

SENATE BILL NO. 2122

Introduced by

Judiciary Committee

(At the request of the Commission on Uniform State Laws)

1 A BILL for an Act to create and enact chapters 59-09, 59-10, 59-11, 59-12, 59-13, 59-14, 59-15,
2 59-16, 59-17, 59-18, 59-19, and 59-20 of the North Dakota Century Code, relating to adoption
3 of the uniform trust code and charitable trusts; to amend and reenact section 3-02-05,
4 subsection 24 of section 10-33-21, sections 10-33-105, 23-21.1-03, 30.1-18-03, 30.1-20-13,
5 38-10-12, and 38-13-01 of the North Dakota Century Code, relating to trusts; to repeal chapters
6 30.1-33, 30.1-34, 59-01, 59-02, 59-03, 59-04, 59-04.2, and 59-05 of the North Dakota Century
7 Code, relating to trusts; and to provide for retroactive application.

8 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

9 **SECTION 1. AMENDMENT.** Section 3-02-05 of the North Dakota Century Code is
10 amended and reenacted as follows:

11 **3-02-05. General authority limited.** An authority expressed in general terms, however
12 broad, does not authorize an agent:

13 1. ~~To~~ to act in ~~his~~ the agent's own name unless ~~it doing so~~ doing so is the usual course of
14 business ~~to do so~~;

15 2. ~~To~~ to define the scope of ~~his~~ the agent's agency; ~~or~~

16 3. ~~To~~ or to do any act ~~which~~ that a trustee is forbidden to do ~~by the provisions of~~
17 ~~sections 59-01-09 to 59-01-19, inclusive~~ under chapters 59-09 through 59-19.

18 **SECTION 2. AMENDMENT.** Subsection 24 of section 10-33-21 of the North Dakota
19 Century Code is amended and reenacted as follows:

20 24. Except when the trust instrument prescribes otherwise, a corporation may invest
21 trust property or its proceeds in accordance with ~~sections 59-02-08.1 through~~
22 ~~59-02-08.14~~ chapters 59-09 through 59-19.

23 **SECTION 3. AMENDMENT.** Section 10-33-105 of the North Dakota Century Code is
24 amended and reenacted as follows:

1 **10-33-105. Distribution of assets.**

- 2 1. In performing the duties under section 10-33-100, the board, or the officers acting
3 under the direction of the board, shall distribute the assets of the corporation in the
4 following order of priority:
- 5 a. Distribution of assets received and held for a special use or purpose under
6 subsection 2;
 - 7 b. Payment of costs and expenses of the dissolution proceedings, including
8 attorney's fees and disbursements;
 - 9 c. Payment of debts, obligations, and liabilities of the corporation;
 - 10 d. Distribution of assets pursuant to articles or bylaws of the dissolving
11 corporation or the rules or canons of another organization under subsection 3;
12 and
 - 13 e. Distribution of remaining assets under subsection 4.
- 14 2. Assets of the corporation may not be diverted from the uses and purposes for
15 which the assets have been received and held or from the uses and purposes
16 expressed or intended by the original donor.
- 17 3. When the articles or bylaws of the dissolving corporation, or the rules or canons of
18 another organization by which the dissolving corporation is bound, provide for a
19 particular distribution of the assets of the dissolving corporation, the assets must
20 be distributed accordingly.
- 21 4. The distribution of assets held for or devoted to a charitable or public use or
22 purpose is subject to section ~~59-02-22~~ 59-20-01.

23 **SECTION 4. AMENDMENT.** Section 23-21.1-03 of the North Dakota Century Code is
24 amended and reenacted as follows:

25 **23-21.1-03. Creation of perpetual care fund.**

- 26 1. Any organization subject to this chapter which is organized or commences
27 business in this state and desires to operate as a perpetual care cemetery, before
28 selling or disposing of any interment space or lots, shall establish a minimum
29 perpetual care and maintenance guarantee fund of twenty-five thousand dollars in
30 cash, except that the minimum perpetual care and maintenance guarantee fund for
31 organizations in operation on July 1, 1963, must be five thousand dollars. The

1 perpetual care and maintenance guarantee fund must be permanently set aside in
2 trust to be administered under the jurisdiction of the district court of the county
3 wherein the cemetery is located. The district court shall have jurisdiction over the
4 approval of trustees, reports and accounting of trustees, amount of surety bond
5 required, and investment of funds as provided by ~~chapter 59-04~~ chapters 59-09
6 through 59-19 relating to the administration of trust estates. Only the income from
7 such fund may be used for the care and maintenance of the cemetery for which it
8 was established. All such organizations shall submit at least annually, to the
9 district court, such reports as are required. The clerks of each of the district courts
10 shall transmit copies of all reports, and rules and regulations enacted by the
11 organization, to the state department of health and the commissioner of financial
12 institutions.

13 2. To continue to operate as a perpetual care cemetery, any such organization shall
14 set aside and deposit in the perpetual care fund not less than the following
15 amounts for lots of interment space thereafter sold or disposed of:

16 ~~4.~~ a. A minimum of twenty percent of the gross selling price with a minimum of
17 twenty dollars for each adult space, whichever is the greater.

18 ~~2.~~ b. A minimum of twenty percent of the gross selling price for each child's space
19 with a minimum of five dollars for each space up to forty-two inches [1006.8
20 millimeters] in length or ten dollars for each space up to sixty inches [1524
21 millimeters] in length, whichever is the greater.

22 ~~3.~~ c. A minimum of twenty percent of the gross selling price with a minimum of one
23 hundred dollars for each space or crypt in a mausoleum, whichever is the
24 greater, except a mausoleum located in a cemetery covered by a perpetual
25 care fund which consists of at least twenty percent of the proceeds received
26 by the cemetery from the sale of cemetery lots, in which event, the perpetual
27 care fund for the public or community mausoleum itself shall contain a
28 minimum of twenty percent of the cost of the construction of such public or
29 community mausoleum.

30 ~~4.~~ d. A minimum of twenty percent of the gross selling price with a minimum of ten
31 dollars for each inurnment niche in a columbarium, except a columbarium

1 located in a cemetery covered by a perpetual care fund which consists of at
2 least twenty percent of the proceeds received by the cemetery from the sale
3 of cemetery lots, in which event, the perpetual care fund for the public or
4 community columbarium itself shall contain a minimum of twenty percent of
5 the cost of the construction of such public or community columbarium.

6 ~~5-~~ e. A minimum of twenty percent of the gross selling price with a minimum of one
7 hundred dollars, whichever is the greater, for each interment space in crypt
8 gardens or any other structure or device by whatever name, established or
9 constructed wholly or partially above the natural surface of the ground, for the
10 interment of any dead human body.

11 3. There is no required perpetual care fund deposit on spaces provided without
12 charge for paupers and infants.

13 **SECTION 5. AMENDMENT.** Section 30.1-18-03 of the North Dakota Century Code is
14 amended and reenacted as follows:

15 **30.1-18-03. (3-703) General duties - Relation and liability to persons interested in**
16 **estate - Standing to sue.**

17 1. A personal representative is a fiduciary who shall observe the standards of care
18 applicable to trustees ~~as described by section 30.1-34-02.~~ A personal
19 representative is under a duty to settle and distribute the estate of the decedent in
20 accordance with the terms of any probated and effective will and this title, and as
21 expeditiously and efficiently as is consistent with the best interests of the estate.

22 The personal representative shall use the authority conferred upon the personal
23 representative by this title, the terms of the will, if any, and any order in
24 proceedings to which the personal representative is party for the best interests of
25 successors to the estate.

26 2. A personal representative may not be surcharged for acts of administration or
27 distribution if the conduct in question was authorized at the time. Subject to other
28 obligations of administration, an informally probated will authorizes a personal
29 representative to administer and distribute the estate according to its terms. An
30 order of appointment of a personal representative, whether issued in informal or
31 formal proceedings, authorizes the personal representative to distribute apparently

1 intestate assets to the heirs of the decedent if, at the time of distribution, the
2 personal representative is not aware of a pending testacy proceeding, a
3 proceeding to vacate an order entered in an earlier testacy proceeding, a formal
4 proceeding questioning the personal representative's appointment or fitness to
5 continue, or a supervised administration proceeding. This section does not affect
6 the duty of the personal representative to administer and distribute the estate in
7 accordance with the rights of claimants whose claims have been allowed, the
8 surviving spouse, any minor and dependent children, and any pretermitted child of
9 the decedent as described in this title.

10 3. Except as to proceedings which do not survive the death of the decedent, a
11 personal representative of a decedent domiciled in this state at the decedent's
12 death has the same standing to sue and be sued in the courts of this state and the
13 courts of any other jurisdiction as the decedent had immediately prior to death.

14 **SECTION 6. AMENDMENT.** Section 30.1-20-13 of the North Dakota Century Code is
15 amended and reenacted as follows:

16 **30.1-20-13. (3-913) Distributions to trustee.**

- 17 1. Before distributing to a trustee, the personal representative may require that the
18 trust be registered if the state in which it is to be administered provides for
19 registration and that the trustee inform the beneficiaries ~~as provided in section~~
20 ~~30.1-34-03.~~
- 21 2. If the trust instrument does not excuse the trustee from giving bond, the personal
22 representative may petition the appropriate court to require that the trustee post
23 bond if the personal representative apprehends that distribution might jeopardize
24 the interests of persons who are not able to protect themselves, and the personal
25 representative may withhold distribution until the court has acted.
- 26 3. No inference of negligence on the part of the personal representative shall be
27 drawn from the personal representative's failure to exercise the authority conferred
28 by subsections 1 and 2.

29 **SECTION 7. AMENDMENT.** Section 38-10-12 of the North Dakota Century Code is
30 amended and reenacted as follows:

1 **38-10-12. Appointment of trustee to execute mineral lease if contingent future**
2 **interests are involved.** If lands, or any estate or interest therein, are subject to any contingent
3 future interest, legal or equitable, by way of remainder, reversion, or possibility of reverter, upon
4 the happening of a condition subsequent, or otherwise, created by deed, will, or otherwise, and
5 whether a trust is involved or not, and it is made to appear that it will be advantageous to the
6 present and ultimate owners of said lands or estate or interest therein, the district court of the
7 county in which the land or a portion thereof is situated has the power, pending the happening
8 of any contingency and the vesting of such future interest or interests, to declare a trust in said
9 lands or estate or interest therein, appoint a trustee therefor, and to authorize such trustee to
10 sell, on such terms and containing such conditions as the court may prescribe, execute and
11 deliver a valid oil, gas, coal, or other mineral lease covering said lands or estate or interest
12 therein. If a trust is in existence and there is a trustee serving under the trust, the trustee
13 appointed by the court under this section must be the same trustee or trustees as are serving
14 under the existing trust. All proceedings must substantially comply with that provided for the
15 administration of trusts in chapters ~~30.1-33~~, ~~30.1-34~~, and ~~59-04~~ 59-09 through 59-19.

16 **SECTION 8. AMENDMENT.** Section 38-13-01 of the North Dakota Century Code is
17 amended and reenacted as follows:

18 **38-13-01. Appointment of trustee to execute mineral lease and other documents if**
19 **owner or claimant is absent - Administration of trust.** If any undivided mineral, leasehold,
20 or royalty interest in land is claimed or owned by a person whose place of residence and
21 whereabouts is unknown, and cannot reasonably be ascertained, the district court of the county
22 in which the said land or a portion thereof is situated has the power to declare a trust in the
23 interest of such owner or claimant and appoint a trustee therefor. Upon satisfactory proof made
24 by the petitioner that a diligent but unsuccessful effort to locate such owner or claimant has
25 been made and that it will be in the best interest of all owners of interests in said lands, the
26 court shall authorize such trustee to execute and deliver an oil, gas, or other mineral lease, an
27 assignment of leasehold interest, a ratification, division orders or other related documents or
28 instruments on such terms and conditions as the court may approve. All proceedings must
29 substantially comply with that provided for the administration of trusts in chapters ~~30.1-33~~,
30 ~~30.1-34~~, and ~~59-04~~ 59-09 through 59-19.

1 **SECTION 9.** Chapter 59-09 of the North Dakota Century Code is created and enacted
2 as follows:

3 **59-09-01. (101) Short title.** Chapters 59-09 through 59-19 may be cited as the
4 Uniform Trust Code.

5 **59-09-02. (102) Scope.** Chapters 59-09 through 59-19 apply to express trusts,
6 charitable or noncharitable, and trusts created pursuant to a statute, judgment, or decree that
7 requires the trust to be administered in the manner of an express trust.

8 **59-09-03. (103) Definitions.** Unless the context otherwise requires, in chapters 59-09
9 through 59-19:

- 10 1. "Action", with respect to an act of a trustee, includes a failure to act.
- 11 2. "Beneficiary" means a person that has a present or future beneficial interest in a
12 trust, vested or contingent, or, in a capacity other than that of trustee, holds a
13 power of appointment over trust property.
- 14 3. "Charitable trust" means a trust, or portion of a trust, created for a charitable
15 purpose described in subsection 1 of section 59-12-05.
- 16 4. "Conservator" means a person appointed by the court to administer the estate of a
17 minor or adult individual.
- 18 5. "Environmental law" means a federal, state, or local law, rule, regulation, or
19 ordinance relating to protection of the environment.
- 20 6. "Guardian" means a person appointed by the court, a parent, or a spouse to make
21 decisions regarding the support, care, education, health, and welfare of a minor or
22 adult individual. The term does not include a guardian ad litem.
- 23 7. "Interests of the beneficiaries" means the beneficial interests provide in the terms
24 of the trust.
- 25 8. "Jurisdiction", with respect to a geographic area, includes a state or country.
- 26 9. "Power of withdrawal" means a presently exercisable general power of
27 appointment other than a power exercisable only upon consent of the trustee or a
28 person holding an adverse interest.
- 29 10. "Property" means anything that may be the subject of ownership, whether real or
30 personal, legal or equitable, or any interest therein.

- 1 11. "Qualified beneficiary" means a beneficiary who, on the date the beneficiary's
2 qualification is determined:
- 3 a. Is a distributee or permissible distributee of trust income or principal;
4 b. Would be a distributee or permissible distributee of trust income or principal if
5 the interests of the distributees described in subdivision a terminated on that
6 date; or
7 c. Would be a distributee or permissible distributee of trust income or principal if
8 the trust terminated on that date.
- 9 12. "Revocable", as applied to a trust, means revocable by the settlor without the
10 consent of the trustee or a person holding an adverse interest.
- 11 13. "Settlor" means a person, including a testator, who creates, or contributes property
12 to, a trust. If more than one person creates or contributes property to a trust, each
13 person is a settlor of the portion of the trust property attributable to that person's
14 contribution except to the extent another person has the power to revoke or
15 withdraw that portion.
- 16 14. "Spendthrift provision" means a term of a trust which restrains both voluntary and
17 involuntary transfer of a beneficiary's interest.
- 18 15. "State" means a state of the United States, the District of Columbia, Puerto Rico,
19 the United States Virgin Islands, or any territory or insular possession subject to
20 the jurisdiction of the United States. The term includes an Indian tribe or band
21 recognized by federal law or formally acknowledged by a state.
- 22 16. "Terms of a trust" means the manifestation of the settlor's intent regarding a trust's
23 provisions as expressed in the trust instrument or as may be established by other
24 evidence that would be admissible in a judicial proceeding.
- 25 17. "Trust instrument" means an instrument executed by the settlor that contains terms
26 of the trust, including any amendments thereto.
- 27 18. "Trustee" includes an original, additional, and successor trustee and a cotrustee.
- 28 **59-09-04. (104) Knowledge.**
- 29 1. Subject to subsection 2, a person has knowledge of a fact if the person has actual
30 knowledge of a fact; has received a notice or notification of a fact; or from all the

1 facts and circumstances known to the person at the time in question, has reason to
2 know a fact.

3 2. An organization that conducts activities through employees has notice or
4 knowledge of a fact involving a trust only from the time the information was
5 received by an employee having responsibility to act for the trust, or would have
6 been brought to the employee's attention if the organization had exercised
7 reasonable diligence. An organization exercises reasonable diligence if the
8 organization maintains reasonable routines for communicating significant
9 information to the employee having responsibility to act for the trust and there is
10 reasonable compliance with the routines. Reasonable diligence does not require
11 an employee of the organization to communicate information unless the
12 communication is part of the individual's regular duties or the individual knows a
13 matter involving the trust would be materially affected by the information.

14 **59-09-05. (105) Default and mandatory rules.**

15 1. Except as otherwise provided in the terms of the trust, this title governs the duties
16 and powers of a trustee, relations among trustees, and the rights and interests of a
17 beneficiary.

18 2. The terms of a trust prevail over any provision of this title except:
19 a. The requirements for creating a trust;
20 b. The duty of a trustee to act in good faith and in accordance with the purposes
21 of the trust;
22 c. The requirement that a trust and its terms be for the benefit of its
23 beneficiaries, and that the trust have a purpose that is lawful, not contrary to
24 public policy, and possible to achieve;
25 d. The power of the court to modify or terminate a trust under sections 59-12-10
26 through 59-12-16;
27 e. The effect of a spendthrift provision and the rights of certain creditors and
28 assignees to reach a trust as provided in chapter 59-13;
29 f. The power of the court under section 59-15-02 to require, dispense with, or
30 modify or terminate a bond;

- 1 g. The power of the court under subsection 2 of section 59-15-08 to adjust a
2 trustee's compensation specified in the terms of the trust which is
3 unreasonably low or high;
- 4 h. The duty under subsections 3 and 4 of section 59-16-13 to notify qualified
5 beneficiaries of an irrevocable trust who have attained twenty-five years of
6 age of the existence of the trust, of the identity of the trustee, and of their right
7 to request trustee's reports;
- 8 i. The duty under subsection 1 of section 59-18-13 to respond to the request of
9 a beneficiary of an irrevocable trust for trustee's reports and other information
10 reasonably related to the administration of a trust;
- 11 j. The effect of an exculpatory term under section 59-18-08;
- 12 k. The rights under sections 59-18-10 through 59-18-13 of a person other than a
13 trustee or beneficiary;
- 14 l. Periods of limitation for commencing a judicial proceeding;
- 15 m. The power of the court to take such action and exercise such jurisdiction as
16 may be necessary in the interests of justice; and
- 17 n. The subject matter jurisdiction of the court and venue for commencing a
18 proceeding as provided in sections 59-10-03 and 59-10-04.

19 **59-09-06. (106) Common law of trusts - Principles of equity.** The common law of
20 trusts and principles of equity supplement chapters 59-09 through 59-19, except to the extent
21 modified by chapters 59-09 through 59-19 or another statute of this state.

22 **59-09-07. (107) Governing law.** The meaning and effect of the terms of a trust are
23 determined by the law of the jurisdiction designated in the terms unless the designation of that
24 jurisdiction's law is contrary to a strong public policy of the jurisdiction having the most
25 significant relationship to the matter at issue or in, the absence of a controlling designation in
26 the terms of the trust, the law of the jurisdiction having the most significant relationship to the
27 matter at issue.

28 **59-09-08. (108) Principal place of administration.**

- 29 1. Without precluding other means for establishing a sufficient connection with the
30 designated jurisdiction, terms of a trust designating the principal place of
31 administration are valid and controlling if a trustee's principal place of business is

- 1 located in or a trustee is a resident of the designated jurisdiction, or all or part of
2 the administration occurs in the designated jurisdiction.
- 3 2. A trustee is under a continuing duty to administer the trust at a place appropriate to
4 its purposes, its administration, and the interests of the beneficiaries.
- 5 3. Without precluding the right of the court to order, approve, or disapprove a transfer,
6 the trustee, in furtherance of the duty prescribed by subsection 2, may transfer the
7 trust's principal place of administration to another state or to a jurisdiction outside
8 of the United States.
- 9 4. The trustee shall notify the qualified beneficiaries of a proposed transfer of a trust's
10 principal place of administration not less than sixty days before initiating the
11 transfer. The notice of proposed transfer must include the name of the jurisdiction
12 to which the principal place of administration is to be transferred; the address and
13 telephone number at the new location at which the trustee can be contacted; an
14 explanation of the reasons for the proposed transfer; the date on which the
15 proposed transfer is anticipated to occur; and the date, not less than sixty days
16 after the giving of the notice, by which the qualified beneficiary must notify the
17 trustee of an objection to the proposed transfer.
- 18 5. The authority of a trustee under this section to transfer a trust's principal place of
19 administration terminates if a qualified beneficiary notifies the trustee of an
20 objection to the proposed transfer on or before the date specified in the notice.
- 21 6. In connection with a transfer of the trust's principal place of administration, the
22 trustee may transfer some or all of the trust property to a successor trustee
23 designated in the terms of the trust or appointed pursuant to section 59-15-04.

24 **59-09-09. (109) Methods and waiver of notice.**

- 25 1. Notice to a person under chapters 59-09 through 59-19 or the sending of a
26 document to a person under chapters 59-09 through 59-19 must be accomplished
27 in manner reasonably suitable under the circumstances and likely to result in
28 receipt of the notice or document. Permissible methods of notice or for sending a
29 document include first-class mail, personal delivery, delivery to the person's
30 last-known place of residence or place of business, or a properly directed
31 electronic message.

- 1 2. Notice otherwise required under chapters 59-09 through 59-19 or a document
2 otherwise required to be sent under chapters 59-09 through 59-19 does not need
3 to be provided to a person whose identity or location is unknown to and not
4 reasonably ascertainable by the trustee.
- 5 3. Notice under chapters 59-09 through 59-19 or the sending of a document under
6 chapters 59-09 through 59-19 may be waived by the person to be notified or sent
7 the document.
- 8 4. Notice of a judicial proceeding must be given as provided in the applicable rules of
9 civil procedure.

10 **59-09-10. (110) Others treated as qualified beneficiaries.**

- 11 1. Whenever notice to qualified beneficiaries of a trust is required under chapters
12 59-09 through 59-19, the trustee must also give notice to any other beneficiary who
13 has sent the trustee a request for notice.
- 14 2. A charitable organization expressly designated to receive distributions under the
15 terms of a charitable trust or a person appointed to enforce a trust created for the
16 care of an animal or another noncharitable purpose as provided in section
17 59-12-08 or 59-12-09 has the rights of a qualified beneficiary under chapters 59-09
18 through 59-19.
- 19 3. The attorney general of this state has the rights of a qualified beneficiary with
20 respect to a charitable trust having its principal place of administration in this state.

21 **59-09-11. (111) Nonjudicial settlement agreements.**

- 22 1. For purposes of this section, "interested persons" means persons whose consent
23 would be required in order to achieve a binding settlement were the settlement to
24 be approved by the court.
- 25 2. Except as otherwise provided in subsection 3, interested persons may enter into a
26 binding nonjudicial settlement agreement with respect to any matter involving a
27 trust.
- 28 3. A nonjudicial settlement agreement is valid only to the extent it does not violate a
29 material purpose of the trust and includes terms and conditions that could be
30 properly approved by the court under chapters 59-09 through 59-19 or other
31 applicable law.

1 4. Matters that may be resolved by a nonjudicial settlement agreement include the
2 interpretation or construction of the terms of the trust, the approval of a trustee's
3 report or accounting, direction to a trustee to refrain from performing a particular
4 act or the grant to a trustee of any necessary or desirable power, the resignation or
5 appointment of a trustee and the determination of a trustee's compensation,
6 transfer of a trust's principal place of administration, and liability of a trustee for an
7 action relating to the trust.

8 5. Any interested person may request the court to approve a nonjudicial settlement
9 agreement to determine whether the representation as provided in chapter 59-11
10 was adequate and to determine whether the agreement contains terms and
11 conditions the court could have properly approved.

12 **59-09-12. (112) Rules of construction.** The rules of construction that apply to the
13 interpretation of and disposition of property by will also apply as appropriate to the interpretation
14 of the terms of a trust and the disposition of the trust property.

15 **SECTION 10.** Chapter 59-10 of the North Dakota Century Code is created and enacted
16 as follows:

17 **59-10-01. (201) Role of court in administration of trust.**

- 18 1. The court may intervene in the administration of a trust to the extent its jurisdiction
19 is invoked by an interested person or as provided by law.
20 2. A trust is not subject to continuing judicial supervision unless ordered by the court.
21 3. A judicial proceeding involving a trust may relate to any matter involving the trust's
22 administration, including a request for instructions and an action to declare rights.

23 **59-10-02. (202) Jurisdiction over trustee and beneficiary.**

- 24 1. By accepting the trusteeship of a trust having its principal place of administration in
25 this state or by moving the principal place of administration to this state, the trustee
26 submits personally to the jurisdiction of the courts of this state regarding any matter
27 involving the trust.
28 2. With respect to their interests in the trust, the beneficiaries of a trust having its
29 principal place of administration in this state are subject to the jurisdiction of the
30 courts of this state regarding any matter involving the trust. By accepting a

1 distribution from the trust, the recipient submits personally to the jurisdiction of the
2 courts of this state regarding any matter involving the trust.

3 3. This section does not preclude other methods of obtaining jurisdiction over a
4 trustee, beneficiary, or other person receiving property from the trust.

5 **59-10-03. (203) Subject matter jurisdiction.**

6 1. The district court has exclusive jurisdiction of proceedings in this state brought by a
7 trustee or beneficiary concerning the administration of a trust.

8 2. The district court has concurrent jurisdiction with other courts of this state of other
9 proceedings involving a trust.

10 **59-10-04. (204) Venue.**

11 1. Except as otherwise provided in subsection 2, venue for a judicial proceeding
12 involving a trust is in the county of this state in which the trust's principal place of
13 administration is or will be located and, if the trust is created by will and the estate
14 is not yet closed, in the county in which the decedent's estate is being
15 administered.

16 2. If a trust has no trustee, venue for a judicial proceeding for the appointment of a
17 trustee is in a county of this state in which a beneficiary resides, in a county in
18 which any trust property is located, and if the trust is created by will, in the county
19 in which the decedent's estate was or is being administered.

20 **SECTION 11.** Chapter 59-11 of the North Dakota Century Code is created and enacted
21 as follows:

22 **59-11-01. (301) Representation - Basic effect.**

23 1. Notice to a person who may represent and bind another person under this chapter
24 has the same effect as if notice were given directly to the other person.

25 2. The consent of a person who may represent and bind another person under this
26 chapter is binding on the person represented unless the person represented
27 objects to the representation before the consent would otherwise have become
28 effective.

29 3. Except as otherwise provided in sections 59-12-11 and 59-14-02, a person who
30 under this chapter may represent a settlor who lacks capacity may receive notice
31 and give a binding consent on the settlor's behalf.

1 **59-11-02. (302) Representation by holder of general testamentary power of**
2 **appointment.** To the extent there is no conflict of interest between the holder of a general
3 testamentary power of appointment and the persons represented with respect to the particular
4 question or dispute, the holder may represent and bind persons whose interests, as permissible
5 appointees, takers in default, or otherwise, are subject to the power.

6 **59-11-03. (303) Representation by fiduciaries and parents.** To the extent there is
7 not conflict of interest between the representative and the person represented or among those
8 being represented with respect to a particular question or dispute, a conservator may represent
9 and bind the estate that the conservator controls; a guardian may represent and bind the ward if
10 a conservator of the ward's estate has not been appointed; an agent having authority to act with
11 respect to the particular question or dispute may represent and bind the principal; a trustee may
12 represent and bind the beneficiaries of the trust; a personal representative of a decedent's
13 estate may represent and bind persons interested in the estate; and a parent may represent
14 and bind the parent's minor or unborn child if a conservator or guardian for the child has not
15 been appointed.

16 **59-11-04. (304) Representation by person having substantially identical interest.**
17 Unless otherwise represented, a minor, incapacitated or unborn individual, or a person whose
18 identity or location is unknown and not reasonably ascertainable, may be represented by and
19 bound by another having a substantially identical interest with respect to the particular question
20 or dispute, but only to the extent there is no conflict of interest between the representative and
21 the person represented.

22 **59-11-05. (305) Appointment of representative.**

- 23 1. If the court determines that an interest is not represented under this chapter, or that
24 the otherwise available representation might be inadequate, the court may appoint
25 a representative to receive notice, give consent, and otherwise represent, bind,
26 and act on behalf of a minor, incapacitated or unborn individual, or a person whose
27 identity or location is unknown. A representative may be appointed to represent
28 several persons or interests.
- 29 2. A representative may act on behalf of the individual represented with respect to
30 any matter arising under chapters 59-09 through 59-19, whether or not a judicial
31 proceeding concerning the trust is pending.

1 3. In making decisions, a representative may consider general benefit accruing to the
2 living members of the individual's family.

3 **SECTION 12.** Chapter 59-12 of the North Dakota Century Code is created and enacted
4 as follows:

5 **59-12-01. (401) Methods of creating trust.** A trust may be created by transfer of
6 property to another person as trustee during the settlor's lifetime or by will or other disposition
7 taking effect upon the settlor's death, declaration by the owner of property that the owner holds
8 identifiable property as trustee, or exercise of a power of appointment in favor of a trustee.

9 **59-12-02. (402) Requirements for creation.**

- 10 1. A trust is created only if the settlor has capacity to create a trust, the settlor
11 indicates an intention to create the trust, the trust has a definite beneficiary or is a
12 charitable trust, a trust for the care of an animal, as provided in section 59-12-08,
13 or a trust for a noncharitable purpose, as provided in section 59-12-09; the trustee
14 has duties to perform; and the same person is not the sole trustee and sole
15 beneficiary.
- 16 2. A beneficiary is definite if the beneficiary can be ascertained now or in the future,
17 subject to any applicable rule against perpetuities.
- 18 3. A power in a trustee to select a beneficiary from an indefinite class is valid. If the
19 power is not exercised within a reasonable time, the power fails and the property
20 subject to the power passes to the persons who would have taken the property had
21 the power not been conferred.

22 **59-12-03. (403) Trusts created in other jurisdictions.** A trust not created by will is
23 validly created if its creation complies with the law of the jurisdiction in which the trust
24 instrument was executed, or the law of the jurisdiction in which at the time of creation the settlor
25 was domiciled, had a place of abode, or was a national; a trustee was domiciled or had a place
26 of business; or any trust property was located.

27 **59-12-04. (404) Trust purposes.** A trust may be created only to the extent its
28 purposes are lawful, not contrary to public policy, and possible to achieve. A trust and its terms
29 must be for the benefit of its beneficiaries.

30 **59-12-05. (405) Charitable purposes - Enforcement.**

- 1 1. A charitable trust may be created for the relief of poverty, the advancement of
2 education or religion, the promotion of health, governmental or municipal purposes,
3 or other purposes the achievement of which is beneficial to the community.
- 4 2. If the terms of a charitable trust do not indicate a particular charitable purpose or
5 beneficiary, the court may select one or more charitable purposes or beneficiaries.
6 The selection must be consistent with the settlor's intention to the extent it can be
7 ascertained.
- 8 3. The settlor of a charitable trust, among others, may maintain a proceeding to
9 enforce the trust.

10 **59-12-06. (406) Creation of trust induced by fraud, duress, or undue influence.** A
11 trust is void to the extent its creation was induced by fraud, duress, or undue influence.

12 **59-12-07. (407) Evidence of oral trust.** Except as required by a statute other than
13 chapters 59-09 through 59-19, a trust need not be evidenced by a trust instrument, but the
14 creation of an oral trust and its terms may be established only by clear and convincing
15 evidence.

16 **59-12-08. (408) Trust for care of animal.**

- 17 1. A trust may be created to provide for the care of an animal alive during the settlor's
18 lifetime. The trust terminates upon the death of the animal or, if the trust was
19 created to provide for the care of more than one animal alive during the settlor's
20 lifetime, upon the death of the last surviving animal.
- 21 2. A trust authorized by this section may be enforced by a person appointed in the
22 terms of the trust or, if no person is so appointed, by a person appointed by the
23 court. A person having an interest in the welfare of the animal may request the
24 court to appoint a person to enforce the trust or to remove a person appointed.
- 25 3. Property of a trust authorized by this section may be applied only to its intended
26 use, except to the extent the court determines that the value of the trust property
27 exceeds the amount required for the intended use. Except as otherwise provided
28 in the terms of the trust, property not required for the intended use must be
29 distributed to the settlor, if then living, otherwise to the settlor's successors in
30 interest.

1 **59-12-09. (409) Noncharitable trust without ascertainable beneficiary.** Except as
2 otherwise provided in section 59-12-08 or by another statute, the following rules apply:

3 1. A trust may be created for a noncharitable purpose without a definite or definitely
4 ascertainable beneficiary or for a noncharitable but otherwise valid purpose to be
5 selected by the trustee. The trust may not be enforced for more than twenty-one
6 years.

7 2. A trust authorized by this section may be enforced by a person appointed in the
8 terms of the trust or, if no person is so appointed, by a person appointed by the
9 court.

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

16 **59-12-10. (410) Modification or termination of trust - Proceedings for approval or**
17 **disapproval.**

18 1. In addition to the methods of termination prescribed by sections 59-12-11 through
19 59-12-14, a trust terminates to the extent the trust is revoked or expires pursuant to
20 its terms, no purpose of the trust remains to be achieved, or the purposes of the
21 trust have become unlawful, contrary to public policy, or impossible to achieve.

22 2. A proceeding to approve or disapprove a proposed modification or termination
23 under sections 59-12-11 through 59-12-16, or trust combination or division under
24 section 59-12-17, may be commenced by a trustee or beneficiary, and a
25 proceeding to approve or disapprove a proposed modification or termination under
26 section 59-12-11 may be commenced by the settlor. The settlor of a charitable
27 trust may maintain a proceeding to modify the trust under section 59-12-13.

28 **59-12-11. (411) Modification or termination of noncharitable irrevocable trust by**
29 **consent.**

30 1. A noncharitable irrevocable trust may be modified or terminated upon consent of
31 the settlor and all beneficiaries, even if the modification or termination is

1 inconsistent with a material purpose of the trust. A settlor's power to consent to a
2 trust's modification or termination may be exercised by an agent under a power of
3 attorney only to the extent expressly authorized by the power of attorney or the
4 terms of the trust, by the settlor's conservator with the approval of the court
5 supervising the conservatorship if an agent is not so authorized, or by the settlor's
6 guardian with the approval of the court supervising the guardianship if an agent is
7 not so authorized and a conservator has not been appointed.

8 2. A noncharitable irrevocable trust may be terminated upon consent of all of the
9 beneficiaries if the court concludes that continuance of the trust is not necessary to
10 achieve any material purpose of the trust. A noncharitable irrevocable trust may be
11 modified upon consent of all of the beneficiaries if the court concludes that
12 modification is not inconsistent with a material purpose of the trust.

13 3. A spendthrift provision in the terms of the trust is not presumed to constitute a
14 material purpose of the trust.

15 4. Upon termination of a trust under subsection 1 or 2, the trustee shall distribute the
16 trust property as agreed by the beneficiaries.

17 5. If not all of the beneficiaries consent to a proposed modification or termination of
18 the trust under subsection 1 or 2, the modification or termination may be approved
19 by the court if the court is satisfied that if all of the beneficiaries had consented, the
20 trust could have been modified or terminated under this section and the interests of
21 a beneficiary who does not consent will be adequately protected.

22 **59-12-12. (412) Modification or termination because of unanticipated**
23 **circumstances or inability to administer trust effectively.**

24 1. The court may modify the administrative or dispositive terms of a trust or terminate
25 the trust if, because of circumstances not anticipated by the settlor, modification or
26 termination will further the purposes of the trust. To the extent practicable, the
27 modification must be made in accordance with the settlor's probably intention.

28 2. The court may modify the administrative terms of a trust if continuation of the trust
29 on its existing terms would be impracticable or wasteful or impair the trust's
30 administration.

1 3. Upon termination of a trust under this section, the trustee shall distribute the trust
2 property in a manner consistent with the purposes of the trust.

3 **59-12-13. (413) Cy pres.**

4 1. Except as otherwise provided in subsection 2, if a particular charitable purpose
5 becomes unlawful, impracticably, impossible to achieve, or wasteful, the trust does
6 not fail, in whole or in part; the trust property does not revert to the settlor or the
7 settlor's successors in interest; and the court may apply cy pres to modify or
8 terminate the trust by directing that the trust property be applied or distributed, in
9 whole or in part, in a manner consistent with the settlor's charitable purposes.

10 2. A provision in the terms of a charitable trust that would result in distribution of the
11 trust property to a noncharitable beneficiary prevails over the power of the court
12 under subsection 1 to apply cy pres to modify or terminate the trust only if, when
13 the provision takes effect, the trust property is to revert the settlor and the settlor is
14 still living, or fewer than twenty-one years have elapsed since the date of the trust's
15 creation.

16 **59-12-14. (414) Modification or termination of uneconomic trust.**

17 1. After notice to the qualified beneficiaries, the trustee of a trust consisting of trust
18 property having a total value less than fifty thousand dollars may terminate the trust
19 if the trustee concludes that the value of the trust property is insufficient to justify
20 the cost of administration.

21 2. The court may modify or terminate a trust or remove the trustee and appoint a
22 different trustee if the court determines that the value of the trust property is
23 insufficient to justify the cost of administration.

24 3. Upon termination of a trust under this section, the trustee shall distribute the trust
25 property in a manner consistent with the purposes of the trust.

26 4. This section does not apply to an easement for conservation or preservation.

27 **59-12-15. (415) Reformation to correct mistakes.** The court may reform the terms of
28 a trust, even if unambiguous, to conform the terms to the settlor's intention if it is proved by
29 clear and convincing evidence that both the settlor's intent and the terms of the trust were
30 affected by a mistake of fact or law, whether in expression or inducement.

1 **59-12-16. (416) Modification to achieve settlor's tax objectives.** To achieve the
2 settlor's tax objectives, the court may modify the terms of a trust in a manner that is not contrary
3 to the settlor's probably intention. The court may provide that the modification has retroactive
4 effect.

5 **59-12-17. (417) Combination and division of trusts.** After notice to the qualified
6 beneficiaries, a trustee may combine two or more trusts into a single trust or divide a trust into
7 two or more separate trusts, if the result does not impair rights of any beneficiary or adversely
8 affect achievement of the purposes of the trust.

9 **SECTION 13.** Chapter 59-13 of the North Dakota Century Code is created and enacted
10 as follows:

11 **59-13-01. (501) Rights of beneficiary's creditor or assignee.** To the extent a
12 beneficiary's interest is not protected by a spendthrift provision, the court may authorize a
13 creditor or assignee of the beneficiary to reach the beneficiary's interest by attachment of
14 present or future distributions to or for the benefit of the beneficiary or other means. The court
15 may limit the award to such relief as is appropriate under the circumstances.

16 **59-13-02. (502) Spendthrift provision.**

- 17 1. A spendthrift provision is valid only if it restrains both voluntary and involuntary
18 transfer of a beneficiary's interest.
- 19 2. A term of a trust providing that the interest of a beneficiary is held subject to a
20 "spendthrift trust", or words of similar import, is sufficient to restrain both voluntary
21 and involuntary transfer of the beneficiary's interest.
- 22 3. A beneficiary may not transfer an interest in a trust in violation of a valid spendthrift
23 provision and, except as otherwise provided in this chapter, a creditor or assignee
24 of the beneficiary may not reach the interest or a distribution by the trustee before
25 its receipt by the beneficiary.

26 **59-13-03. (503) Exceptions to spendthrift provision.**

- 27 1. In this section, "child" includes any person for whom an order or judgment for child
28 support has been entered in this or another state.
- 29 2. Even if a trust contains a spendthrift provision, a beneficiary's child, spouse, or
30 former spouse who has a judgment or court order against the beneficiary for
31 support of maintenance, or a judgment creditor who has provided services for the

1 protection of a beneficiary's interest in the trust, may obtain from a court an order
2 attaching present or future distributions to or for the benefit of the beneficiary.

3 3. A spendthrift provision is unenforceable against a claim of this state or the United
4 States to the extent a statute of this state or federal law so provides.

5 **59-13-04. (504) Discretionary trusts - Effect of standard.**

6 1. In this section, "child" includes any person for whom an order or judgment for child
7 support has been entered in this or another state.

8 2. Except as otherwise provided in subsection 3, whether or not a trust contains a
9 spendthrift provision, a creditor of a beneficiary may not compel a distribution that
10 is subject to the trustee's discretion, even if the discretion is expressed in the form
11 of a standard of distribution, or the trustee has abused the discretion.

12 3. To the extent a trustee has not complied with a standard of distribution or has
13 abused a discretion, a distribution may be ordered by the court to satisfy a
14 judgment or court order against the beneficiary for support or maintenance of the
15 beneficiary's child, spouse, or former spouse and the court shall direct the trustee
16 to pay the child, spouse, or former spouse such amount as is equitable under the
17 circumstances but not more than the amount the trustee would have been required
18 to distribute to or for the benefit of the beneficiary had the trustee complied with the
19 standard or not abused the discretion.

20 4. This section does not limit the right of a beneficiary to maintain a judicial
21 proceeding against a trustee for an abuse of discretion or failure to comply with a
22 standard for distribution.

23 **59-13-05. (505) Creditor's claim against settlor.**

24 1. The following rules apply whether or not the terms of a trust contain a spendthrift
25 provision. During the lifetime of the settlor, the property of a revocable trust is
26 subject to claims of the settlor's creditors. With respect to an irrevocable trust, a
27 creditor or assignee of the settlor may reach the maximum amount that can be
28 distributed to or for the settlor's benefit. If a trust has more than one settlor, the
29 amount the creditor or assignee of a particular settlor may reach may not exceed
30 the settlor's interest in the portion of the trust attributable to that settlor's
31 contribution. After the death of a settlor, and subject to the settlor's right to direct

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

7 2. For purposes of this section during the period the power may be exercised, the
8 holder of a power of withdrawal is treated in the same manner as the settlor of a
9 revocable trust to the extent of the property subject to the power and, upon the
10 lapse, release, or waiver of the power, the holder is treated as the settlor of the
11 trust only to the extent the value of the property affected by the lapse, release, or
12 waiver exceeds the greater of the amount specified in section 2041(b)(2) or
13 2514(e) of the Internal Revenue Code of 1986, or section 2503(b) of the Internal
14 Revenue Code of 1986, or corresponding future provisions of federal tax law.

15 **59-13-06. (506) Overdue distribution.** Whether or not a trust contains a spendthrift
16 provision, a creditor or assignee of a beneficiary may reach a mandatory distribution of income
17 or principal, including a distribution upon termination of the trust, if the trustee has not made the
18 distribution to the beneficiary within a reasonable time after the designated distribution date.

19 **59-13-07. (507) Personal obligations of trustee.** Trust property is not subject to
20 personal obligations of the trustee, even if the trustee becomes insolvent or bankrupt.

21 **SECTION 14.** Chapter 59-14 of the North Dakota Century Code is created and enacted
22 as follows:

23 **59-14-01. (601) Capacity of settlor of revocable trust.** The capacity required to
24 create, amend, revoke, or add property to a revocable trust, or to direct the actions of the
25 trustee of a revocable trust, is the same as that required to make a will.

26 **59-14-02. (602) Revocation or amendment of revocable trust.**

27 1. Unless the terms of a trust expressly provide that the trust is irrevocable, the settlor
28 may revoke or amend the trust. This subsection does not apply to a trust created
29 under an instrument executed before the effective date of this section.

30 2. If a revocable trust is created or funded by more than one settlor to the extent the
31 trust consists of community property, the trust may be revoked by either spouse

1 acting alone but may be amended only by joint action of both spouses; to the
2 extent the trust consists of property other than community property, each settlor
3 may revoke or amend the trust with regard to the portion of the trust property
4 attributable to that settlor's contribution; and upon the revocation or amendment of
5 the trust by fewer than all of the settlors, the trustee shall promptly notify the other
6 settlers of the revocation or amendment.

7 3. The settlor may revoke or amend a revocable trust by substantial compliance with
8 a method provided in the terms of the trust or, if the terms of the trust do not
9 provide a method or the method provided in the terms is not expressly made
10 exclusive, by a later will or codicil that expressly refers to the trust or specifically
11 devises property that would otherwise have passed according to the terms of the
12 trust or any other method manifesting clear and convincing evidence of the settlor's
13 intent.

14 4. Upon revocation of a revocable trust, the trustee shall deliver the trust property as
15 the settlor directs.

16 5. A settlor's powers with respect to revocation, amendment, or distribution of trust
17 property may be exercised by an agent under a power of attorney only to the
18 extent expressly authorized by the terms of the trust or the power.

19 6. A conservator of the settlor or, if no conservator has been appointed, a guardian of
20 the settlor may exercise a settlor's powers with respect to revocation, amendment,
21 or distribution of trust property only with the approval of the court supervising the
22 conservatorship or guardianship.

23 7. A trustee who does not know that a trust has been revoked or amended is not
24 liable to the settlor or settlor's successors in interest for distributions made and
25 other actions taken on the assumption that the trust had not been amended or
26 revoked.

27 **59-14-03. (603) Settlor's powers - Powers of withdrawal.**

28 1. While a trust is revocable and the settlor has capacity to revoke the trust, rights of
29 the beneficiaries are subject to the control of, and the duties of the trustee are
30 owed exclusively to, the settlor.

1 2. During the period the power may be exercised, the holder of a power of withdrawal
2 has the rights of a settlor of a revocable trust under this section to the extent of the
3 property subject to the power.

4 **59-14-04. (604) Limitation on action contesting validity of revocable trust -**
5 **Distribution of trust property.**

6 1. A person may commence a judicial proceeding to contest the validity of a trust that
7 was revocable at the settlor's death within the earlier of three years after the
8 settlor's death or one hundred twenty days after the trustee sent the person a copy
9 of the trust instrument and a notice informing the person of the trust's existence, of
10 the trustee's name and address, and of the time allowed for commencing a
11 proceeding.

12 2. Upon the death of the settlor of a trust that was revocable at the settlor's death, the
13 trustee may proceed to distribute the trust property in accordance with the terms of
14 the trust. The trustee is not subject to liability for doing so unless the trustee knows
15 of a pending judicial proceeding contesting the validity of the trust or a potential
16 contestant has notified the trustee of a possible judicial proceeding to contest the
17 trust and a judicial proceeding is commenced within sixty days after the contestant
18 sent the notification.

19 3. A beneficiary of a trust that is determined to have been invalid is liable to return
20 any distribution received.

21 **SECTION 15.** Chapter 59-15 of the North Dakota Century Code is created and enacted
22 as follows:

23 **59-15-01. (701) Accepting or declining trusteeship.**

24 1. Except as otherwise provided in subsection 3, a person designated as trustee
25 accepts the trusteeship by substantially complying with a method of acceptance
26 provided in the terms of the trust or, if the terms of the trust do not provide a
27 method or the method provided in the terms is not expressly made exclusive, by
28 accepting delivery of the trust property, exercising powers or performing duties as
29 trustee, or otherwise indicating acceptance of the trusteeship.

30 2. A person designated as trustee who has not yet accepted the trusteeship may
31 reject the trusteeship. A designated trustee who does not accept the trusteeship

- 1 within a reasonable time after knowing of the designation is deemed to have
2 rejected the trusteeship.
- 3 3. A person designated as trustee, without accepting the trusteeship, may act to
4 preserve the trust property if, within a reasonable time after acting, the person
5 sends a rejection of the trusteeship to the settlor or, if the settlor is dead or lacks
6 capacity, to a qualified beneficiary and inspect or investigate trust property to
7 determine potential liability under environmental or other law or for any other
8 purpose.

9 **59-15-02. (702) Trustee's bond.**

- 10 1. A trustee shall give bond to secure performance of the trustee's duties only if the
11 court finds that a bond is needed to protect the interests of the beneficiaries or is
12 required by the terms of the trust and the court has not dispensed with the
13 requirement.
- 14 2. The court may specify the amount of a bond, its liabilities, and whether sureties are
15 necessary. The court may modify or terminate a bond at any time.
- 16 3. A regulated financial service institution qualified to do trust business in this state
17 need not give bond, even if required by the terms of the trust.

18 **59-15-03. (703) Cotrustees.**

- 19 1. Cotrustees who are unable to reach a unanimous decision may act by majority
20 decision.
- 21 2. If a vacancy occurs in a cotrusteeship, the remaining cotrustees may act for the
22 trust.
- 23 3. A cotrustee must participate in the performance of a trustee's function unless the
24 cotrustee is unavailable to perform the function because of absence, illness,
25 disqualification under other law, or other temporary incapacity or the cotrustee has
26 properly delegated the performance of the function to another trustee.
- 27 4. If a cotrustee is unavailable to perform duties because of absence, illness,
28 disqualification under other law, or other temporary incapacity, and prompt action is
29 necessary to achieve the purposes of the trust or to avoid injury to the trust
30 property, the remaining cotrustee or a majority of the remaining cotrustees may act
31 for the trust.

- 1 5. A trustee may not delegate to a cotrustee the performance of a function the settlor
2 reasonably expected the trustees to perform jointly. Unless a delegation was
3 irrevocable, a trustee may revoke a delegation previously made.
- 4 6. Except as otherwise provided in subsection 7, a trustee who does not join in an
5 action of another trustee is not liable for the action.
- 6 7. Each trustee shall exercise reasonable care to prevent a cotrustee from committing
7 a serious breach of trust and compel a cotrustee to redress a serious breach of
8 trust.
- 9 8. A dissenting trustee who joins in an action at the direction of the majority of the
10 trustees and who notified any cotrustee of the dissent at or before the time of the
11 action is not liable for the action unless the action is a serious breach of trust.
- 12 **59-15-04. (704) Vacancy in trusteeship - Appointment of successor.**
- 13 1. A vacancy in a trusteeship occurs if a person designated as trustee rejects the
14 trusteeship, a person designated as trustee cannot be identified or does not exist,
15 a trustee resigns, a trustee is disqualified or removed, a trustee dies, or a guardian
16 or conservator is appointed for an individual serving as trustee.
- 17 2. If one or more cotrustees remain in office, a vacancy in a trusteeship need not be
18 filled. A vacancy in a trusteeship must be filled if the trust has no remaining
19 trustee.
- 20 3. A vacancy in a trusteeship of a noncharitable trust which is required to be filled
21 must be filled in the following order of priority. First, the vacancy must be filled by a
22 person designated in the terms of the trust to act as successor trustee. Secondly,
23 the vacancy must be filled by a person appointed by unanimous agreement of the
24 qualified beneficiaries. Finally, the vacancy must be filled by a person appointed
25 by the court.
- 26 4. A vacancy in a trusteeship of a charitable trust which is required to be filled must
27 be filled in the following order of priority. First, the vacancy must be filled by a
28 person designated in the terms of the trust to act as successor trustee. Secondly,
29 the vacancy must be filled by a person selected by the charitable organizations
30 expressly designated to receive distributions under the terms of the trust if the

1 attorney general concurs in the selection. Finally, the vacancy must be filled by a
2 person appointed by the court.

3 5. Whether or not a vacancy in a trusteeship exists or is required to be filled, the court
4 may appoint an additional trustee or special fudiciary whenever the court considers
5 the appointment necessary for the administration of the trust.

6 **59-15-05. (705) Resignation of trustee.**

7 1. A trustee may resign upon at least thirty days' notice to the qualified beneficiaries,
8 the settlor, if living, and all cotrustees or with the approval of the court.

9 2. In approving a resignation, the court may issue orders and impose conditions
10 reasonably necessary for the protection of the trust property.

11 3. Any liability of a resigning trustee or of any sureties on the trustee's bond for acts
12 or omissions of the trustee is not discharged or affected by the trustee's
13 resignation.

14 **59-15-06. (706) Removal of trustee.**

15 1. The settlor, a cotrustee, or a beneficiary may request the court to remove a trustee,
16 or a trustee may be removed by the court on its own initiative.

17 2. The court may remove a trustee if the trustee has committed a serious breach of
18 trust; if lack of cooperation among cotrustees substantially impairs the
19 administration of the trust; if because of unfitness, unwillingness, or persistent
20 failure of the trustee to administer the trust effectively, the court determines that
21 removal of the trustee best serves the interests of the beneficiaries; or if there has
22 been a substantial change of circumstances or removal is requested by all of the
23 qualified beneficiaries, the court finds that removal of the trustee best serves the
24 interests of all of the beneficiaries and is not inconsistent with a material purpose of
25 the trust, and a suitable cotrustee or successor trustee is available.

26 3. Pending a final decision on a request to remove a trustee, or in lieu of or in addition
27 to removing a trustee, the court may order such appropriate relief under
28 subsection 2 of section 59-18-01 as may be necessary to protect the trust property
29 or the interests of the beneficiaries.

30 **59-15-07. (707) Delivery of property by former trustee.**

- 1 1. Unless a cotrustee remains in office or the court otherwise orders, and until the
2 trust property is delivered to a successor trustee or other person entitled to it, a
3 trustee who has resigned or been removed has the duties of a trustee and the
4 powers necessary to protect the trust property.
5 2. A trustee who has resigned or been removed shall proceed expeditiously to deliver
6 the trust property within the trustee's possession to the cotrustee, successor
7 trustee, or other person entitled to the property.

8 **59-15-08. (708) Compensation of trustee.**

- 9 1. If the terms of a trust do not specify the trustee's compensation, a trustee is entitled
10 to compensation that is reasonable under the circumstances.
11 2. If the terms of a trust specify the trustee's compensation, the trustee is entitled to
12 be compensated as specified, but the court may allow more or less compensation
13 if the duties of the trustee are substantially different from those contemplated when
14 the trust was created or the compensation specified by the terms of the trust would
15 be unreasonably low or high.

16 **59-15-09. (709) Reimbursement of expenses.**

- 17 1. A trustee is entitled to be reimbursed out of the trust property, with interest as
18 appropriate, for expenses that were properly incurred in the administration of the
19 trust and, to the extent necessary to prevent unjust enrichment of the trust,
20 expenses that were not properly incurred in the administration of the trust.
21 2. An advance by the trustee of money for the protection of the trust gives rise to a
22 lien against trust property to secure reimbursement with reasonable interest.

23 **SECTION 16.** Chapter 59-16 of the North Dakota Century Code is created and enacted
24 as follows:

25 **59-16-01. (801) Duty to administer trust.** Upon acceptance of a trusteeship, the
26 trustee shall administer the trust in good faith, in accordance with its terms and purposes and
27 the interests of the beneficiaries, and in accordance with chapters 59-09 through 59-19.

28 **59-16-02. (802) Duty of loyalty.**

- 29 1. A trustee shall administer the trust solely in the interests of the beneficiaries.
30 2. Subject to the rights of persons dealing with or assisting the trustee as provided in
31 section 59-18-12, a sale, encumbrance, or other transaction involving the

- 1 investment or management of trust property entered into by the trustee for the
2 trustee's own personal account or which is otherwise affected by a conflict between
3 the trustee's fiduciary and personal interests is voidable by a beneficiary affected
4 by the transaction unless the transaction was authorized by the terms of the trust;
5 the transaction was approved by the court; the beneficiary did not commence a
6 judicial proceeding within the time allowed by section 59-18-05; the beneficiary
7 consented to the trustee's conduct, ratified the transaction, or released the trustee
8 in compliance with section 59-18-09; or the transaction involves a contract entered
9 into or claim acquired by the trustee before the person became or contemplated
10 becoming trustee.
- 11 3. A sale, encumbrance, or other transaction involving the investment or management
12 of trust property is presumed to be affected by a conflict between personal and
13 fiduciary interests if it is entered into by the trustee with the trustee's spouse; the
14 trustee's descendants, siblings, parents, or their spouses; an agent or attorney of
15 the trustee; or a corporation or other person or enterprise in which the trustee, or a
16 person that owns a significant interest in the trustee, has an interest that might
17 affect the trustee's best judgment.
- 18 4. A transaction between a trustee and a beneficiary that does not concern trust
19 property but that occurs during the existence of the trust or while the trustee retains
20 significant influence over the beneficiary and from which the trustee obtains an
21 advantage is voidable by the beneficiary unless the trustee establishes that the
22 transaction was fair to the beneficiary.
- 23 5. A transaction not concerning trust property in which the trustee engages in the
24 trustee's individual capacity involves a conflict between personal and fiduciary
25 interests if the transaction concerns an opportunity properly belonging to the trust.
- 26 6. An investment by a trustee in securities of an investment company or investment
27 trust to which the trustee, or its affiliate, provides services in a capacity other than
28 as trustee is not presumed to be affected by a conflict between personal and
29 fiduciary interests if the investment complies with the prudent investor rule of
30 chapter 59-17. In addition to its compensation for acting as trustee, the trustee
31 may be compensated by the investment company or investment trust for providing

1 those services out of fees charged to the trust. If the trustee receives
2 compensation from the investment company or investment trust for providing
3 investment advisory or investment management services, the trustee at least
4 annually shall notify the persons entitled under section 59-16-13 to receive a copy
5 of the trustee's annual report of the rate and method by which that compensation
6 was determined.

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

12 8. If fair to the beneficiaries, an agreement between a trustee and a beneficiary
13 relating to the appointment or compensation of the trustee; payment of reasonable
14 compensation to the trustee; a transaction between a trust and another trust,
15 decedent's estate, or conservatorship of which the trustee is a fiduciary or in which
16 a beneficiary has an interest; a deposit of trust money in a regulated financial
17 service institution operated by the trustee; or an advance by the trustee of money
18 for the protection of the trust is not precluded by this section.

19 9. The court may appoint a special fiduciary to make a decision with respect to any
20 proposed transaction that might violate this section if entered into by the trustee.

21 **59-16-03. (803) Impartiality.** If a trust has two or more beneficiaries, the trustee shall
22 act impartially in investing, managing, and distributing the trust property, giving due regard to
23 the beneficiaries' respective interests.

24 **59-16-04. (804) Prudent administration.** A trustee shall administer the trust as a
25 prudent person would by considering the purposes, terms, distributional requirements, and
26 other circumstances of the trust. In satisfying this standard, the trustee shall exercise
27 reasonable care, skill, and caution.

28 **59-16-05. (805) Costs of administration.** In administering a trust, the trustee may
29 incur only costs that are reasonable in relation to the trust property, the purposes of the trust,
30 and the skills of the trustee.

1 **59-16-06. (806) Trustee's skills.** A trustee who has special skills or expertise, or is
2 named trustee in reliance upon the trustee's representation that the trustee has special skills or
3 expertise, shall use those special skills or expertise.

4 **59-16-07. (807) Delegation by trustee.**

- 5 1. A trustee may delegate duties and powers that a prudent trustee of comparable
6 skills could properly delegate under the circumstances. The trustee shall exercise
7 reasonable care, skill, and caution in selecting an agent; establishing the scope
8 and terms of the delegation, consistent with the purposes and terms of the trust;
9 and periodically reviewing the agent's actions in order to monitor the agent's
10 performance and compliance with the terms of the delegation.
- 11 2. In performing a delegated function, an agent owes a duty to the trust to exercise
12 reasonable care to comply with the terms of the delegation.
- 13 3. A trustee who complies with subsection 1 is not liable to the beneficiaries or to the
14 trust for an action of the agent to whom the function was delegated.
- 15 4. By accepting a delegation of powers or duties from the trustee of a trust that is
16 subject to the law of this state, an agent submits to the jurisdiction of the courts of
17 this state.

18 **59-16-08. (808) Powers to direct.**

- 19 1. While a trust is revocable, the trustee may follow a direction of the settlor that is
20 contrary to the terms of the trust.
- 21 2. If the terms of a trust confer upon a person other than the settlor of a revocable
22 trust power to direct certain actions of the trustee, the trustee shall act in
23 accordance with an exercise of the power unless the attempted exercise is
24 manifestly contrary to the terms of the trust or the trustee knows the attempted
25 exercise would constitute a serious breach of a fiduciary duty that the person
26 holding the power owes to the beneficiaries of the trust.
- 27 3. The terms of a trust may confer upon a trustee or other person a power to direct
28 the modification or termination of the trust.
- 29 4. A person, other than a beneficiary, who holds a power to direct is presumptively a
30 fiduciary who, as such, is required to act in good faith with regard to the purposes

1 of the trust and the interests of the beneficiaries. The holder of a power to direct is
2 liable for any loss that results from breach of fiduciary duty.

3 **59-16-09. (809) Control and protection of trust property.** A trustee shall take
4 reasonable steps to take control of and protect the trust property.

5 **59-16-10. (810) Recordkeeping and identification of trust property.**

- 6 1. A trustee shall keep adequate records of the administration of the trust.
- 7 2. A trustee shall keep trust property separate from the trustee's own property.
- 8 3. Except as otherwise provided in subsection 4, a trustee shall cause the trust
9 property to be designated so that the interest of the trust, to the extent feasible,
10 appears in records maintained by a party other than a trustee or beneficiary.
- 11 4. If the trustee maintains records clearly indicating the respective interests, a trustee
12 may invest as a whole the property of two or more separate trusts.

13 **59-16-11. (811) Enforcement and defense of claims.** A trustee shall take reasonable
14 steps to enforce claims of the trust and to defend claims against the trust.

15 **59-16-12. (812) Collecting trust property.** A trustee shall take reasonable steps to
16 compel a former trustee or other person to deliver trust property to the trustee and to redress a
17 breach of trust known to the trustee to have been committed by a former trustee.

18 **59-16-13. (813) Duty to inform and report.**

- 19 1. A trustee shall keep the qualified beneficiaries of the trust reasonably informed
20 about the administration of the trust and of the material facts necessary for them to
21 protect their interests. Unless unreasonable under the circumstances, a trustee
22 shall promptly respond to a beneficiary's request for information related to the
23 administration of the trust.
- 24 2. A trustee upon request of a beneficiary shall promptly furnish to the beneficiary a
25 copy of the trust instrument.
- 26 3. A trustee within sixty days after accepting a trusteeship shall notify the qualified
27 beneficiaries of the acceptance and of the trustee's name, address, and telephone
28 number.
- 29 4. A trustee within sixty days after the date the trustee acquires knowledge of the
30 creation of an irrevocable trust, or the date the trustee acquires knowledge that a
31 formerly revocable trust has become irrevocable, whether by the death of the

- 1 settlor or otherwise, shall notify the qualified beneficiaries of the trust's existence,
2 of the identity of the settlor or settlors, of the right to request a copy of the trust
3 instrument, and of the right to a trustee's report as provided in subsection 6.
4 5. A trustee shall notify the qualified beneficiaries in advance of any change in the
5 method or rate of the trustee's compensation.
6 6. A trustee shall send to the distributees or permissible distributees of trust income
7 or principal, and to other qualified or nonqualified beneficiaries who request it, at
8 least annually and at the termination of the trust, a report of the trust property,
9 liabilities, receipts, and disbursements, including the source and amount of the
10 trustee's compensation, a listing of the trust assets and, if feasible, their respective
11 market values. Upon a vacancy in a trusteeship, unless a cotrustee remains in
12 office, a report must be sent to the qualified beneficiaries by the former trustee. A
13 personal representative, conservator, or guardian may send the qualified
14 beneficiaries a report on behalf of a deceased or incapacitated trustee.
15 7. A beneficiary may waive the right to a trustee's report or other information
16 otherwise required to be furnished under this section. A beneficiary, with respect
17 to future reports and other information, may withdraw a waiver previously given.

18 **59-16-14. (814) Discretionary powers - Tax savings.**

- 19 1. Notwithstanding the breadth of discretion granted to a trustee in the terms of the
20 trust, including the use of such terms as "absolute", "sole", or "uncontrolled", the
21 trustee shall exercise a discretionary power in good faith and in accordance with
22 the terms and purposes of the trust and the interests of the beneficiaries.
23 2. Subject to subsection 4, and unless the terms of the trust expressly indicate that a
24 rule in this subsection does not apply, a person other than a settlor who is a
25 beneficiary and trustee of a trust that confers on the trustee a power to make
26 discretionary distributions to or for the trustee's personal benefit may exercise the
27 power only in accordance with an ascertainable standard relating to the trustee's
28 individual health, education, support, or maintenance within the meaning of section
29 2041(b)(1)(A) or 2514(c)(1) of the Internal Revenue Code of 1986, or
30 corresponding future provisions of federal tax law, and a trustee may not exercise

1 a power to make discretionary distributions to satisfy a legal obligation of support
2 that the trustee personally owes another person.

3 3. A power whose exercise is limited or prohibited by subsection 2 may be exercised
4 by a majority of the remaining trustees whose exercise of the power is not so
5 limited or prohibited. If the power of all trustees is so limited or prohibited, the court
6 may appoint a special fiduciary with authority to exercise the power.

7 4. Subsection 2 does not apply to a power held by the settlor's spouse who is the
8 trustee of a trust for which a marital deduction, as defined in section 2056(b)(5) or
9 2523(e) of the Internal Revenue Code of 1986, or corresponding future provisions
10 of federal tax law, was previously allowed; any trust during any period that the trust
11 may be revoked or amended by its settlor; or a trust if contributions to the trust
12 qualify for the annual exclusion under section 2503(c) of the Internal Revenue
13 Code of 1986, or corresponding future provisions of federal tax law.

14 **59-16-15. (815) General powers of trustee.** A trustee, without authorization by the
15 court, may exercise powers conferred by the terms of the trust and, except as limited by the
16 terms of the trust, all powers over the trust property which an unmarried competent owner has
17 over individually owned property, any other powers appropriate to achieve the proper
18 investment, management, and distribution of the trust property, and any other powers conferred
19 by chapters 59-09 through 59-19. The exercise of a power is subject to the fiduciary duties
20 prescribed by this chapter.

21 **59-16-16. (816) Specific powers of trustee.** Without limiting the authority conferred
22 by section 59-16-15, a trustee may:

23 1. Collect trust property and accept or reject additions to the trust property from a
24 settlor or any other person.

25 2. Acquire or sell property, for cash or on credit, at public or private sale.

26 3. Exchange, partition, or otherwise change the character of trust property.

27 4. Deposit trust money in an account in a regulated financial service institution.

28 5. Borrow money, with or without security, and mortgage or pledge trust property for a
29 period within or extending beyond the duration of the trust.

30 6. With respect to an interest in a proprietorship, partnership, limited liability company,
31 business trust, corporation, or other form of business or enterprise, continue the

- 1 business or other enterprise and take any action that may be taken by
2 shareholders, members, or property owners, including merging, dissolving, or
3 otherwise changing the form of business organization or contributing additional
4 capital.
- 5 7. With respect to stocks or other securities, exercise the rights of an absolute owner,
6 including the right to vote, or give proxies to vote, with or without power of
7 substitution, or enter into or continue a voting trust agreement; hold a security in
8 the name of a nominee or in other form without disclosure of the trust so that title
9 may pass by delivery; pay calls, assessments, and other sums chargeable or
10 accruing against the securities, and sell or exercise stock subscription or
11 conversion rights; and deposit the securities with a depository or other regulated
12 financial service institution.
- 13 8. With respect to an interest in real property, construct, or make ordinary or
14 extraordinary repairs to, alterations to, or improvements in, buildings or other
15 structures, demolish improvements, raze existing or erect new party walls or
16 buildings, subdivide or develop land, dedicate land to public use or grant public or
17 private easements, and make or vacate plats and adjust boundaries.
- 18 9. Enter into a lease for any purpose as lessor or lessee, including a lease or other
19 arrangement for exploration and removal of natural resources, with or without the
20 option to purchase or renew, for a period within or extending beyond the duration
21 of the trust.
- 22 10. Grant an option involving a sale, lease, or other disposition of trust property or
23 acquire an option for the acquisition of property, including an option exercisable
24 beyond the duration of the trust, and exercise an option so acquired.
- 25 11. Insure the property of the trust against damage or loss and insure the trustee, the
26 trustee's agents, and beneficiaries against liability arising from the administration of
27 the trust.
- 28 12. Abandon or decline to administer property of no value or of insufficient value to
29 justify its collection or continued administration.
- 30 13. With respect to possible liability for violation of environmental law, inspect or
31 investigate property the trustee holds or has been asked to hold, or property owned

- 1 or operated by an organization in which the trustee holds or has been asked to
2 hold an interest for the purpose of determining the application of environmental law
3 with respect to the property; take action to prevent, abate, or otherwise remedy any
4 actual or potential violation of any environmental law affecting property held directly
5 or indirectly by the trustee, whether taken before or after the assertion of a claim or
6 the initiation of governmental enforcement; decline to accept property into trust or
7 disclaim any power with respect to property that is or may be burdened with liability
8 for violation of environmental law; compromise claims against the trust which may
9 be asserted for an alleged violation of environmental law; and pay the expense of
10 any inspection, review, abatement, or remedial action to comply with environmental
11 law.
- 12 14. Pay or contest any claim, settle a claim by or against the trust, and release, in
13 whole or in part, a claim belonging to the trust.
- 14 15. Pay taxes, assessments, compensation of the trustee and of employees and
15 agents of the trust, and other expenses incurred in the administration of the trust.
- 16 16. Exercise elections with respect to federal, state, and local taxes.
- 17 17. Select a mode of payment under any employee benefit or retirement plan, annuity,
18 or life insurance payable to the trustee, exercise rights thereunder, including
19 exercise of the right to indemnification for expenses and against liabilities, and take
20 appropriate action to collect the proceeds.
- 21 18. Make loans out of trust property, including loans to a beneficiary on terms and
22 conditions the trustee considers to be fair and reasonable under the
23 circumstances, and the trustee has a lien on future distributions for repayment of
24 those loans.
- 25 19. Pledge trust property to guarantee loans made by others to the beneficiary.
- 26 20. Appoint a trustee to act in another jurisdiction with respect to trust property located
27 in the other jurisdiction, confer upon the appointed trustee all of the powers and
28 duties of the appointing trustee, require that the appointed trustee furnish security,
29 and remove any trustee so appointed.
- 30 21. Pay an amount distributable to a beneficiary who is under a legal disability or who
31 the trustee reasonably believes is incapacitated, by paying it directly to the

1 beneficiary or applying it for the beneficiary's benefit, or by paying it to the
2 beneficiary's conservator or, if the beneficiary does not have a conservator, the
3 beneficiary's guardian; paying it to the beneficiary's custodian under chapter
4 47-24.1 and for that purpose, creating a custodianship or custodial trust; if the
5 trustee does not know of a conservator, guardian, custodian, or custodial trustee,
6 paying it to an adult relative or other person having legal or physical care or
7 custody of the beneficiary, to be expended on the beneficiary's behalf; or managing
8 it as a separate fund on the beneficiary's behalf, subject to the beneficiary's
9 continuing right to withdraw the distribution.

10 22. On distribution of trust property or the division or termination of a trust, make
11 distributions in divided or undivided interests, allocate particular assets in
12 proportionate or disproportionate shares, value the trust property for those
13 purposes, and adjust for resulting differences in valuation.

14 23. Resolve a dispute concerning the interpretation of the trust of the trust's
15 administration by mediation, arbitration, or other procedure for alternative dispute
16 resolution.

17 24. Prosecute or defend an action, claim, or judicial proceeding in any jurisdiction to
18 protect trust property and the trustee in the performance of the trustee's duties.

19 25. Sign and deliver contracts and other instruments that are useful to achieve or
20 facilitate the exercise of the trustee's powers.

21 26. On termination of the trust, exercise the powers appropriate to wind up the
22 administration of the trust and distribute the trust property to the persons entitle to
23 the property.

24 **59-16-17. (817) Distribution upon termination.**

25 1. Upon termination or partial termination of a trust, the trustee may send to the
26 beneficiaries a proposal for distribution. The right of any beneficiary to object to
27 the proposed distribution terminates if the beneficiary does not notify the trustee of
28 an objection within thirty days after the proposal was sent, but only if the proposal
29 informed the beneficiary of the right to object and of the time allowed for objection.

30 2. Upon the occurrence of an event terminating or partially terminating a trust, the
31 trustee shall proceed expeditiously to distribute the trust property to the persons

1 entitled to it, subject to the right of the trustee to retain a reasonable reserve for the
2 payment of debts, expenses, and taxes.

3 3. A release by a beneficiary of a trustee from liability for breach of trust is invalid to
4 the extent it was induced by improper conduct of the trustee or the beneficiary, at
5 the time of the release, did not know of the beneficiary's rights or of the material
6 facts relating to the breach.

7 **SECTION 17.** Chapter 59-17 of the North Dakota Century Code is created and enacted
8 as follows:

9 **59-17-01. Prudent investor rule.**

10 1. Except as otherwise provided in subsection 2, a trustee who invests and manages
11 trust assets owes a duty to the beneficiaries of the trust to comply with the prudent
12 investor rule set forth in this chapter.

13 2. The prudent investor rule, a default rule, may be expanded, restricted, eliminated,
14 or otherwise altered by the provisions of a trust. A trustee is not liable to a
15 beneficiary to the extent that the trustee acted in reasonable reliance on the
16 provisions of the trust.

17 **59-17-02. Standard of care - Portfolio strategy - Risk and return objectives.**

18 1. A trustee shall invest and manage trust assets as a prudent investor would, by
19 considering the purposes, terms distribution requirements, and other
20 circumstances of the trust. In satisfying this standard, the trustee shall exercise
21 reasonable care, skill, and caution.

22 2. A trustee's investment and management decisions respecting individual assets
23 must be evaluated not in isolation but in the context of the trust portfolio as a whole
24 and as a part of an overall investment strategy having risk and return objectives
25 reasonably suited to the trust.

26 3. Among circumstances a trustee shall consider in investing and managing trust
27 assets are any of the following that are relevant to the trust or its beneficiaries:

28 a. General economic conditions;

29 b. The possible effect of inflation or deflation;

30 c. The expected tax consequences of investment decisions or strategies;

- 1 d. The role that each investment or course of action plays within the overall trust
2 portfolio, which may include financial assets, interests in closely held
3 enterprises, tangible and intangible personal property, and real property;
4 e. The expected total return from income and the appreciation of capital;
5 f. Other resources of the beneficiaries;
6 g. Needs for liquidity, regularity of income, and preservation or appreciation of
7 capital; and
8 h. An asset's special relationship or special value, if any, to the purposes of the
9 trust or to one or more of the beneficiaries.
10 4. A trustee shall make a reasonable effort to verify facts relevant to the investment
11 and management of trust assets.
12 5. A trustee may invest in any kind of property or type of investment consistent with
13 the standards of this title.

14 **59-17-03. Diversification.** A trustee shall diversify the investments of the trust unless
15 the trustee reasonably determines that, because of special circumstances, the purposes of the
16 trust are better served without diversifying.

17 **59-17-04. Duties at inception of trusteeship.** Within a reasonable time after
18 accepting a trusteeship or receiving trust assets, a trustee shall review the trust assets and
19 make and implement decisions concerning the retention and disposition of assets, in order to
20 bring the trust portfolio into compliance with the purposes, terms, distribution requirements, and
21 other circumstances of the trust and with the requirements of this chapter.

22 **59-17-05. Reviewing compliance.** Compliance with the prudent investor rule is
23 determined in light of the facts and circumstances existing at the time of a trustee's decision or
24 action and not by hindsight.

25 **59-17-06. Language invoking standard of this chapter.** The following terms or
26 comparable language in the provisions of a trust, unless otherwise limited or modified,
27 authorizes any investment or strategy permitted under this chapter: "investments permissible by
28 law for investment of trust funds", "legal investments", "authorized investments", "using the
29 judgment and care under the circumstances then prevailing that persons of prudence,
30 discretion, and intelligence exercise in the management of their own affairs, not in regard to
31 speculation but in regard to the permanent disposition of their funds, considering the probable

1 income as well as the probable safety of their capital", "prudent man rule", "prudent trustee
2 rule", "prudent person rule", and "prudent investor rule".

3 **SECTION 18.** Chapter 59-18 of the North Dakota Century Code is created and enacted
4 as follows:

5 **59-18-01. (1001) Remedies for breach of trust.**

- 6 1. A violation by a trustee of a duty the trustee owes to a beneficiary is a breach of
7 trust.
- 8 2. To remedy a breach of trust that has occurred or may occur, the court may compel
9 the trustee to perform the trustee's duties; enjoin the trustee from committing a
10 breach of trust; compel the trustee to redress a breach of trust by paying money,
11 restoring property, or other means; order a trustee to account; appoint a special
12 fiduciary to take possession of the trust property and administer the trust; suspend
13 the trustee; remove the trustee as provided in section 59-15-06; reduce or deny
14 compensation to the trustee; subject to section 59-18-12, void an act of the trustee,
15 impose a lien or a constructive trust on trust property, or trace trust property
16 wrongfully disposed of and recover the property or its proceeds; or order any other
17 appropriate relief.

18 **59-18-02. (1002) Damages for breach of trust.**

- 19 1. A trustee who commits a breach of trust is liable to the beneficiaries affected for
20 the greater of the amount required to restore the value of the trust property and
21 trust distributions to what they would have been had the breach not occurred or the
22 profit the trustee made by reason of the breach.
- 23 2. Except as otherwise provided in this subsection, if more than one trustee is liable
24 to the beneficiaries for a breach of trust, a trustee is entitled to contribution from the
25 other trustee or trustees. A trustee is not entitled to contribution if the trustee was
26 substantially more at fault than another trustee or if the trustee committed the
27 breach of trust in bad faith or with reckless indifference to the purposes of the trust
28 or the interests of the beneficiaries. A trustee who received a benefit from the
29 breach of trust is not entitled to contribution from another trustee to the extent of
30 the benefit received.

1 **59-18-03. (1003) Damages in absence of breach.** A trustee is accountable to an
2 affected beneficiary for any profit made by the trustee arising from the administration of the
3 trust, even absent a breach of trust. Absent a breach of trust, a trustee is not liable to a
4 beneficiary for a loss or depreciation in the value of trust property or for not having made a
5 profit.

6 **59-18-04. (1004) Attorney's fees and costs.** In a judicial proceeding involving the
7 administration of a trust, the court, as justice and equity may require, may award costs and
8 expenses, including reasonable attorney's fees, to any party, to be paid by another party or
9 from the trust that is the subject of the controversy.

10 **59-18-05. (1005) Limitation of action against trustee.**

- 11 1. A beneficiary may not commence a proceeding against a trustee for breach of trust
12 more than one year after the date the beneficiary or a representative of the
13 beneficiary was sent a report that adequately disclosed the existence of a potential
14 claim for breach of trust and informed the beneficiary of the time allowed for
15 commencing a proceeding.
- 16 2. A report adequately discloses the existence of a potential claim for breach of trust if
17 it provides sufficient information so that the beneficiary or representative knows of
18 the potential claim or should have inquired into its existence.
- 19 3. If subsection 1 does not apply, a judicial proceeding by a beneficiary against a
20 trustee for breach of trust must be commenced within five years after whichever
21 occurs first: the removal, resignation, or death of the trustee; the termination of the
22 beneficiary's interest in the trust; or the termination of the trust.

23 **59-18-06. (1006) Reliance on trust instrument.** A trustee who acts in reasonable
24 reliance on the terms of the trust as expressed in the trust instrument is not liable to a
25 beneficiary for a breach of trust to the extent the breach resulted from the reliance.

26 **59-18-07. (1007) Event affecting administration or distribution.** If the happening of
27 an event, including marriage, divorce, performance of educational requirements, or death,
28 affects the administration or distribution of a trust, a trustee who has exercised reasonable care
29 to ascertain the happening of the event is not liable for a loss resulting from the trustee's lack of
30 knowledge.

31 **59-18-08. (1008) Exculpation of trustee.**

1 1. A term of a trust relieving a trustee of liability for breach of trust is unenforceable to
2 the extent that the term relieves the trustee of liability for breach of trust committed
3 in bad faith or with reckless indifference to the purposes of the trust or the interests
4 of the beneficiaries or was inserted as the result of an abuse by the trustee of a
5 fiduciary or confidential relationship to the settlor.

6 2. An exculpatory term drafted or caused to be drafted by the trustee is invalid as an
7 abuse of a fiduciary or confidential relationship unless the trustee proves that the
8 exculpatory term is fair under the circumstances and that its existence and
9 contents were adequately communicated to the settlor.

10 **59-18-09. (1009) Beneficiary's consent, release, or ratification.** A trustee is not
11 liable to a beneficiary for breach of trust if the beneficiary, consented to the conduct constituting
12 the breach, released the trustee from liability for the breach, or ratified the transaction
13 constituting the breach, unless the consent, release, or ratification of the beneficiary was
14 induced by improper conduct of the trustee or at the time of the consent, release, or ratification,
15 the beneficiary did not know of the beneficiary's rights or of the material facts relating to the
16 breach.

17 **59-18-10. (1010) Limitation on personal liability of trustee.**

18 1. Except as otherwise provided in the contract, a trustee is not personally liable on a
19 contract properly entered into in the trustee's fiduciary capacity in the course of
20 administering the trust if the trustee in the contract disclosed the fiduciary capacity.

21 2. A trustee is personally liable for torts committed in the course of administering a
22 trust or for obligations arising from ownership or control of trust property, including
23 liability for violation of environmental law, only if the trustee is personally at fault.

24 3. A claim based on a contract entered into by a trustee in the trustee's fiduciary
25 capacity, on an obligation arising from ownership or control of trust property, or on
26 a tort committed in the course of administering a trust, may be asserted in a judicial
27 proceeding against the trustee in the trustee's fiduciary capacity, whether or not the
28 trustee is personally liable for the claim.

29 **59-18-11. (1011) Interest as general partner.**

30 1. Except as otherwise provided in subsection 3 or unless personal liability is imposed
31 in the contract, a trustee who holds an interest as a general partner in a general or

- 1 limited partnership is not personally liable on a contract entered into by the
2 partnership after the trust's acquisition of the interest if the fiduciary capacity was
3 disclosed in the contract or in a statement previously filed under title 45.
- 4 2. Except as otherwise provided in subsection 3, a trustee who holds an interest as a
5 general partner is not personally liable for torts committed by the partnership or for
6 obligations arising from ownership or control of the interest unless the trustee is
7 personally at fault.
- 8 3. The immunity provided by this section does not apply if an interest in the
9 partnership is held by the trustee in a capacity other than that of trustee or is held
10 by the trustee's spouse or one or more of the trustee's descendants, siblings, or
11 parents, or the spouse of any of them.
- 12 4. If the trustee of a revocable trust holds an interest as a general partner, the settlor
13 is personally liable for contracts and other obligations of the partnership as if the
14 settlor were a general partner.

15 **59-18-12. (1012) Protection of person dealing with trustee.**

- 16 1. A person other than a beneficiary who in good faith assists a trustee, or who in
17 good faith and for value deals with a trustee, without knowledge that the trustee is
18 exceeding or improperly exercising the trustee's powers, is protected from liability
19 as if the trustee properly exercised the power.
- 20 2. A person other than a beneficiary who in good faith deals with a trustee is not
21 required to inquire into the extent of the trustee's powers or the propriety of their
22 exercise.
- 23 3. A person who in good faith delivers assets to a trustee need not ensure their
24 proper application.
- 25 4. A person other than a beneficiary who in good faith assists a former trustee, or who
26 in good faith and for value deals with a former trustee, without knowledge that the
27 trusteeship has terminated, is protected from liability as if the former trustee were
28 still a trustee.
- 29 5. Comparable protective provisions of other laws relating to commercial transactions
30 or transfer of securities by fiduciaries prevail over the protection provided by this
31 section.

1 **59-18-13. (1013) Certification of trust.**

- 2 1. Instead of furnishing a copy of the trust instrument to a person other than a
3 beneficiary, the trustee may furnish to the person a certification of trust containing
4 information that includes that the trust exists and the date the trust instrument was
5 executed, the identity of the settlor, the identity and address of the currently acting
6 trustee, the powers of the trustee, the revocability or irrevocability of the trust and
7 the identity of any person holding a power to revoke the trust, the authority of
8 cotrustees to sign or otherwise authenticate and whether all or less than all are
9 required in order to exercise powers of the trustee, the trust's taxpayer
10 identification number, and the manner of taking title to trust property.
- 11 2. A certification of trust may be signed or otherwise authenticated by any trustee.
- 12 3. A certification of trust must state that the trust has not been revoked, modified, or
13 amended in any manner that would cause the representations contained in the
14 certification of trust to be incorrect.
- 15 4. A certification of trust need not contain the dispositive terms of a trust.
- 16 5. A recipient of a certification of trust may require the trustee to furnish copies of
17 those excerpts from the original trust instrument and later amendments which
18 designate the trustee and confer upon the trustee the power to act in the pending
19 transaction.
- 20 6. A person who acts in reliance upon a certification of trust without knowledge that
21 the representations contained therein are incorrect is not liable to any person for so
22 acting and may assume without inquiry the existence of the facts contained in the
23 certification. Knowledge of the terms of the trust may not be inferred solely from
24 the fact that a copy of all or part of the trust instrument is held by the person relying
25 upon the certification.
- 26 7. A person who in good faith enters into a transaction in reliance upon a certification
27 of trust may enforce the transaction against the trust property as if the
28 representations contained in the certification were correct.
- 29 8. A person making a demand for the trust instrument in addition to a certification of
30 trust or excerpts is liable for damages if the court determines that the person did
31 not act in good faith in demanding the trust instrument.

1 9. This section does not limit the right of a person to obtain a copy of the trust
2 instrument in a judicial proceeding concerning the trust.

3 **SECTION 19.** Chapter 59-19 of the North Dakota Century Code is created and enacted
4 as follows:

5 **59-19-01. (1102) Electronic records and signatures.** The provisions of chapters
6 59-09 through 59-19 governing the legal effect, validity, or enforceability of electronic records or
7 electronic signatures, and of contracts formed or performed with the use of such records or
8 signatures, conform to the requirements of section 102 of the Electronic Signatures in Global
9 and National Commerce Act [15 U.S.C. section 7002] and supersede, modify, and limit the
10 requirements of the Electronic Signatures in Global and National Commerce Act.

11 **59-19-02. (1106) Application to existing relationships.**

12 1. Except as otherwise provided in chapters 59-09 through 59-19 as of August 1,
13 2005:

14 a. Chapters 59-09 through 59-19:

15 (1) Apply to all trusts created before, on, or after that date;

16 (2) Apply to all judicial proceedings concerning trusts commenced on or
17 after that date; and

18 (3) Apply to judicial proceedings concerning trusts commenced before that
19 date unless the court finds that application of a particular provision of
20 these chapters would substantially interfere with the effective conduct of
21 the judicial proceedings or prejudice the rights of the parties, in which
22 case the particular provision of these chapters do not apply and the
23 superseded law applies;

24 b. Any rule of construction or presumption provided in chapters 59-09 through
25 59-19 applies to trust instruments executed before that date unless there is a
26 clear indication of a contrary intent in the terms of the trust; and

27 c. An act done before that date is not affected by chapters 59-09 through 59-19.

28 2. If a right is acquired, extinguished, or barred upon the expiration of a prescribed
29 period that has commenced to run under any other statute before August 1, 2005,
30 that statute continues to apply to the right even if it has been repealed or
31 superseded.

1 **SECTION 20.** Chapter 59-20 of the North Dakota Century Code is created and enacted
2 as follows:

3 **59-20-01. Private foundations - Charitable trusts - Split-interest trusts.**

- 4 1. Any will or trust instrument creating a trust that is a "private foundation", as defined
5 in section 509(a) of the Internal Revenue Code of 1954, or a "charitable trust", as
6 defined in section 4947(a)(1) of the Internal Revenue Code of 1954, or a
7 "split-interest trust", as defined in section 4947(a)(2) of the Internal Revenue Code
8 of 1954, and any other instrument governing the trustee of any such trust, or the
9 use, retention, or disposition of any of the income or property of such trust, may be
10 deemed to have incorporated within the will, trust instrument, or other governing
11 instrument, with the same effect as though such language were included in the will,
12 trust instrument, or other governing instrument, the following provisions with
13 respect to the trust and the trustee thereof, and, except as the contrary is provided
14 in subsection 2, such provisions govern the administration and distribution of any
15 such trust, irrespective of any provisions of any applicable will, trust instrument, or
16 other governing instrument, statute, or law of this state to the contrary:
- 17 a. The trustee shall distribute for each taxable year of the trust amounts at least
18 sufficient to avoid liability for the tax imposed by section 4942(a) of the
19 Internal Revenue Code of 1954, as now enacted or as hereafter amended.
- 20 b. The trustee may not engage in any act of "self-dealing", as defined in
21 section 4941(d) of the Internal Revenue Code of 1954, which would give rise
22 to any liability for the tax imposed by section 4941(a) of the Internal Revenue
23 Code of 1954.
- 24 c. The trustee may not retain any "excess business holdings", as defined in
25 section 4943(c) of the Internal Revenue Code of 1954, which would give rise
26 to any liability for the tax imposed by section 4943(a) of the Internal Revenue
27 Code of 1954.
- 28 d. The trustee may not make any investments that would jeopardize the carrying
29 out of any of the exempt purposes of the trust, within the meaning of section
30 4944 of the Internal Revenue Code of 1954, so as to give rise to any liability
31 for the tax imposed by section 4944(a) of the Internal Revenue Code of 1954.

- 1 e. The trustee may not make any "taxable expenditure", as defined in
2 section 4945(d) of the Internal Revenue Code of 1954, which would give rise
3 to any liability for the tax imposed by section 4945(a) of the Internal Revenue
4 Code of 1954.
- 5 2. Subsection 1 does not apply to the extent that a court of competent jurisdiction
6 determines that application would be contrary to the terms of the will, trust
7 instrument, or other governing instrument described in subsection 1 and that such
8 will, trust instrument, or other governing instrument may not be changed to conform
9 to subsection 1.
- 10 3. As used in this section, "trustee" means a corporation, individual, or other legal
11 entity acting as an original, added, or successor trustee of a testamentary or
12 inter vivos trust estate. Any reference to a particular section of the Internal
13 Revenue Code of 1954 includes, as now enacted or as hereafter amended, such
14 section and any provision of federal law as is or may hereafter be applicable,
15 cognate to such section.
- 16 4. This section does not impair the rights and powers of the attorney general or the
17 courts of this state with respect to any trust.

18 **SECTION 21. REPEAL.** Chapters 30.1-33, 30.1-34, 59-01, 59-02, 59-03, 59-04,
19 59-04.2, and 59-05 of the North Dakota Century Code are repealed.