

20 (a) A trustee shall administer the trust solely in the interests of the
21 beneficiaries.

1 (b) Subject to the rights of persons dealing with or assisting the trustee as
2 provided in section 1012 of this title, a sale, encumbrance, or other transaction
3 involving the investment or management of trust property entered into by the
4 trustee for the trustee's own personal account or which is otherwise affected by
5 a conflict between the trustee's fiduciary and personal interests is voidable by a
6 beneficiary affected by the transaction unless:

7 (1) the transaction was authorized by the terms of the trust;

8 (2) the transaction was approved by the probate court;

9 (3) the beneficiary did not commence a judicial proceeding within the
10 time allowed by section 1005 of this title;

11 (4) the beneficiary consented to the trustee's conduct, ratified the
12 transaction, or released the trustee in compliance with section 1009 of this title;

13 (5) the transaction involves a contract entered into or claim acquired by
14 the trustee before the person became or contemplated becoming trustee;

15 (6) the transaction was consented to in writing by a settlor of the trust
16 while the trust was revocable.

17 (c) A sale, encumbrance, or other transaction involving the investment or
18 management of trust property is presumed to be affected by a conflict between
19 personal and fiduciary interests if it is entered into by the trustee with:

20 (1) the trustee's spouse;

21 (2) the trustee's descendants, siblings, parents, or their spouses;

1 (3) an agent or attorney of the trustee; or

2 (4) a corporation or other person or enterprise in which the trustee, or a
3 person that owns a significant interest in the trustee, has an interest that might
4 affect the trustee's best judgment.

5 (d) A transaction between a trustee and a beneficiary that does not concern
6 trust property but that occurs during the existence of the trust or while the
7 trustee retains significant influence over the beneficiary and from which the
8 trustee obtains an advantage is voidable by the beneficiary unless the trustee
9 establishes that the transaction was fair to the beneficiary.

10 (e) A transaction not concerning trust property in which the trustee engages
11 in the trustee's individual capacity involves a conflict between personal and
12 fiduciary interests if the transaction concerns an opportunity properly
13 belonging to the trust.

14 (f) An investment by a trustee in securities of an investment company or
15 investment trust to which the trustee, or its affiliate, provides services in a
16 capacity other than as trustee is not presumed to be affected by a conflict
17 between personal and fiduciary interests if the investment is fairly priced and
18 otherwise complies with the prudent investor rule of chapter 9 of this title. In
19 addition to its compensation for acting as trustee, the trustee may be
20 compensated by the investment company or investment trust for providing
21 those services out of fees charged to the trust. If the trustee receives

1 compensation from the investment company or investment trust for providing
2 investment advisory or investment management services, the trustee must
3 include in the trustee's annual report of the rate and method by which that
4 compensation was determined.

5 (g) In voting shares of stock or in exercising powers of control over similar
6 interests in other forms of enterprise, the trustee shall act in the best interests of
7 the beneficiaries. If the trust is the sole owner of a corporation or other form of
8 enterprise, the trustee shall elect or appoint directors or other managers who
9 will manage the corporation or enterprise in the best interests of the
10 beneficiaries.

11 (h) This section does not preclude the following transactions, if fair to the
12 beneficiaries:

13 (1) an agreement between a trustee and a beneficiary relating to the
14 appointment or compensation of the trustee;

15 (2) payment of reasonable compensation to the trustee;

16 (3) a transaction between a trust and another trust, decedent's estate, or
17 guardianship of which the trustee is a fiduciary or in which a beneficiary has
18 an interest;

19 (4) a deposit of trust money in a regulated financial-service institution
20 operated by the trustee; or

21 (5) an advance by the trustee of money for the protection of the trust.

1 (i) The probate court may appoint a special fiduciary to make a decision
2 with respect to any proposed transaction that might violate this section if
3 entered into by the trustee.

4 § 803. IMPARTIALITY

5 If a trust has two or more beneficiaries, the trustee shall act impartially in
6 administering the trust, giving due regard to the beneficiaries' respective
7 interests.

8 § 804. PRUDENT ADMINISTRATION

9 A trustee shall administer the trust as a prudent person would, by
10 considering the purposes, terms, distributional requirements, and other
11 circumstances of the trust. In satisfying this standard, the trustee shall exercise
12 reasonable care, skill, and caution.

13 § 805. COSTS OF ADMINISTRATION

14 In administering a trust, the trustee may incur only costs that are reasonable
15 in relation to the trust property, the purposes of the trust, and the skills of the
16 trustee.

17 § 806. TRUSTEE'S SKILLS

18 A trustee who has special skills or expertise, or is named trustee in reliance
19 upon the trustee's representation that the trustee has special skills or expertise,
20 shall use those special skills or expertise.

21 § 807. DELEGATION BY TRUSTEE

1 (a) A trustee may delegate duties and powers that a prudent trustee of
2 comparable skills could properly delegate under the circumstances. The
3 trustee shall exercise reasonable care, skill, and caution in:

4 (1) selecting an agent;

5 (2) establishing the scope and terms of the delegation, consistent with
6 the purposes and terms of the trust; and

7 (3) periodically reviewing the agent's actions in order to monitor the
8 agent's performance and compliance with the terms of the delegation.

9 (b) In performing a delegated function, an agent owes a duty to the trust to
10 exercise reasonable care to comply with the terms of the delegation.

11 (c) A trustee who complies with subsection (a) of this section is not liable
12 to the beneficiaries or to the trust for the decisions or actions of the agent to
13 whom the function was delegated.

14 (d) By accepting a delegation of powers or duties from the trustee of a trust
15 that is subject to the law of this state, an agent submits to the jurisdiction of the
16 courts of this state.

17 § 808. POWERS TO DIRECT

18 (a) While a trust is revocable, the trustee may follow a direction of the
19 settlor that is contrary to the terms of the trust.

20 (b) If the terms of a trust confer upon a person other than the settlor of a
21 revocable trust power to direct certain actions of the trustee, the trustee shall

1 act in accordance with an exercise of the power unless the attempted exercise
2 is manifestly contrary to the terms of the trust or the trustee knows the
3 attempted exercise would constitute a serious breach of a fiduciary duty that
4 the person holding the power owes to the beneficiaries of the trust.

5 (c) The terms of a trust may confer upon a trustee or other person a power
6 to direct the modification or termination of the trust.

7 (d) A person, other than a beneficiary, who holds a power to direct is
8 presumptively a fiduciary who, as such, is required to act in good faith with
9 regard to the purposes of the trust and the interests of the beneficiaries. The
10 holder of a power to direct is liable for any loss that results from breach of a
11 fiduciary duty.

12 § 809. CONTROL AND PROTECTION OF TRUST PROPERTY

13 A trustee shall take reasonable steps to take control of and protect the trust
14 property.

15 § 810. RECORDKEEPING AND IDENTIFICATION OF TRUST

16 PROPERTY

17 (a) A trustee shall keep adequate records of the administration of the trust.

18 (b) A trustee shall keep trust property separate from the trustee's own
19 property.

20 (c) Except as otherwise provided in subsection (d) of this section, a trustee
21 shall cause the trust property to be designated so that the interest of the trust, to

1 the extent feasible, appears in records maintained by a party other than a
2 trustee or beneficiary.

3 (d) If the trustee maintains records clearly indicating the respective
4 interests, a trustee may invest as a whole the property of two or more separate
5 trusts.

6 § 811. ENFORCEMENT AND DEFENSE OF CLAIMS

7 A trustee shall take reasonable steps to enforce claims of the trust and to
8 defend claims against the trust.

9 § 812. COLLECTING TRUST PROPERTY

10 A trustee shall take reasonable steps to compel a former trustee or other
11 person to deliver trust property to the trustee, and to redress a breach of trust
12 known to the trustee to have been committed by a former trustee.

13 § 813. DUTY TO INFORM AND REPORT

14 (a) A trustee shall keep the qualified beneficiaries of the trust reasonably
15 informed about the administration of the trust and of the material facts
16 necessary for them to protect their interests. Unless unreasonable under the
17 circumstances, a trustee shall promptly respond to a beneficiary's request for
18 information related to the administration of the trust.

19 (b) A trustee:

20 (1) upon request of a beneficiary, shall promptly furnish to the
21 beneficiary a copy of the trust instrument;

1 (2) within 60 days after accepting a trusteeship, shall notify the qualified
2 beneficiaries of the acceptance and of the trustee's name, address, and
3 telephone number;

4 (3) within 60 days after the date the trustee acquires knowledge of the
5 creation of an irrevocable trust, or the date the trustee acquires knowledge that
6 a formerly revocable trust has become irrevocable, whether by the death of the
7 settlor or otherwise, shall notify the qualified beneficiaries of the trust's
8 existence, of the identity of the settlor or settlors, of the right to request a copy
9 of the trust instrument, and of the right to a trustee's report as provided in
10 subsection (c) of this section; and

11 (4) shall notify the qualified beneficiaries in advance of any change in
12 the method or rate of the trustee's compensation.

13 (c) A trustee shall send to the distributees or permissible distributees of
14 trust income or principal, and to other beneficiaries who request it, at least
15 annually and at the termination of the trust, a report of the trust property,
16 liabilities, receipts, and disbursements, including the source and amount of the
17 trustee's compensation, a listing of the trust assets, and, if feasible, their
18 respective market values. Upon a vacancy in a trusteeship, unless a cotrustee
19 remains in office, a report must be sent to the qualified beneficiaries by the
20 former trustee. A personal representative may send the qualified beneficiaries
21 a report on behalf of a deceased trustee, and a guardian or a duly authorized

1 agent under a power of attorney may send the qualified beneficiaries a report
2 on behalf of an incapacitated trustee.

3 (d) A beneficiary may waive the right to a trustee's report or other
4 information otherwise required to be furnished under this section. A
5 beneficiary, with respect to future reports and other information, may withdraw
6 a waiver previously given.

7 (e) Subdivisions (b)(2) and (3) of this section do not apply to a trustee who
8 accepts a trusteeship before the effective date of this title, to an irrevocable
9 trust created before the effective date of this title, or to a revocable trust that
10 becomes irrevocable before the effective date of this title.

11 § 814. DISCRETIONARY POWERS; TAX SAVINGS

12 (a) Notwithstanding the breadth of discretion granted to a trustee in the
13 terms of the trust, including the use of such terms as "absolute," "sole," or
14 "uncontrolled," the trustee shall exercise a discretionary power in good faith
15 and in accordance with the terms and purposes of the trust and the interests of
16 the beneficiaries.

17 (b) Subject to subsection (d) of this section, and unless the terms of the
18 trust expressly indicate that a rule in this subsection does not apply:

19 (1) a person other than a settlor who is a beneficiary and trustee of a
20 trust that confers on the trustee a power to make discretionary distributions to

1 or for the trustee's personal benefit may exercise the power only in accordance
2 with an ascertainable standard; and

3 (2) a trustee may not exercise a power to make discretionary
4 distributions to satisfy a legal obligation of support that the trustee personally
5 owes another person.

6 (c) A power whose exercise is limited or prohibited by subsection (b) of
7 this section may be exercised by a majority of the remaining trustees whose
8 exercise of the power is not so limited or prohibited. If the power of all
9 trustees is so limited or prohibited, the probate court may appoint a special
10 fiduciary with authority to exercise the power.

11 (d) Subsection (b) of this section does not apply to:

12 (1) a power held by the settlor's spouse who is the trustee of a trust for
13 which a marital deduction, as defined in Section 2056(b)(5) or 2523(e) of the
14 Internal Revenue Code of 1986, as in effect on the effective date of this title,
15 was previously allowed;

16 (2) any trust during any period that the trust may be revoked or amended
17 by its settlor; or

18 (3) a trust if contributions to the trust qualify for the annual exclusion
19 under Section 2503(c) of the Internal Revenue Code of 1986, as in effect on
20 the effective date of this title.

1 § 815. GENERAL POWERS OF TRUSTEE

2 (a) A trustee, without authorization by the probate court, may exercise:

3 (1) powers conferred by the terms of the trust; and

4 (2) except as limited by the terms of the trust:

5 (A) all powers over the trust property which an unmarried competent
6 owner has over individually owned property;

7 (B) any other powers appropriate to achieve the proper investment,
8 management, and distribution of the trust property; and

9 (C) any other powers conferred by this title.

10 (b) The exercise of a power is subject to the fiduciary duties prescribed by
11 this chapter.

12 § 816. SPECIFIC POWERS OF TRUSTEE

13 Without limiting the authority conferred by section 815 of this title, a trustee
14 may:

15 (1) collect trust property and accept or reject additions to the trust
16 property from a settlor or any other person;

17 (2) acquire or sell property, for cash or on credit, at public or private
18 sale;

19 (3) exchange, partition, or otherwise change the character of trust
20 property;

1 (4) deposit trust money in an account in a regulated financial service
2 institution;

3 (5) borrow money, with or without security, and mortgage or pledge
4 trust property for a period within or extending beyond the duration of the trust;

5 (6) with respect to an interest in a proprietorship, partnership, limited
6 liability company, business trust, corporation, or other form of business or
7 enterprise, continue the business or other enterprise and take any action that
8 may be taken by shareholders, members, or property owners, including
9 merging, dissolving, or otherwise changing the form of business organization
10 or contributing additional capital;

11 (7) with respect to stocks or other securities, exercise the rights of an
12 absolute owner, including the right to:

13 (A) vote, or give proxies to vote, with or without power of
14 substitution, or enter into or continue a voting trust agreement;

15 (B) hold a security in the name of a nominee or in other form without
16 disclosure of the trust so that title may pass by delivery;

17 (C) pay calls, assessments, and other sums chargeable or accruing
18 against the securities, and sell or exercise stock subscription or conversion
19 rights; and

20 (D) deposit the securities with a depository or other regulated
21 financial service institution;

1 (8) with respect to an interest in real property, construct, or make
2 ordinary or extraordinary repairs to, alterations to, or improvements in,
3 buildings or other structures, demolish improvements, raze existing or erect
4 new party walls or buildings, subdivide or develop land, dedicate land to
5 public use or grant public or private easements, and make or vacate plats and
6 adjust boundaries;

7 (9) enter into a lease for any purpose as lessor or lessee, including a
8 lease or other arrangement for exploration and removal of natural resources,
9 with or without the option to purchase or renew, for a period within or
10 extending beyond the duration of the trust;

11 (10) grant an option involving a sale, lease, or other disposition of trust
12 property or acquire an option for the acquisition of property, including an
13 option exercisable beyond the duration of the trust, and exercise an option so
14 acquired;

15 (11) insure the property of the trust against damage or loss and insure
16 the trustee, the trustee's agents, and beneficiaries against liability arising from
17 the administration of the trust;

18 (12) abandon or decline to administer property of no value or of
19 insufficient value to justify its collection or continued administration;

20 (13) with respect to possible liability for violation of environmental law;

1 (A) inspect or investigate property the trustee holds or has been asked
2 to hold or property owned or operated by an organization in which the trustee
3 holds or has been asked to hold an interest for the purpose of determining the
4 application of environmental law with respect to the property;

5 (B) take action to prevent, abate, or otherwise remedy any actual or
6 potential violation of any environmental law affecting property held directly or
7 indirectly by the trustee, whether taken before or after the assertion of a claim
8 or the initiation of governmental enforcement;

9 (C) decline to accept property into trust or disclaim any power with
10 respect to property that is or may be burdened with liability for violation of
11 environmental law;

12 (D) compromise claims against the trust which may be asserted for
13 an alleged violation of environmental law; and

14 (E) pay the expense of any inspection, review, abatement, or remedial
15 action to comply with environmental law;

16 (14) pay or contest any claim, settle a claim by or against the trust, and
17 release, in whole or in part, a claim belonging to the trust;

18 (15) pay taxes, assessments, compensation of the trustee and of
19 employees and agents of the trust, and other expenses incurred in the
20 administration of the trust;

21 (16) exercise elections with respect to federal, state, and local taxes;

1 (17) select a mode of payment under any employee benefit or retirement
2 plan or account, annuity, or life insurance payable to the trustee, exercise rights
3 thereunder, including exercise of the right to indemnification for expenses and
4 against liabilities, and take appropriate action to collect the proceeds;

5 (18) make loans out of trust property, including loans to a beneficiary on
6 terms and conditions the trustee considers to be fair and reasonable under the
7 circumstances, and the trustee has a lien on future distributions for repayment
8 of those loans;

9 (19) pledge trust property to guarantee loans made by others to the
10 beneficiary;

11 (20) appoint a trustee to act in another jurisdiction with respect to trust
12 property located in the other jurisdiction, confer upon the appointed trustee all
13 of the powers and duties of the appointing trustee, require that the appointed
14 trustee furnish security, and remove any trustee so appointed;

15 (21) pay an amount distributable to a beneficiary who is under a legal
16 disability or who the trustee reasonably believes is incapacitated, by paying it
17 directly to the beneficiary or applying it for the beneficiary's benefit, or by:

18 (A) paying it to the beneficiary's guardian of the property or, if the
19 beneficiary does not have a guardian of the property, the beneficiary's guardian
20 of the person;

1 (B) paying it to the beneficiary's custodian under the Uniform Gifts
2 to Minors Act, and, for that purpose, creating a custodianship; or

3 (C) managing it as a separate fund on the beneficiary's behalf, subject
4 to the beneficiary's continuing right to withdraw the distribution;

5 (22) on distribution of trust property or the division or termination of a
6 trust, make distributions in divided or undivided interests, allocate particular
7 assets in proportionate or disproportionate shares, value the trust property for
8 those purposes, and adjust for resulting differences in valuation;

9 (23) resolve a dispute concerning the interpretation of the trust or its
10 administration by mediation, arbitration, or other procedure for alternative
11 dispute resolution;

12 (24) prosecute or defend an action, claim, or judicial proceeding in any
13 jurisdiction to protect trust property and the trustee in the performance of the
14 trustee's duties;

15 (25) sign and deliver contracts and other instruments that are useful to
16 achieve or facilitate the exercise of the trustee's powers; and

17 (26) on termination of the trust, exercise the powers appropriate to wind
18 up the administration of the trust and distribute the trust property to the persons
19 entitled to it.

1 § 817. DISTRIBUTION UPON TERMINATION

2 (a) Upon termination or partial termination of a trust, the trustee may send
3 to the beneficiaries a proposal for distribution. The right of any beneficiary to
4 object to the proposed distribution terminates if the beneficiary does not notify
5 the trustee of an objection within 30 days after the proposal was sent but only
6 if the proposal informed the beneficiary of the right to object and of the time
7 allowed for objection.

8 (b) Upon the occurrence of an event terminating or partially terminating a
9 trust, the trustee shall proceed expeditiously to distribute the trust property to
10 the persons entitled to it, subject to the right of the trustee to retain a
11 reasonable reserve for the payment of debts, expenses, and taxes.

12 (c) A release by a beneficiary of a trustee from liability for breach of trust is
13 invalid to the extent:

14 (1) it was induced by improper conduct of the trustee; or

15 (2) the beneficiary, at the time of the release, did not know of the
16 beneficiary's rights or of the material facts relating to the breach.

17 CHAPTER 9. UNIFORM PRUDENT INVESTOR ACT AND UNITRUSTS

18 § 901. PRUDENT INVESTOR RULE

19 (a) Except as otherwise provided in subsection (b) of this section, a trustee
20 who invests and manages trust assets owes a duty to the beneficiaries of the
21 trust to comply with the prudent investor rule set forth in this chapter.

1 (b) The prudent investor rule, a default rule, may be expanded, restricted,
2 eliminated, or otherwise altered by the provisions of a trust. A trustee is not
3 liable to a beneficiary to the extent that the trustee acted in reasonable reliance
4 on the provisions of the trust.

5 § 902. STANDARD OF CARE; PORTFOLIO STRATEGY; RISK AND
6 RETURN OBJECTIVES

7 (a) A trustee shall invest and manage trust assets as a prudent investor
8 would, by considering the purposes, terms, distribution requirements, and other
9 circumstances of the trust. In satisfying this standard, the trustee shall exercise
10 reasonable care, skill, and caution.

11 (b) A trustee's investment and management decisions respecting individual
12 assets must be evaluated not in isolation but in the context of the trust portfolio
13 as a whole and as a part of an overall investment strategy having risk and
14 return objectives reasonably suited to the trust.

15 (c) Among circumstances that a trustee shall consider in investing and
16 managing trust assets are such of the following as are relevant to the trust or its
17 beneficiaries:

18 (1) general economic conditions;

19 (2) the possible effect of inflation or deflation;

20 (3) the expected tax consequences of investment decisions or strategies;

- 1 (4) the role that each investment or course of action plays within the
2 overall trust portfolio, which may include financial assets, interests in closely
3 held enterprises, tangible and intangible personal property, and real property;
4 (5) the expected total return from income and the appreciation of capital;
5 (6) other resources of the beneficiaries;
6 (7) needs for liquidity, regularity of income, and preservation or
7 appreciation of capital; and
8 (8) an asset's special relationship or special value, if any, to the purposes
9 of the trust or to one or more of the beneficiaries.

10 (d) A trustee shall make a reasonable effort to verify facts relevant to the
11 investment and management of trust assets.

12 (e) A trustee may invest in any kind of property or type of investment
13 consistent with the standards of this chapter.

14 § 903. DIVERSIFICATION

15 A trustee shall diversify the investments of the trust unless the trustee
16 reasonably determines that, because of special circumstances, the purposes of
17 the trust are better served without diversifying.

18 § 904. DUTIES AT INCEPTION OF TRUSTEESHIP

19 Within a reasonable time after accepting a trusteeship or receiving trust
20 assets, a trustee shall review the trust assets and make and implement decisions
21 concerning the retention and disposition of assets in order to bring the trust

1 portfolio into compliance with the purposes, terms, distribution requirements,
2 and other circumstances of the trust and with the requirements of this chapter.

3 § 905. REVIEWING COMPLIANCE

4 Compliance with the prudent investor rule is determined in light of the facts
5 and circumstances existing at the time of a trustee's decision or action and not
6 by hindsight.

7 § 906. LANGUAGE INVOKING STANDARD OF THIS CHAPTER

8 The following terms or comparable language in the provisions of a trust,
9 unless otherwise limited or modified, authorizes any investment or strategy
10 permitted under this chapter: "investments permissible by law for investment
11 of trust funds," "legal investments," "authorized investments," "using the
12 judgment and care under the circumstances then prevailing that persons of
13 prudence, discretion, and intelligence exercise in the management of their own
14 affairs, not in regard to speculation but in regard to the permanent disposition
15 of their funds, considering the probable income as well as the probable safety
16 of their capital," "prudent man rule," "prudent trustee rule," "prudent person
17 rule," and "prudent investor rule."

18 § 907. TOTAL RETURN UNITRUSTS

19 (a) In this section:

20 (1) "Disinterested person" means a person who is not a "related or
21 subordinate party" (as defined in Section 672(c) of the Internal Revenue Code

1 of 1986, as in effect on the effective date of this title (referred to in this section
2 as the “I.R.C.”) with respect to the person then acting as trustee of the trust
3 and excludes the settlor of the trust and any interested trustee.

4 (2) “Income trust” means a trust, created by either an inter vivos or a
5 testamentary instrument, which directs or permits the trustee to distribute the
6 net income of the trust to one or more persons, either in fixed proportions or in
7 amounts or proportions determined by the trustee and regardless of whether the
8 trust directs or permits the trustee to distribute the principal of the trust to one
9 or more such persons.

10 (3) “Interested distributee” means a person to whom distributions of
11 income or principal can currently be made who has the power to remove the
12 existing trustee and designate as successor a person who may be a “related or
13 subordinate party” (as defined in I.R.C. § 672(c)) with respect to such
14 distributee.

15 (4) “Interested trustee” means any or all of the following:

16 (A) An individual trustee to whom the net income or principal of the
17 trust can currently be distributed or would be distributed if the trust were then
18 to terminate and be distributed;

19 (B) Any trustee who may be removed and replaced by an interested
20 distributee;

1 (C) An individual trustee whose legal obligation to support a
2 beneficiary may be satisfied by distributions of income and principal of the
3 trust.

4 (5) “Total return unitrust” means an income trust which has been
5 converted under and meets the provisions of this section.

6 (6) “Settlor” means an individual who created an inter vivos or a
7 testamentary trust.

8 (7) “Unitrust amount” means an amount computed as a percentage of
9 the fair market value of the trust.

10 (b) A trustee, other than an interested trustee, or when two or more persons
11 are acting as trustee, a majority of the trustees who are not an interested trustee
12 (in either case referred to in this subsection as “trustee”), may, in its sole
13 discretion and without the approval of the probate court:

14 (1) Convert an income trust to a total return unitrust;

15 (2) Reconvert a total return unitrust to an income trust; or

16 (3) Change the percentage used to calculate the unitrust amount and the
17 method used to determine the fair market value of the trust if:

18 (A) The trustee adopts a written policy for the trust providing:

19 (i) In the case of a trust being administered as an income trust, that
20 future distributions from the trust will be unitrust amounts rather than net
21 income;

1 (ii) In the case of a trust being administered as a total return
2 unitrust, that future distributions from the trust will be net income rather than
3 unitrust amounts; or

4 (iii) That the percentage used to calculate the unitrust amount and
5 the method used to determine the fair market value of the trust will be changed
6 as stated in the policy;

7 (B) The trustee sends written notice of its intention to take such
8 action, along with copies of such written policy and this section, to:

9 (i) The settlor of the trust, if living;

10 (ii) All qualified beneficiaries; and

11 (iii) All persons acting as trust protectors or trust advisors of the
12 trust;

13 (C) At least one person receiving such notice in each tier described in
14 subdivision 103(13) of this title is legally competent; and

15 (D) No person receiving such notice objects, by written instrument
16 delivered to the trustee, to the proposed action of the trustee within 30 days of
17 receipt of such notice.

18 (c) If there is no trustee of the trust other than an interested trustee, the
19 interested trustee or, when two or more persons are acting as trustee and are
20 interested trustees, a majority of such interested trustees may, in its sole
21 discretion and without the approval of the probate court:

1 (1) Convert an income trust to a total return unitrust;

2 (2) Reconvert a total return unitrust to an income trust; or

3 (3) Change the percentage used to calculate the unitrust amount or the

4 method used to determine the fair market value of the trust or both if:

5 (A) The trustee adopts a written policy for the trust providing:

6 (i) In the case of a trust being administered as an income trust, that
7 future distributions from the trust will be unitrust amounts rather than net
8 income;

9 (ii) In the case of a trust being administered as a total return
10 unitrust, that future distributions from the trust will be net income rather than
11 unitrust amounts; or

12 (iii) That the percentage used to calculate the unitrust amount and
13 the method used to determine the fair market value of the trust will be changed
14 as stated in the policy;

15 (B) The trustee appoints a disinterested person who, in its sole
16 discretion but acting in a fiduciary capacity, determines for the trustee:

17 (i) The percentage to be used to calculate the unitrust amount;

18 (ii) The method to be used in determining the fair market value of
19 the trust; and

20 (iii) Which assets, if any, are to be excluded in determining the
21 unitrust amount;

1 (C) The trustee sends written notice of its intention to take such
2 action, along with copies of such written policy and this section, and the
3 determinations of the disinterested person to:

4 (i) The settlor of the trust, if living;

5 (ii) All qualified beneficiaries; and

6 (iii) All persons acting as trust protector or trust advisor of the
7 trust;

8 (D) At least one person receiving such notice in each tier described in
9 subdivision 103(13) of this title (first tier, second tier and final beneficiaries) is
10 legally competent; and

11 (E) No person receiving such notice objects, by written instrument
12 delivered to the trustee, to the proposed action or the determinations of the
13 disinterested person within 30 days of receipt of such notice.

14 (d) A trustee who desires to: convert an income trust to a total return
15 unitrust; reconvert a total return unitrust to an income trust, or change the
16 percentage used to calculate the unitrust amount or the method used to
17 determine the fair market value of the trust but does not have the ability or
18 elects not to do it under the provisions of subsection (b) or (c) of this section,
19 the trustee may petition the probate court for such order as the trustee deems
20 appropriate. If there is only one trustee of such trust and such trustee is an
21 interested trustee or in the event there are two or more trustees of such trust

1 and a majority of them are interested trustees, the probate court, in its own
2 discretion or on the petition of such trustee or trustees or any person interested
3 in the trust, may appoint a disinterested person who, acting in a fiduciary
4 capacity, shall present such information to the probate court as shall be
5 necessary to enable the probate court to make its determinations hereunder.

6 (e) The fair market value of the trust shall be determined at least annually,
7 using such valuation date or dates or averages of valuation dates as are deemed
8 appropriate. Assets for which a fair market value cannot be readily ascertained
9 shall be valued using such valuation methods as are deemed reasonable and
10 appropriate. Assets used by a trust beneficiary, such as a residence property or
11 tangible personal property, may be excluded from fair market value for
12 computing the unitrust amount.

13 (f) The percentage to be used in determining the unitrust amount shall be a
14 reasonable current return from the trust, in any event not less than three percent
15 nor more than five percent, taking into account the intentions of the settlor of
16 the trust as expressed in the governing instrument, the needs of the
17 beneficiaries, general economic conditions, projected current earnings and
18 appreciation for the trust, and projected inflation and its impact on the trust.

19 (g) A trustee may act pursuant to subsection (b) or (c) of this section with
20 respect to a trust for which both income and principal have been permanently

1 set aside for charitable purposes under the governing instrument and for which
2 a federal estate or gift tax deduction has been taken, provided that:

3 (1) Instead of sending written notice as provided in subsection (b) or (c)
4 of this section, the trustee shall send such written notice to the named charity
5 or charities then entitled to receive income of the trust and, if no named charity
6 or charities are entitled to receive all of such income, to the attorney general of
7 this state;

8 (2) Subdivision (b)(3)(C) or (c)(3)(D) of this section (relating to legal
9 competence of qualified beneficiaries), as the case may be, shall not apply to
10 such action; and

11 (3) In each taxable year, the trustee shall distribute the greater of the
12 unitrust amount and the amount required by I.R.C. § 4942.

13 (h) Following the conversion of an income trust to a total return unitrust,
14 the trustee:

15 (1) Shall consider the unitrust amount as paid from net accounting
16 income determined as if the trust were not a unitrust;

17 (2) Shall then consider the unitrust amount as paid from ordinary
18 income not allocable to net accounting income;

19 (3) After calculating the trust's capital gain net income described in
20 I.R.C. § 1222(9), may consider the unitrust amount as paid from net short-term

1 capital gain described in I.R.C. § 1222(5) and then from net long-term capital
2 gain described in I.R.C. § 1222(7); and

3 (4) Shall then consider the unitrust amount as coming from the principal
4 of the trust.

5 (i) In administering a total return unitrust, the trustee may, in its sole
6 discretion but subject to the provisions of the governing instrument, determine:

7 (1) The effective date of the conversion;

8 (2) The timing of distributions (including provisions for prorating a
9 distribution for a short year in which a beneficiary's right to payments
10 commences or ceases);

11 (3) Whether distributions are to be made in cash or in kind or partly in
12 cash and partly in kind;

13 (4) If the trust is reconverted to an income trust, the effective date of
14 such reconversion; and

15 (5) Such other administrative issues as may be necessary or appropriate
16 to carry out the purposes of this section.

17 (j) Conversion to a total return unitrust under the provisions of this section
18 shall not affect any other provision of the governing instrument, if any,
19 regarding distributions of principal.

20 (k) In the case of a trust for which a marital deduction has been taken for
21 federal tax purposes under I.R.C. § 2056 or § 2523, the spouse otherwise

1 entitled to receive the net income of the trust shall have the right, by written
2 instrument delivered to the trustee, to compel the reconversion during that
3 spouse's lifetime of the trust from a total return unitrust to an income trust,
4 notwithstanding anything in this section to the contrary.

5 (1) This section shall be construed as pertaining to the administration of a
6 trust and shall be available to any trust that is administered in Vermont under
7 Vermont law or to any trust, regardless of its place of administration, whose
8 governing instrument provides that Vermont law governs matters of
9 construction or administration unless:

10 (1) The governing instrument reflects an intention that the current
11 beneficiary or beneficiaries are to receive an amount other than a reasonable
12 current return from the trust;

13 (2) The trust is a pooled income fund described in I.R.C. § 642(c)(5) or
14 a charitable-remainder trust described in I.R.C. § 664(d);

15 (3) The governing instrument expressly prohibits use of this section by
16 specific reference to the section or expressly states the settlor's intent that net
17 income not be calculated as a unitrust amount. A provision in the governing
18 instrument that "The provisions of 14A V.S.A. § 907, as amended, or any
19 corresponding provision of future law, shall not be used in the administration
20 of this trust" or "My trustee shall not determine the distributions to the income

1 beneficiary as a unitrust amount” or similar words reflecting such intent shall
2 be sufficient to preclude the use of this section.

3 (m) Any trustee or disinterested person who in good faith takes or fails to
4 take any action under this section shall not be liable to any person affected by
5 such action or inaction, regardless of whether such person received written
6 notice as provided in this section and regardless of whether such person was
7 under a legal disability at the time of the delivery of such notice. Such
8 person’s exclusive remedy shall be to obtain an order of the probate court
9 directing the trustee to convert an income trust to a total return unitrust, to
10 reconvert from a total return unitrust to an income trust, or to change the
11 percentage used to calculate the unitrust amount.

12 § 908. EXPRESS TOTAL RETURN UNITRUSTS

13 (a) The following provisions shall apply to a trust that, by its governing
14 instrument, requires or permits the distribution, at least annually, of a unitrust
15 amount equal to a fixed percentage of not less than three nor more than five
16 percent per year of the fair market value of the trust’s assets, valued at least
17 annually, such trust to be referred to in this section as an “express total return
18 unitrust.”

19 (b) The unitrust amount for an express total return unitrust may be
20 determined by reference to the fair market value of the trust’s assets in one
21 year or more than one year.

1 (c) Distribution of such a fixed percentage unitrust amount is considered a
2 distribution of all of the income of the express total return unitrust.

3 (d) An express total return unitrust may or may not provide a mechanism
4 for changing the unitrust percentage similar to the mechanism provided under
5 section 907 of this title, based upon the factors noted therein, and may or may
6 not provide for a conversion from a unitrust to an income trust or a
7 reconversion of an income trust to a unitrust similar to the mechanism under
8 section 907 of this title.

9 (e) If an express total return unitrust does not specifically or by reference to
10 section 907 of this title deny a power to change the unitrust percentage or to
11 convert to an income trust, then the trustee shall have such power.

12 (f) The distribution of a fixed percentage of not less than three percent nor
13 more than five percent reasonably apportions the total return of an express total
14 return unitrust.

15 (g) The trust instrument may grant discretion to the trustee to adopt a
16 consistent practice of treating capital gains as part of the unitrust distribution,
17 to the extent that the unitrust distribution exceeds the net accounting income,
18 or it may specify the ordering of such classes of income.

19 (h) Unless the terms of the trust specifically provide otherwise, a
20 distribution of the unitrust amount from an express total return unitrust shall be
21 considered to have been made from the following sources in order of priority:

1 (1) From net accounting income determined as if the trust were not a
2 unitrust;

3 (2) From ordinary income not allocable to net accounting income;

4 (3) After calculating the trust's capital gain net income as described in
5 the Internal Revenue Code of 1986 (as in effect on the effective date of this
6 title and referred to in this section as the "I.R.C."), § 1222(9), from net realized
7 short-term capital gain as described in I.R.C. § 1222(5) and then from net
8 realized long-term capital gain described in I.R.C. § 1222(7); and

9 (4) From the principal of the trust.

10 (i) The trust instrument may provide that:

11 (1) Assets for which a fair market value cannot be readily ascertained
12 shall be valued using such valuation methods as are deemed reasonable and
13 appropriate; and

14 (2) Assets used by a trust beneficiary, such as a residence property or
15 tangible personal property, may be excluded from the net fair market value for
16 computing the unitrust amount.

17 CHAPTER 10. LIABILITY OF TRUSTEES AND RIGHTS OF PERSONS

18 DEALING WITH TRUSTEE

19 § 1001. REMEDIES FOR BREACH OF TRUST

20 (a) A violation by a trustee of a duty the trustee owes to a beneficiary is a
21 breach of trust.

1 (b) To remedy a breach of trust that has occurred or may occur, the probate
2 court may:

3 (1) compel the trustee to perform the trustee's duties;

4 (2) enjoin the trustee from committing a breach of trust;

5 (3) compel the trustee to redress a breach of trust by paying money,
6 restoring property, or other means;

7 (4) order a trustee to account;

8 (5) appoint a special fiduciary to take possession of the trust property
9 and administer the trust;

10 (6) suspend the trustee;

11 (7) remove the trustee as provided in section 706 of this title;

12 (8) reduce or deny compensation to the trustee;

13 (9) subject to section 1012 of this title, void an act of the trustee, impose
14 a lien or a constructive trust on trust property, or trace trust property

15 wrongfully disposed of and recover the property or its proceeds; or

16 (10) order any other appropriate relief.

17 § 1002. DAMAGES FOR BREACH OF TRUST

18 (a) A trustee who commits a breach of trust is liable to the beneficiaries
19 affected for the greater of:

1 (1) the amount required to restore the value of the trust property and
2 trust distributions to what they would have been had the breach not occurred;

3 or

4 (2) the profit the trustee made by reason of the breach.

5 (b) Except as otherwise provided in this subsection, if more than one
6 trustee is liable to the beneficiaries for a breach of trust, a trustee is entitled to
7 contribution from the other trustee or trustees. A trustee is not entitled to
8 contribution if the trustee was substantially more at fault than another trustee
9 or if the trustee committed the breach of trust in bad faith or with reckless
10 indifference to the purposes of the trust or the interests of the beneficiaries. A
11 trustee who received a benefit from the breach of trust is not entitled to
12 contribution from another trustee to the extent of the benefit received.

13 § 1003. DAMAGES IN ABSENCE OF BREACH

14 (a) A trustee is accountable to an affected beneficiary for any profit made
15 by the trustee arising from the administration of the trust, even absent a breach
16 of trust. Nothing in this section limits a trustee's right to reasonable
17 compensation under section 708 of this title.

18 (b) Absent a breach of trust, a trustee is not liable to a beneficiary for a loss
19 or depreciation in the value of trust property or for not having made a profit.

20 § 1004. ATTORNEY'S FEES AND COSTS

1 In a judicial proceeding involving the administration of a trust, the probate
2 court, as justice and equity may require, may award costs and expenses,
3 including reasonable attorney's fees, to any party, to be paid by another party
4 or from the trust that is the subject of the controversy.

5 § 1005. LIMITATION OF ACTION AGAINST TRUSTEE

6 (a) A beneficiary may not commence a proceeding against a trustee for
7 breach of trust more than one year after the date the beneficiary or a
8 representative of the beneficiary was sent a report that adequately disclosed the
9 existence of a potential claim for breach of trust and informed the beneficiary
10 of the time allowed for commencing a proceeding.

11 (b) A report adequately discloses the existence of a potential claim for
12 breach of trust if it provides sufficient information so that the beneficiary or
13 representative knows of the potential claim or should have inquired into its
14 existence.

15 (c) If subsection (a) of this section does not apply, a judicial proceeding by
16 a beneficiary against a trustee for breach of trust must be commenced within
17 three years after the first to occur of:

18 (1) the removal, resignation, or death of the trustee;

19 (2) the termination of the beneficiary's interest in the trust; or

20 (3) the termination of the trust.

21 § 1006. RELIANCE ON TRUST INSTRUMENT

1 A trustee who acts in reasonable reliance on the terms of the trust as
2 expressed in the trust instrument is not liable to a beneficiary for a breach of
3 trust to the extent the breach resulted from the reliance.

4 § 1007. EVENT AFFECTING ADMINISTRATION OR DISTRIBUTION

5 If the happening of an event, including, but not limited to, marriage,
6 divorce, performance of educational requirements, attainment of a specified
7 age, or death, affects the administration or distribution of a trust, a trustee who
8 has exercised reasonable care to ascertain the happening of the event is not
9 liable for a loss resulting from the trustee's lack of knowledge.

10 § 1008. EXCULPATION OF TRUSTEE

11 (a) A term of a trust relieving a trustee of liability for breach of trust is
12 unenforceable to the extent that it:

13 (1) relieves the trustee of liability for breach of trust committed in bad
14 faith or with reckless indifference to the purposes of the trust or the interests of
15 the beneficiaries; or

16 (2) was inserted as the result of an abuse by the trustee of a fiduciary or
17 confidential relationship to the settlor.

18 (b) An exculpatory term drafted or caused to be drafted by the trustee is
19 invalid as an abuse of a fiduciary or confidential relationship unless the trustee
20 proves that the exculpatory term is fair under the circumstances and that its
21 existence and contents were adequately communicated to the settlor.

1 § 1009. BENEFICIARY’S CONSENT, RELEASE, OR RATIFICATION

2 A trustee is not liable to a beneficiary for breach of trust if the beneficiary
3 consented to the conduct constituting the breach, released the trustee from
4 liability for the breach, or ratified the transaction constituting the breach,
5 unless:

6 (1) the consent, release, or ratification of the beneficiary was induced by
7 improper conduct of the trustee; or

8 (2) at the time of the consent, release, or ratification, the beneficiary did
9 not know of the beneficiary’s rights or of the material facts relating to the
10 breach.

11 § 1010. LIMITATION ON PERSONAL LIABILITY OF TRUSTEE

12 (a) Except as otherwise provided in the contract, a trustee is not personally
13 liable on a contract properly entered into in the trustee’s fiduciary capacity in
14 the course of administering the trust if the trustee in making the contract
15 disclosed the fiduciary capacity. The addition of the phrase “trustee” or “as
16 trustee” or a similar designation to the signature of a trustee on a written
17 contract is considered prima facie evidence of a disclosure of fiduciary
18 capacity.

19 (b) A trustee is personally liable for torts committed in the course of
20 administering a trust, or for obligations arising from ownership or control of

1 trust property, including liability for violation of environmental law, only if the
2 trustee is personally at fault.

3 (c) A claim based on a contract entered into by a trustee in the trustee's
4 fiduciary capacity, on an obligation arising from ownership or control of trust
5 property, or on a tort committed in the course of administering a trust, may be
6 asserted in a judicial proceeding against the trustee in the trustee's fiduciary
7 capacity, whether or not the trustee is personally liable for the claim.

8 § 1011. INTEREST AS GENERAL PARTNER

9 (a) Except as otherwise provided in subsection (c) of this section or unless
10 personal liability is imposed in the contract, a trustee who holds, in a fiduciary
11 capacity, an interest as a general partner in a general or limited partnership is
12 not personally liable on a contract entered into by the partnership after the
13 trust's acquisition of the interest if the fiduciary capacity was disclosed in the
14 contract. The requirement of disclosure in the contract will be satisfied if the
15 trustee signs the contract or signs another writing which is contemporaneously
16 delivered to the other parties to the contract in a manner that clearly evidences
17 that the trustee executed the contract in a fiduciary capacity.

18 (b) Except as otherwise provided in subsection (c) of this section, a trustee
19 who holds an interest as a general partner is not personally liable for torts
20 committed by the partnership or for obligations arising from ownership or
21 control of the interest unless the trustee is personally at fault.

1 (c) The immunity provided by this section does not apply if an interest in
2 the partnership is held by the trustee in a capacity other than that of trustee or
3 is held by the trustee's spouse or one or more of the trustee's descendants,
4 siblings, or parents, or the spouse of any of them.

5 (d) If the trustee of a revocable trust holds an interest as a general partner,
6 the settlor is personally liable for contracts and other obligations of the
7 partnership as if the settlor were a general partner.

8 § 1012. PROTECTION OF PERSON DEALING WITH TRUSTEE

9 (a) A person other than a beneficiary who in good faith assists a trustee or
10 who in good faith and for value deals with a trustee without knowledge that the
11 trustee is exceeding or improperly exercising the trustee's powers is protected
12 from liability as if the trustee properly exercised the power.

13 (b) A person other than a beneficiary who in good faith deals with a trustee
14 is not required to inquire into the extent of the trustee's powers or the propriety
15 of their exercise.

16 (c) A person who in good faith delivers assets to a trustee need not ensure
17 their proper application.

18 (d) A person other than a beneficiary who in good faith assists a former
19 trustee or who in good faith and for value deals with a former trustee without
20 knowledge that the trusteeship has terminated is protected from liability as if
21 the former trustee were still a trustee.

1 (e) Comparable protective provisions of other laws relating to commercial
2 transactions or transfer of securities by fiduciaries prevail over the protection
3 provided by this section.

4 § 1013. CERTIFICATION OF TRUST

5 (a) Instead of furnishing a copy of the trust instrument to a person other
6 than a beneficiary, the trustee of a trust at any time after execution or creation
7 of a trust may execute a certificate of trust that sets forth less than all of the
8 provisions of a trust instrument and any amendments to the instrument. The
9 certificate of trust may be used as evidence of authority to sell, convey, pledge,
10 mortgage, lease, or transfer title to any interest in real or personal property.
11 The certificate of trust shall be upon the representation of the trustee that the
12 statements contained in the certificate of trust are true and correct. The
13 signature of the trustee must be under oath before a notary public or other
14 official authorized to administer oaths. The certificate of trust must include:

15 (1) the name of the trust, if one is given;

16 (2) the date of the trust instrument;

17 (3) the name of each grantor or settlor;

18 (4) the name of each original trustee;

19 (5) the name and address of each trustee empowered to act under the
20 trust instrument at the time of execution of the certificate;

1 (6) an abstract of the provisions of the trust instrument authorizing the
2 trustee to act in the manner contemplated by the instrument;

3 (7) a statement that the trust instrument has not been revoked or
4 amended as to the authorizing provisions, and a statement that the trust exists;

5 (8) a statement that no provisions of the trust instrument limit the
6 authority so granted; and

7 (9) a statement as to whether the trust is supervised by any court and, if
8 so, a statement that all necessary approval has been obtained for the trustees to
9 act.

10 (b) A certificate of trust executed under subsection (a) of this section may
11 be recorded in the municipal land records where the land identified in the
12 certificate of trust or any attachment to it is located. When it is so recorded or
13 filed for recording, or in the case of personal property, when it is presented to a
14 third party, the certificate of trust serves to document the existence of the trust,
15 the identity of the trustee, the powers of the trustee and any limitations on
16 those powers, and other matters set forth in the certificate of trust, as though
17 the full trust instrument had been recorded, filed, or presented.

18 (c) A certificate of trust is conclusive proof as to the matters contained in
19 the certificate, and any party may rely upon the continued effectiveness of the
20 certificate unless:

1 (1) a party dealing with the trustee or trustees has actual knowledge
2 of facts to the contrary;

3 (2) the certificate is amended or revoked under subsection (d) of this
4 section; or

5 (3) the full trust instrument including all amendments is recorded or
6 filed.

7 (d) Amendment or revocation of a certificate of trust may be made only by
8 a written instrument executed by the trustee of a trust. Amendment or
9 revocation of a certificate of trust is not effective as to a party unless that party
10 has actual notice of the amendment or revocation. For purposes of this
11 subsection, “actual notice” means that a written instrument of amendment or
12 revocation has been received by the party or, in the case of real property, that
13 either a written instrument of amendment or revocation has been received by
14 the party or that a written instrument of amendment or revocation identifying
15 the real property involved has been recorded in the municipal land records
16 where the real property is located.

17 (e) A certification of trust may be signed or otherwise authenticated by any
18 trustee.

19 (f) A certification of trust need not contain the dispositive terms of a trust.

20 (g) A recipient of a certification of trust may require the trustee to furnish
21 copies of those excerpts from the original trust instrument and later

1 amendments which designate the trustee and confer upon the trustee the power
2 to act in the pending transaction.

3 (h) A person who in good faith enters into a transaction in reliance upon a
4 certification of trust may enforce the transaction against the trust property as if
5 the representations contained in the certification were correct.

6 (i) This section does not limit the right of a person to obtain a copy of the
7 trust instrument in a judicial proceeding concerning the trust.

8 CHAPTER 11. TRUST PROTECTORS AND TRUST ADVISORS

9 § 1101. TRUST ADVISORS AND TRUST PROTECTORS

10 (a) A trust protector or trust advisor is any person, other than a trustee, who
11 under the terms of the trust, an agreement of the qualified beneficiaries, or a
12 court order has a power or duty with respect to a trust, including, without
13 limitation, one or more of the following powers:

14 (1) the power to modify or amend the trust instrument to achieve
15 favorable tax status or respond to changes in any applicable federal, state, or
16 other tax law affecting the trust, including (without limitation) any rulings,
17 regulations, or other guidance implementing or interpreting such laws;

18 (2) the power to amend or modify the trust instrument to take advantage
19 of changes in the rule against perpetuities, laws governing restraints on
20 alienation, or other state laws restricting the terms of the trust, the distribution
21 of trust property, or the administration of the trust;

1 (3) the power to appoint a successor trust protector or trust advisor;

2 (4) the power to review and approve a trustee's trust reports or
3 accountings;

4 (5) the power to change the governing law or principal place of
5 administration of the trust;

6 (6) the power to remove and replace any trust advisor or trust protector
7 for the reasons stated in the trust instrument;

8 (7) the power to remove a trustee, cotrustee, or successor trustee for the
9 reasons stated in the trust instrument, and to appoint a successor;

10 (8) the power to consent to a trustee's or cotrustee's action or inaction in
11 making distributions to beneficiaries;

12 (9) the power to increase or decrease any interest of the beneficiaries in
13 the trust, to grant a power of appointment to one or more trust beneficiaries, or
14 to terminate or amend any power of appointment granted in the trust; however,
15 a modification, amendment, or grant of a power of appointment may not grant
16 a beneficial interest in a charitable trust with only charitable beneficiaries to
17 any noncharitable interest or purpose and may not grant a beneficial interest in
18 any trust to the trust protector or trust advisor or to the estate or for the benefit
19 of the creditors of such trust protector or such trust advisor;

20 (10) the power to perform a specific duty or function that would
21 normally be required of a trustee or cotrustee;

1 (11) the power to advise the trustee or cotrustee concerning any
2 beneficiary;

3 (12) the power to consent to a trustee's or cotrustee's action or inaction
4 relating to investments of trust assets; and

5 (13) the power to direct the acquisition, disposition, or retention of any
6 trust investment.

7 (b) The exercise of a power by a trust advisor or a trust protector shall be
8 exercised in the sole and absolute discretion of the trust advisor or trust
9 protector and shall be binding on all other persons.

10 § 1102. TRUST ADVISORS AND TRUST PROTECTORS AS

11 FIDUCIARIES

12 (a) A trust advisor or trust protector is a fiduciary with respect to each
13 power granted to such trust advisor or trust protector. In exercising any power
14 or refraining from exercising any power, a trust advisor or trust protector shall
15 act in good faith and in accordance with the terms and purposes of the trust and
16 the interests of the beneficiaries.

17 (b) A trust advisor or trust protector is an excluded fiduciary with respect to
18 each power granted or reserved exclusively to any one or more other trustees,
19 trust advisors, or trust protectors.

1 § 1103. TRUST ADVISOR AND TRUST PROTECTOR SUBJECT TO
2 COURT JURISDICTION

3 By accepting appointment to serve as a trust advisor or trust protector, the
4 trust advisor or the trust protector submits personally to the jurisdiction of the
5 courts of this state even if investment advisory agreements or other related
6 agreements provide otherwise, and the trust advisor or trust protector may be
7 made a party to any action or proceeding relating to a decision, action, or
8 inaction of the trust advisor or trust protector.

9 § 1104. NO DUTY TO REVIEW ACTIONS OF TRUSTEE, TRUST
10 ADVISOR, OR TRUST PROTECTOR.

11 (a) Whenever, pursuant to the terms of a trust, an agreement of the
12 qualified beneficiaries, or a court order, an excluded fiduciary is to follow the
13 direction of a trustee, trust advisor, or trust protector with respect to investment
14 decisions, distribution decisions, or other decisions of the non-excluded
15 fiduciary, then, except to the extent that the terms of the trust, the agreement of
16 the qualified beneficiaries, or the court order provide otherwise, the excluded
17 fiduciary shall have no duty to:

18 (1) monitor the conduct of the trustee, trust advisor, or trust protector;

19 (2) provide advice to the trustee, trust advisor, or trust protector or
20 consult with the trustee, trust advisor, or trust protector; or

1 (3) communicate with or warn or apprise any beneficiary or third party
2 concerning instances in which the excluded fiduciary would or might have
3 exercised the excluded fiduciary's own discretion in a manner different from
4 the manner directed by the trustee, trust advisor, or trust protector.

5 (b) Absent clear and convincing evidence to the contrary, the actions of the
6 excluded fiduciary pertaining to matters within the scope of the trustee's, trust
7 advisor's, or trust protector's authority (such as confirming that the trustee's,
8 trust advisor's, or trust protector's directions have been carried out and
9 recording and reporting actions taken at the trustee's, trust advisor's, or trust
10 protector's direction or other information pursuant to section 813 of this title),
11 shall be presumed to be administrative actions taken by the excluded fiduciary
12 solely to allow the excluded fiduciary to perform those duties assigned to the
13 excluded fiduciary under the terms of the trust, the agreement of the qualified
14 beneficiaries, or the court order, and such administrative actions shall not be
15 deemed to constitute an undertaking by the excluded fiduciary to monitor the
16 trustee, trust advisor, or trust protector or otherwise participate in actions
17 within the scope of the trustee's, trust advisor's, or trust protector's authority.

18 § 1105. FIDUCIARY'S LIABILITY FOR ACTION OR INACTION OF
19 TRUSTEE, TRUST ADVISOR, AND TRUST PROTECTOR

20 An excluded fiduciary is not liable for:

1 (1) any loss resulting from any action or inaction of a trustee, trust
2 advisor, or trust protector; or

3 (2) any loss that results from the failure of a trustee, trust advisor, or
4 trust protector to take any action proposed by the excluded fiduciary where
5 such action requires the authorization of the trustee, trust advisor, or trust
6 protector, provided that an excluded fiduciary who had a duty to propose such
7 action timely sought but failed to obtain the authorization.

8 CHAPTER 12. MISCELLANEOUS PROVISIONS

9 § 1201. UNIFORMITY OF APPLICATION AND CONSTRUCTION

10 In applying and construing this title, consideration must be given to the
11 need to promote uniformity of the law with respect to its subject matter among
12 states that enact it.

13 § 1202. ELECTRONIC RECORDS AND SIGNATURES

14 The provisions of this title governing the legal effect, validity, or
15 enforceability of electronic records or electronic signatures and of contracts
16 formed or performed with the use of such records or signatures conform to the
17 requirements of Section 102 of the Electronic Signatures in Global and
18 National Commerce Act (15 U.S.C. § 7002) and supersede, modify, and limit
19 the requirements of the Electronic Signatures in Global and National
20 Commerce Act.

1 § 1203. SEVERABILITY CLAUSE

2 If any provision of this title or its application to any person or circumstances
3 is held invalid, the invalidity does not affect other provisions or applications
4 of this title which can be given effect without the invalid provision or
5 application, and to this end the provisions of this title are severable.

6 § 1204. EFFECTIVE DATE

7 This act takes effect on July 1, 2009.

8 § 1205. REPEAL

9 The Uniform Prudent Investor Act is repealed.

10 § 1206. APPLICATION TO EXISTING RELATIONSHIPS

11 (a) Except as otherwise provided in this title, on the effective date of this
12 title:

13 (1) this title applies to all trusts created before, on, or after its effective
14 date;

15 (2) this title applies to all judicial proceedings concerning trusts
16 commenced on or after its effective date;

17 (3) this title applies to judicial proceedings concerning testamentary
18 trusts commenced before its effective date except that accountings shall
19 continue to be due from the trustees of such trusts in the same manner and in
20 the same frequency as required by the probate court prior to this title unless
21 otherwise ordered by the probate court;

1 (4) this title applies to all other judicial proceedings concerning trusts
2 commenced before its effective date unless the probate court finds that
3 application of a particular provision of this title would substantially interfere
4 with the effective conduct of the judicial proceedings or prejudice the rights of
5 the parties, in which case the particular provision of this title does not apply
6 and the superseded law applies;

7 (5) any rule of construction or presumption provided in this title applies
8 to trust instruments executed before the effective date of this title unless there
9 is a clear indication of a contrary intent in the terms of the trust; and

10 (6) an act done before the effective date of this title is not affected by
11 this title.

12 (b) If a right is acquired, extinguished, or barred upon the expiration of a
13 prescribed period that has commenced to run under any other statute before the
14 effective date of this title, that statute continues to apply to the right even if it
15 has been repealed or superseded.

16 Sec. 2. 4 V.S.A. § 111a is amended to read:

17 § 111a. DESIGNATION AND JURISDICTION OF SUPERIOR COURT

18 Until otherwise provided by law or by judicial rules adopted by the supreme
19 court not inconsistent with law, a court designated as the superior court, to be
20 presided over by a superior judge or a judge designated under section 74 of this
21 title, shall be held in each county of this state. The setting of terms of the

1 superior court shall be as was heretofore provided for the county courts under
2 section 115 of this title. The jurisdiction of the superior court shall be the same
3 as heretofore provided by law for the county courts in the Vermont Statutes
4 Annotated, with the exception of actions relating to the administration of trusts
5 as provided in section 311 of this title and as provided in Title 14A.

6 Sec. 3. 4 V.S.A. § 311 is amended to read:

7 § 311. JURISDICTION GENERALLY

8 The probate court shall have jurisdiction of the probate of wills, the
9 settlement of estates, the administration of trusts created by will pursuant to
10 Title 14A, trusts of absent person's estates, charitable, cemetery and
11 philanthropic trusts, irrevocable trusts created by inter vivos agreements solely
12 for the purpose of removal and replacement of trustees pursuant to subsection
13 2314(c) of Title 14, the appointment of guardians, and of the powers, duties
14 and rights of guardians and wards, proceedings concerning chapter 231 of Title
15 18, accountings of attorneys in fact where no guardian has been appointed and
16 the agent has reason to believe the principal is incompetent, relinquishment for
17 adoption, adoptions, uniform gifts to minors, changes of name, issuance of new
18 birth certificates, amendment of birth certificates, correction or amendment of
19 marriage certificates, correction or amendment of death certificates, emergency
20 waiver of premarital medical certificates, proceedings relating to cemetery lots,
21 trusts relating to community mausoleums or columbariums, civil actions

1 brought under subchapter 3 of chapter 107 of Title 18 relating to disposition of
2 remains, proceedings relating to the conveyance of a homestead interest of a
3 spouse under a legal disability, the issuance of declaratory judgments, issuance
4 of certificates of public good authorizing the marriage of persons under 16
5 years of age, appointment of administrators to discharge mortgages held by
6 deceased mortgagees, appointment of trustees for persons confined under
7 sentences of imprisonment, fixation of compensation and expenses of boards
8 of arbitrators of death taxes of Vermont domiciliaries, and as otherwise
9 provided by law.

10 Sec. 4. 4 V.S.A. § 311a is amended to read:

11 § 311a. VENUE GENERALLY

12 For proceedings authorized to probate courts, venue shall lie as provided in
13 Title 14A for the administration of trusts, and otherwise in a district of the
14 court as follows:

15 (1) Decedent's estate for a resident of this state: in the district where the
16 decedent resided at the time of death.

17 (2) Decedent's estate for a nonresident of this state: in any district where
18 estate of the decedent is situated.

19 (3) Appointment of a conservator for the estate of an absent person:

20 (A) in the district of the absent person's last legal domicile; or

1 (B) if a nonresident of this state, in any district where estate of the
2 absent person is situated.

3 (4) Trust estate created by will: in the district where the decedent's will
4 is allowed.

5 (5) Appointment of a trustee for the estate of an absent person:

6 (A) in the district of the absent person's last legal domicile; or

7 (B) if the absent person has no domicile in this state, in any district
8 where property of the absent person is situated; or

9 (C) in any district of residence of a fiduciary or representative of an
10 estate having possession and control of property the absent person received by
11 virtue of a legacy or as an heir of an estate.

12 (6) Charitable, cemetery and philanthropic trusts:

13 (A) in the district where the trustee resides; or

14 (B) in the district where the creation of the trust is recorded.

15 (7) Appointment of a guardian of a person resident in this state:

16 (A) in the district where the ward resides at the time of appointment;
17 except

18 (B) when the guardian is appointed for a minor who is interested in a
19 decedent's estate as an heir, devisee or legatee or representative of either, in
20 the district where the decedent's estate is being probated.

1 (8) Appointment of a guardian for a nonresident minor: in the district
2 where the minor owns or has an interest in real estate.

3 (9) Termination or modification of a guardianship or change of a
4 guardian:

5 (A) in the district of the appointing court; or

6 (B) in the district where the ward resides.

7 ~~(10) Estate of a nonresident testamentary trust: in the district where the~~
8 ~~estate is situated.~~

9 (11) Estate of a nonresident charitable or philanthropic testamentary
10 trust:

11 (A) in any district where the legacy or gift is to be paid or distributed;

12 or

13 (B) in any district where the beneficiary or beneficiaries reside or are
14 located.

15 (12) Appointment of a guardian as to the estate of a nonresident subject
16 to guardianship in this state or under guardianship in another state: in any
17 district where estate of the nonresident ward or prospective ward is situated.

18 (13) Change of residential placement for a ward under total or limited
19 guardianship:

20 (A) in the district of the appointing court; or

21 (B) in the district where the ward resides.

1 (14) Petition to determine title to property in the name of a person
2 deceased seven or more years without probate of a decedent estate: in the
3 district where the property is situated.

4 (15) Uniform gifts to minors:

5 (A) petition to expend custodial property for a minor's support,
6 education or maintenance: in the district where the minor resides;

7 (B) petition for permission to resign or for designation of a successor
8 custodian: in the district where the minor resides.

9 (16) Relinquishment for adoption:

10 (A) in the district where a written relinquishment is executed; or

11 (B) in the district where a licensed child placing agency to which
12 written relinquishment is made has its principal office.

13 (17) Adoption:

14 (A) if the adopting person or persons are residents of this state, in the
15 district where they reside; or

16 (B) if the adopting person or persons are nonresidents, in a court of
17 competent jurisdiction where they reside; or

18 (C) if the prospective adoptee is a minor who has been relinquished
19 or committed to the department of social and rehabilitation services or a
20 licensed child placing agency, in the district where the department or agency is
21 located or has its principal office.

1 (18) Change of name: in the district where the person resides.

2 (19) Issuance of new or amended birth certificate: in the district where
3 the birth occurred.

4 (20) Correction or amendment of a marriage certificate: in the district
5 where the original certificate is filed.

6 (21) Correction or amendment of a death certificate: in the district where
7 the original certificate is filed.

8 (22) Emergency waiver of premarital medical certificate: in the district
9 where application is made for the marriage license.

10 (23) Proceedings relating to cemetery lots: in the district where the
11 cemetery lot is located.

12 (24) Trusts relating to community mausoleums or columbariums: in the
13 district where the community mausoleum or columbarium is located.

14 (25) Petition for license to convey homestead interest of an insane
15 spouse: in the district where the homestead is situated.

16 (26) Declaratory judgments (unless otherwise provided in Title 14A for
17 proceedings relating to the administration of trusts):

18 (A) if any related proceeding is then pending in any probate court, in
19 that district;

20 (B) if no proceeding is pending:

21 (i) in the district where the petitioner resides; or

1 (ii) if a decedent's estate, a guardian or ward, or trust governed by
2 Title 14 is the subject of the proceeding, in any district where venue lies for a
3 proceeding thereon.

4 (27) Issuance of certificates of public good authorizing the marriage of
5 persons under 16 years of age: in the district or county where either applicant
6 resides, if either is a resident of the state; otherwise in the district or county in
7 which the marriage is sought to be consummated.

8 (28) Appointment of a trustee for a person confined under a sentence of
9 imprisonment: in the district or county in which the person resided at the time
10 of sentence, or in the district or county in which the sentence was imposed.

11 (29) Proceedings concerning chapter 231 of Title 18: in the district
12 where the principal resides or in the district where the principal is a patient
13 admitted to a health care facility.

14 (30) Proceedings under subchapter 3 of chapter 107 of Title 18, in the
15 district where the decedent resided at the time of death or where the remains
16 are currently located.

17 Sec. 5. 12 V.S.A. § 4251 is amended to read:

18 § 4251. ACTIONS FOR ACCOUNTING—JURY

19 The superior courts shall have original jurisdiction, exclusive of the district
20 court, in actions for an accounting other than accountings involved in the
21 administration of trusts under Title 14A. When the defendant in such an action

1 brought in one of the following ways pleads in defense an answer which, if
2 true, makes him or her not liable to account, the issue thus raised may be tried
3 to a jury:

4 (1) By one joint tenant, tenant in common or coparcener, his or her
5 administrator or executor against the other, his or her administrator or
6 executor, as bailiff for receiving more than his or her just proportion of any
7 estate or interest;

8 (2) By an administrator or executor against his or her coadministrator or
9 coexecutor, who neglects to pay the debts and funeral charges of the intestate
10 or testator, in proportion to the estate in his or her hands, and he or she may
11 recover such proportion of such estate as is just;

12 (3) By an executor, being a residuary legatee, against the coexecutor to
13 recover his or her equal and ratable part of the estate in the hands of such
14 coexecutor;

15 (4) By a residuary legatee against the executor;

16 (5) On book account.

17 Sec. 6. 14 V.S.A. § 202 is amended to read:

18 § 202. WHEN PARTIES BOUND BY OTHERS

19 In judicial proceedings involving trusts under this title or estates of
20 decedents, minors, or persons under guardianship, the following apply:

21 (1) Persons are bound by orders binding others in the following cases:

1 (A) Orders binding the sole holder or all co-holders of a power of
2 revocation or a presently exercisable general power of appointment, including
3 one in the form of a power of amendment, bind other persons to the extent
4 their interests (as objects, takers in default, or otherwise) are subject to the
5 power.

6 (B) To the extent there is no conflict of interest between them or
7 among persons represented, orders binding a guardian bind the person whose
8 estate he or she controls; orders binding a trustee bind beneficiaries of the trust
9 in proceedings to probate a will establishing or adding to a trust, to review the
10 acts or accounts of a prior fiduciary and in proceedings involving creditors or
11 other third parties; and orders binding a personal representative bind persons
12 interested in the undistributed assets of a decedent's estate in actions or
13 proceedings by or against the estate. If there is no conflict of interest and no
14 guardian has been appointed, a parent may represent his or her minor child.

15 (C) An unborn or unascertained person who is not otherwise
16 represented is bound by an order to the extent his or her interest is adequately
17 represented by another party having a substantially identical interest in the
18 proceeding.

19 (2) At any point in a proceeding, a probate court may appoint a guardian
20 ad litem to represent the interest of a minor, an incapacitated, unborn, or
21 unascertained person, or a person whose identity or address is unknown, if the

1 court determines that representation of the interest otherwise would be
2 inadequate. If not precluded by conflict of interests, a guardian ad litem may
3 be appointed to represent several persons or interests. The court shall set out
4 its reasons for appointing a guardian ad litem as a part of the record of the
5 proceeding.

6 (3) Parties shall be those persons so defined by the rules of probate
7 procedure.

8 Sec. 7. 14 V.S.A. § 2301 is amended to read:

9 ~~§ 2301. TRUSTEES; BOND; WHEN REQUIRED~~

10 ~~Before entering upon the duties of office, a trustee appointed in a will shall~~
11 ~~file a petition and give a bond with surety to the probate court for the benefit of~~
12 ~~persons interested in the trust estate and conditioned for the faithful~~
13 ~~performance of duties. Unless the court deems it proper to require a bond with~~
14 ~~surety, only the individual bond of the trustees shall be required in a case in~~
15 ~~which the testator in the will appointing the trustee has directed that no bond,~~
16 ~~or a bond without surety, be required.~~

17 Sec. 8. 14 V.S.A. § 2302 is amended to read:

18 ~~§ 2302. CONDITIONS~~

19 ~~The conditions of the bond shall be as follows:~~

20 (1) ~~To make a true inventory of the real estate and goods, chattels, rights~~
21 ~~and credits belonging to him as trustee, and which shall come to his possession~~

1 ~~or knowledge, and to return the same to the probate court at such time as the~~
2 ~~court directs;~~

3 ~~(2) To manage and dispose of such estate and effects, and faithfully~~
4 ~~discharge his trust in relation to the same, according to law and the will of the~~
5 ~~testator;~~

6 ~~(3) To render an account of the property in his hands, and of the~~
7 ~~management and disposition of the same within one year, and at other times~~
8 ~~when required by the probate court;~~

9 ~~(4) To settle his accounts with the probate court at the expiration of his~~
10 ~~trust, and to pay over and deliver the estate and effects remaining in his hands,~~
11 ~~or due from him on such settlement to the persons entitled to the same,~~
12 ~~according to law and the will of the testator.~~

13 Sec. 9. 14 V.S.A. § 2304 is amended to read:

14 ~~§ 2304. BOND WHEN MORE THAN ONE TRUSTEE~~

15 ~~When two or more persons are appointed trustees by a will, the probate~~
16 ~~court may take a separate bond from each, with sureties, or a joint bond from~~
17 ~~all, with sureties.~~

1 Sec. 10. 14 V.S.A. § 2311 is amended to read:

2 ~~§ 2311. TRUSTEES OF NONRESIDENT DECEDENTS; NONRESIDENT~~
3 ~~TRUSTEE; DECREE~~

4 ~~When a nonresident testator has devised or bequeathed property, a minor~~
5 ~~portion of which is in this state, to a nonresident trustee for the benefit of~~
6 ~~nonresident beneficiaries, and a trustee under the will has been appointed in the~~
7 ~~state of the testator's domicile, and the domiciliary estate fully settled, the~~
8 ~~probate court in this state, on petition of the nonresident trustee and after notice~~
9 ~~to the commissioner of taxes, upon final settlement, may decree the trust~~
10 ~~property in this state to the nonresident trustee to be administered as a part of~~
11 ~~the foreign testamentary trust.~~

12 Sec. 11. 14 V.S.A. § 2312 is amended to read:

13 ~~§ 2312. TRUSTEE FAILING TO GIVE BOND; EFFECT~~

14 ~~A person appointed a trustee who neglects to give a bond when required and~~
15 ~~within the time directed by the probate court, shall be considered as having~~
16 ~~declined the trust.~~

17 Sec. 12. 14 V.S.A. § 2313 is amended to read:

18 ~~§ 2313. RESIGNATION, REMOVAL AND APPOINTMENT OF~~
19 ~~TRUSTEES; TRUSTEE MAY DECLINE OR RESIGN~~

20 ~~A trustee may decline or resign his trust, when the probate court deems it~~
21 ~~proper to allow the same.~~

1 Sec. 13. 14 V.S.A. § 2314 is amended to read:

2 ~~§ 2314. TRUSTEE MAY BE REMOVED; SPECIAL FIDUCIARY;~~

3 ~~PETITION FOR REMOVAL BY BENEFICIARY OR~~

4 ~~CO-TRUSTEE~~

5 ~~(a) When a trustee becomes incapacitated or otherwise unable to discharge~~
6 ~~the trust, or is obviously unsuitable, and when, for any cause, the interests of~~
7 ~~the trust estate require it, after giving notice as provided by the rules of probate~~
8 ~~procedure, the probate court may remove the trustee.~~

9 ~~(b) When a trustee fails to perform duties required by law, the rules of~~
10 ~~probate procedure or order of the probate court, the court may suspend the~~
11 ~~trustee from further duties and appoint a special fiduciary to assume~~
12 ~~temporarily the powers and duties of the trustee replaced. A special fiduciary~~
13 ~~shall give a bond as is otherwise required in the proceeding.~~

14 ~~(c) A co-trustee or a majority of the beneficiaries to whom or for whose use~~
15 ~~the current net income of the trust estate is at the time authorized or required to~~
16 ~~be paid or applied and who shall at the time be at least 18 years of age who~~
17 ~~believe that an existing trustee should be replaced by a more suitable trustee~~
18 ~~may petition the court for a replacement. The court may grant the petition,~~
19 ~~remove an existing trustee, and appoint a replacement trustee if, after giving~~
20 ~~notice as provided by the Vermont Rules of Probate Procedure, the court finds~~
21 ~~that a change in trustee would be in keeping with the intent of the grantor. In~~

1 deciding whether to replace a trustee, the court may consider the following
2 factors:

3 (1) Whether removal would substantially improve or benefit the
4 administration of the trust.

5 (2) The relationship between the grantor and the trustee as it existed at
6 the time the trust was created.

7 (3) Changes in the nature of the trustee since the creation of the trust.

8 (4) The relationship between the trustee and the beneficiaries.

9 (5) The responsiveness of the trustee to the beneficiaries.

10 (6) The experience and skill level of the trustee.

11 (7) The investment performance of the trustee.

12 (8) The charges for services performed by the trustee.

13 (9) Any other relevant factors pertaining to the administration of the
14 trust.

15 (d) As used in subsection (c) of this section:

16 (1) "Beneficiary" means a person who:

17 (A) has a present or future beneficial interest in a trust, vested or
18 contingent; or

19 (B) in a capacity other than that of trustee, holds a power of
20 appointment over trust property.

1 ~~(2) "Court" means the probate court of the district in which the grantor~~
2 ~~resides or resided before dying or moving out of state, or where a co-trustee~~
3 ~~resides, or where a beneficiary resides.~~

4 ~~(3) "Grantor" means a person, including a testator, who creates or~~
5 ~~contributes property to a trust. If more than one person creates or contributes~~
6 ~~property to a trust, each person is a grantor of the portion of the trust property~~
7 ~~attributable to that person's contribution except to the extent another person has~~
8 ~~the power to revoke or withdraw that portion.~~

9 ~~(4) "Settler" and "grantor" have the same meaning.~~

10 ~~(5) "Trust" means an express trust created by a trust instrument,~~
11 ~~including a will, whereby a trustee has the duty to administer a trust asset for~~
12 ~~the benefit of a named or otherwise described income or principal beneficiary,~~
13 ~~or both; "trust" does not include a resulting or constructive trust, a business~~
14 ~~trust which provides for certificates to be issued to the beneficiary, an~~
15 ~~investment trust, a voting trust, a security instrument, a trust created by the~~
16 ~~judgment or decree of a court, a liquidation trust, or a trust for the primary~~
17 ~~purpose of paying dividends, interest, interest coupons, salaries, wages,~~
18 ~~pensions or profits, or employee benefits of any kind, an instrument wherein a~~
19 ~~person is nominee or escrowee for another, a trust created in deposits in any~~
20 ~~financial institution as defined in 8 V.S.A. § 10205(5), or other trust the nature~~
21 ~~of which does not admit of general trust administration.~~

1 ~~(6) "Trustee" means an original, added, or successor trustee or co-trustee.~~

2 ~~(e) A court may order trustees who are replaced pursuant to an action~~
3 ~~brought under this section to reimburse the trust for attorney fees and court~~
4 ~~costs paid by the trust relating to the action.~~

5 Sec. 14. 14 V.S.A. § 2315 is amended to read:

6 ~~§ 2315. ADDITIONAL TRUSTEE MAY BE APPOINTED~~

7 ~~When the interests of the trust estate require it and upon notice as provided~~
8 ~~by the rules of probate procedure the probate court may appoint an additional~~
9 ~~trustee, who shall act jointly with the other or others and be subject to the same~~
10 ~~conditions.~~

11 Sec. 15. 14 V.S.A. § 2316 is amended to read:

12 ~~§ 2316. VACANCY, NEW TRUSTEE APPOINTED~~

13 ~~When a person appointed trustee declines or resigns the trust, dies, or is~~
14 ~~removed before the object for which appointment was made is accomplished,~~
15 ~~and where adequate provision is not made by the will to fill the vacancy, after~~
16 ~~notice as provided by the rules of probate procedure, the probate court may~~
17 ~~appoint a new trustee to act alone or jointly with the others.~~

18 Sec. 16. 14 V.S.A. § 2317 is amended to read:

19 ~~§ 2317. AUTHORITY OF NEW TRUSTEE; CONVEYANCE TO~~

20 ~~The trustee so appointed shall have the same authority as if originally~~
21 ~~appointed by the testator or the probate court and the trust estate shall vest in~~

1 ~~him in the same manner. The probate court may order such conveyances to be~~
2 ~~made by the former trustee, or his representatives, or by the remaining trustees,~~
3 ~~as are necessary or proper to vest in the new trustee, either alone or jointly with~~
4 ~~others, the estate and effects which are to be held in trust.~~

5 Sec. 17. 14 V.S.A. § 2319 is amended to read:

6 ~~§ 2319. BOND~~

7 ~~A trustee appointed by the probate court shall give a bond as provided for a~~
8 ~~trustee appointed by a will with such necessary changes as the court directs.~~

9 Sec. 18. 14 V.S.A. § 2320 is amended to read:

10 ~~§ 2320. DUTIES OF TRUSTEES AND SETTLEMENT OF ACCOUNT;~~

11 ~~INVENTORY AND APPRAISAL~~

12 ~~In accordance with the rules of probate procedure, trustees shall make and~~
13 ~~return an inventory, when an inventory is required, and the estate shall be~~
14 ~~appraised as provided in case of a decedent's estate.~~

15 Sec. 19. 14 V.S.A. § 2321 is amended to read:

16 ~~§ 2321. DUTIES OF TRUSTEES; PROPERTY KEPT SEPARATE~~

17 ~~In the management of the trust estate, trustees shall perform the duties~~
18 ~~specified in their bonds and shall keep separate and distinct all moneys,~~
19 ~~property or securities received by them in the capacity of trustees.~~

20 Sec. 20. 14 V.S.A. § 2322 is amended to read:

21 ~~§ 2322. LICENSE; SALE AND INVESTMENT OF ESTATE; SUPPORT OF~~

1 FAMILY

2 ~~On motion, the probate court may authorize or require the trustee to sell all~~
3 ~~or a part of the real estate, stock or other personal estate belonging to the trust~~
4 ~~estate, when it appears to the court to be beneficial to the trust estate and to the~~
5 ~~parties interested therein, or necessary or desirable in order to carry out the~~
6 ~~terms of the trust, and with moneys in the hands of the trustee, invest the~~
7 ~~proceeds of such sale in real estate or in such other manner as the court judges~~
8 ~~most beneficial to those interested in such trust estate. The court may make~~
9 ~~further order or decree for the managing, investing or disposing of the trust~~
10 ~~fund as the case requires, consistent with the trust. In case of an absent person,~~
11 ~~the probate court may make such order for the support of the family as it~~
12 ~~deems necessary.~~

13 Sec. 21. 14 V.S.A. § 2323 is amended to read:

14 ~~§ 2323. SALE OF REAL PROPERTY; ORDER OF COURT;~~

15 REGULATIONS

16 ~~The order of the probate court licensing the sale of real estate belonging to a~~
17 ~~trust estate shall be made under the following regulations:~~

18 (1) ~~On motion, the probate court shall schedule a hearing and notice shall~~
19 ~~be given as provided by the rules of probate procedure;~~

1 ~~(2) At the hearing, the petitioner shall produce evidence of the value of~~
2 ~~the real estate to be sold, the interest of the trust estate therein, and of the~~
3 ~~necessity or desirability of such sale;~~

4 ~~(3) Before license is granted, and if the probate court requires, the trustee~~
5 ~~shall give an additional bond with sufficient sureties for a suitable amount,~~
6 ~~conditioned that the trustee will account for the proceeds of the sale, according~~
7 ~~to law, and shall also be sworn to sell the real estate as in the trustee's~~
8 ~~judgment will be most beneficial to the trust estate; and a certificate of the~~
9 ~~oath, made by the authority administering it, shall be returned to the court~~
10 ~~before the license issues;~~

11 ~~(4) If the foregoing requisites are complied with, the probate court may~~
12 ~~order the sale of the real estate of the trust estate, or its interest in the same, or~~
13 ~~that part thereof as the court deems necessary, at public or private sale, and~~
14 ~~shall furnish the trustee with a certified copy of its order;~~

15 ~~(5) If the probate court directs a public sale, the order shall designate the~~
16 ~~mode of giving notice of the time and place thereof, and the sale shall be held~~
17 ~~in one of the towns where the real estate is located;~~

18 ~~(6) The order of sale shall state that the requisites mentioned in~~
19 ~~subdivisions (1) (3) of this section have been complied with, and a copy~~
20 ~~thereof shall be recorded, previous to the sale, in the office where a deed of~~
21 ~~that real estate is required to be recorded.~~

1 Sec. 22. 14 V.S.A. § 2324 is amended to read:

2 ~~§ 2324. ACCOUNTS, TIME~~

3 ~~Trustees shall annually render a full account of the management of trust~~
4 ~~estates, showing their receipts, disbursements and charges therein and the~~
5 ~~condition of such estates. Notice of the accounting shall be given as provided~~
6 ~~by the rules of probate procedure. The decision of the court therein shall have~~
7 ~~the same effect as in case of settlement of accounts by executors or~~
8 ~~administrators.~~

9 Sec. 23. 14 V.S.A. § 2325 is amended to read:

10 ~~§ 2325. EXAMINATIONS OF TRUSTEE~~

11 ~~The probate court shall examine a trustee upon oath as to the correctness of~~
12 ~~the account before it is allowed by the court, but may dispense with an~~
13 ~~examination when objection is not made to the account.~~

14 Sec. 24. 14 V.S.A. § 2326 is amended to read:

15 ~~§ 2326. RIGHT OF SURETY ON ACCOUNTING~~

16 ~~Upon the filing of a trustee's account, a person interested as surety in~~
17 ~~respect to the account may intervene as a party with the same rights as are~~
18 ~~given to the surety of an administrator.~~

19 Sec. 25. 14 V.S.A. § 2328 is amended to read:

20 ~~§ 2328. TRUSTS, DEVISE OR BEQUEST FOR CHARITY, CY PRES~~

1 ~~If a trust for charity is or becomes illegal, impossible or impracticable of~~
2 ~~enforcement or if a devise or bequest for charity, at the time it was intended to~~
3 ~~become effective, is illegal, impossible or impracticable of enforcement and if~~
4 ~~the settlor or testator manifested a general intention to devote the property to~~
5 ~~charity, the superior court, on motion of any trustee, or any interested person,~~
6 ~~or the attorney general of the state, may order an administration of the trust,~~
7 ~~devise or bequest as nearly as possible to fulfill the general charitable intention~~
8 ~~of the settlor or testator.~~

9 Sec. 26. 14 V.S.A. § 2501 is amended to read:

10 § 2501. CHARITABLE, CEMETERY, AND PHILANTHROPIC TRUSTS;

11 ANNUAL REPORTS

12 Every trustee or board of trustees, incorporated or unincorporated, who
13 holds in trust, within this state, property given, devised, or bequeathed ~~for~~
14 ~~benevolent, charitable, humane or philanthropic purposes, including to~~
15 cemetery associations or societies and towns which hold funds for cemetery
16 purposes, and who administers or is under a duty to administer the same in
17 whole or in part for such purposes, annually, on or before the first day of
18 September, shall make a written report to the probate court showing the
19 property so held and administered, the receipts and expenditures in connection
20 therewith, the whole number of beneficiaries thereof and such other
21 information as the probate court may require.

1 Sec. 27. 27 V.S.A. § 352 is amended to read:

2 ~~§ 352. CERTIFICATE OF TRUST~~

3 ~~(a) The settlor or trustee of a trust, at any time after execution or creation of~~
4 ~~a trust, may execute a certificate of trust that sets forth less than all of the~~
5 ~~provisions of a trust instrument and any amendments to the instrument. The~~
6 ~~certificate of trust may be used as evidence of authority to sell, convey, pledge,~~
7 ~~mortgage, lease, or transfer title to any interest in real or personal property.~~
8 ~~The certificate of trust shall be upon the representation of the settlors, grantors,~~
9 ~~or trustees that the statements contained in the certificate of trust are true and~~
10 ~~correct. The signature of the grantors or trustees must be under oath before a~~
11 ~~notary public or other official authorized to administer oaths. The certificate of~~
12 ~~trust must include:~~

13 ~~(1) the name of the trust, if one is given;~~

14 ~~(2) the date of the trust instrument;~~

15 ~~(3) the name of each grantor or settlor;~~

16 ~~(4) the name of each original trustee;~~

17 ~~(5) the name and address of each trustee empowered to act under the~~
18 ~~trust instrument at the time of execution of the certificate;~~

19 ~~(6) an abstract of the provisions of the trust instrument authorizing the~~
20 ~~trustee to act in the manner contemplated by the instrument;~~

1 ~~(7) a statement that the trust instrument has not been revoked or amended~~
2 ~~as to the authorizing provisions;~~

3 ~~(8) a statement that no provisions of the trust instrument limit the~~
4 ~~authority so granted; and~~

5 ~~(9) a statement as to whether the trust is supervised by any court and, if~~
6 ~~so, a statement that all necessary approval has been obtained for the trustees to~~
7 ~~act.~~

8 ~~(b) A certificate of trust executed under subsection (a) of this section may~~
9 ~~be recorded in the land records of the municipality where the land identified in~~
10 ~~the certificate of trust or any attachment to it is situated. When it is so recorded~~
11 ~~or filed for recording, or in the case of personal property, when it is presented~~
12 ~~to a third party, the certificate of trust serves to document the existence of the~~
13 ~~trust, the identity of the trustees, the powers of the trustees and any limitations~~
14 ~~on those powers, and other matters set forth in the certificate of trust, as though~~
15 ~~the full trust instrument had been recorded, filed, or presented.~~

16 ~~(c) A certificate of trust is conclusive proof as to the matters contained in it,~~
17 ~~and any party may rely upon the continued effectiveness of the certificate~~
18 ~~unless:~~

19 ~~(1) a party dealing with the trustee or trustees has actual knowledge of~~
20 ~~facts to the contrary;~~

1 ~~(2) the certificate is amended or revoked under subsection (d) of this~~
2 ~~section; or~~

3 ~~(3) the full trust instrument is recorded, filed, or presented.~~

4 ~~(d) Amendment or revocation of a certificate of trust may be made only by a~~
5 ~~written instrument executed by the settlor or trustee of a trust. Amendment or~~
6 ~~revocation of a certificate of trust is not effective as to a party unless that party~~
7 ~~has actual notice of the amendment or revocation. For purposes of this~~
8 ~~subsection, "actual notice" means that a written instrument of amendment or~~
9 ~~revocation has been received by the party or, in the case of real property, that~~
10 ~~either a written instrument of amendment or revocation has been received by~~
11 ~~the party or that a written instrument of amendment or revocation identifying~~
12 ~~the real property involved has been recorded in the municipal land records~~
13 ~~where the real property is situated.~~

14 Sec. 28. EFFECTIVE DATE

15 This act shall take effect on July 1, 2009.