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**STATE OF MINNESOTA
IN COURT OF APPEALS
A22-0767**

In re the Joan C. Ranallo Trust.

**Filed March 27, 2023
Affirmed
Cochran, Judge**

Hennepin County District Court
File No. 27-TR-CV-20-34

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Minnesota (for appellants Rochelle Casey, Lawrence Ranallo, Thomas Ranallo)

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(for respondent Julie Meredith)

Considered and decided by Worke, Presiding Judge; Smith, Tracy M., Judge; and
Cochran, Judge.

NONPRECEDENTIAL OPINION

COCHRAN, Judge

In this trust dispute, appellant-beneficiaries challenge the district court's order regarding their petition for redress of alleged breaches of trust and for removal of the trustee. They raise several arguments, including that the district court failed to provide an adequate remedy for respondent-trustee's breach of the duty of loyalty. Appellants also argue that the district court erred when it concluded that appellants failed to establish any other actionable breach of trust. Finally, appellants contend that the district court abused

its discretion by declining to remove respondent as the trustee and by awarding respondent trustee compensation and attorneys' fees. We affirm.

FACTS

This case involves the administration of a trust executed by Joan Ranallo (the settlor) on May 12, 2015. The settlor contributed all of her personal property, her homestead, and several rental properties to the trust. The trust agreement appointed respondent Julie Meredith as the sole trustee upon the settlor's death. The trust agreement named the settlor's four surviving adult children—appellants Larry Ranallo, Rochelle Casey, and Thomas Ranallo, as well as respondent—as beneficiaries of the trust.

The trust agreement further provided that, upon the settlor's death, the debts of the estate were to be paid first, followed by special distributions of tangible personal property. The remaining assets were then to be distributed in equal shares to the named beneficiaries, except for a reduction of one beneficiary's distribution based on lifetime gifts.

The settlor died at the age of 81 on May 18, 2015—just a few days after executing the trust agreement. As of her death, the settlor had not filed income tax returns for approximately 15 years. The trustee retained an accounting firm to help prepare the income and estate tax returns and, in the meantime, held an estate sale and managed the rental properties held by the trust. The back taxes were completed in the spring of 2017 and the estate tax return was filed in the fall of 2017. For purposes of preparing the estate tax return and a trust inventory, the trustee obtained multiple appraisals for the rental properties held by the trust. The appraisals reflected the property values as of approximately the date of the settlor's death. The appraisal results were not identical, involving some variation in

the values of the properties. The trustee decided to use the lowest of the estimated property values, which were incorporated into the estate tax return prepared by the accounting firm.

In August 2016, one of the rental properties owned by the trust—the Elliot Avenue property—was significantly damaged by an accidental fire. The fire started in an unlicensed third-floor apartment that the trustee had rented to a childhood friend of the settlor's deceased son. The fire was caused by the renter's laptop computer, which overheated while charging on a couch cushion. The insurance policy for the property had lapsed two months before the fire, after the renewal notice was sent to the wrong address. The trustee later sold the property in its damaged condition for approximately \$220,000. The value of the property before the fire was estimated to be between \$280,000 and \$300,000.

In January 2018, the trustee purchased two of the rental properties owned by the trust. The purchase price for each property was offset against the trustee's future distribution from the trust. The trustee purchased the first rental property—the Polk Street property—for \$510,000. The trustee purchased the second property—the 24th Avenue property—for \$185,000. The trustee set the purchase price for each property based on the 2015 date-of-death appraisals. For the Polk Street property, the trustee used the lowest appraised value. For the 24th Avenue property, the trustee used a value close to the mid-point of the two appraised values. The trustee sold the remaining properties held by the trust to third parties in 2017 and 2019. Before selling the properties, the trustee sent a letter to appellants informing them that they could elect to purchase real property held by the trust using their distributions, but none of them elected to do so.

In August 2019, the trustee sent appellants a letter asking them to consent to a trust inventory, final accounting, and plan for trust division and distribution prepared by the trustee. The plan for trust division and distribution disclosed that the trustee had used her distribution to purchase the Polk Street and 24th Avenue properties. The final accounting listed the assets on hand as of July 2019.

The trustee later produced a second final accounting, which listed the assets on hand as of June 2020. Appellants discovered that the first and second final accountings both omitted \$40,000 in cash that the trustee had received as repayment of a loan owed to the settlor. Appellants confronted the trustee, and the trustee deposited the \$40,000 in the trust account.

In April 2020, appellants filed a petition for removal of the trustee and redress of breach of trust. In the petition, appellants alleged that the trustee had breached her fiduciary duties, in relevant part, by selling the Polk Street and 24th Avenue properties to herself in 2018 at a discount based on outdated appraisals from 2015, failing to maintain insurance coverage for the Elliot Avenue property, selling the Elliot Avenue property for less than fair market value, and “help[ing] herself to exorbitant and unreasonable fees.” Appellants argued that, based on this conduct, the trustee had breached her duty of loyalty, her duty to administer the trust in good faith, and her duty to inform and report, in violation of Minn. Stat. §§ 501C.0801-.0802, .0813 (2022). Appellants also objected to the trustee’s final accounting. They asked the district court to (1) compel the trustee to “redress her breaches of trust by paying money and restoring property in an amount of damages to be determined at trial”; (2) void the sale of the Polk Street and 24th Avenue properties and return those

properties to the trust or, in the alternative, impose a constructive trust on all profits generated by those properties; (3) remove the trustee; and (4) order the trustee to provide a complete final accounting to the successor trustee, along with other relief. The trustee objected to the petition and filed a counter-petition seeking approval of the final accounting and an order to make proposed distributions to the beneficiaries.

The matter proceeded to a two-day court trial. At trial, the district court received numerous exhibits and heard testimony from multiple witnesses, including the trustee, two of the three appellants, the accountant who signed off on the back taxes and estate tax return, and the insurance agent who previously handled the property insurance for the Elliot Avenue property.

In December 2021, the district court issued a 22-page order with detailed findings of fact and conclusions of law. The district court's findings of fact included the following: the trustee purchased the Polk Street and 24th Avenue properties for less than their fair market value in 2018 and it was unreasonable for her to do so; the trustee rented the unlicensed third-floor unit at the Elliot Avenue property to a friend of the settlor's deceased son and, given the family's relationship with that person, it was not unreasonable for the trustee to do so; the trustee testified credibly that she believed the Elliot Avenue property was insured at the time of the fire and this belief was reasonable under the circumstances; the trustee's later decision to sell the Elliot Avenue property "was well within [her] reasonable discretion"; in the trust inventory and the two final accountings provided to appellants, the trustee did not reference a \$40,000 loan repayment that she received after the settlor's death until after appellants confronted her about the funds; but

the trustee testified credibly that she kept the \$40,000 in a safe place in her home and intended to distribute it along with other keepsake items when the trust distributions were made in accordance with the settlor's wishes.

The district court's conclusions of law included the following: the trustee's only actionable breach of duty was her decision to sell to herself the trust properties in 2018 based on appraised values from 2015; by failing to obtain more recent appraisals for the properties, the trustee breached her duty of loyalty to the trust beneficiaries; the trustee should have paid an additional \$67,987.50 for the two properties to reflect their fair market value; paying this amount plus interest would fully compensate the trust for the trustee's breach of loyalty, whereas unwinding the sales and returning the properties to the trust would not be an appropriate remedy; the trustee did not breach her duty of impartiality by taking a distribution to fund her purchase of the trust properties before the other beneficiaries received a distribution; the trustee did not breach her duty of prudent administration by renting the third-floor unit at Elliot Avenue or failing to keep the insurance current because she exercised reasonable care and the property was only uninsured "due to some form of miscommunication"; and "there was no actionable breach of fiduciary duty regarding the \$40,000 loan" because the trustee kept the cash in a safe place in her home and intended to distribute it in accordance with the settlor's wishes and the beneficiaries failed to prove any damage to the trust based on the trustee's management of that asset.

Based on these findings and conclusions, the district court ordered the trustee to pay a money judgment of \$67,988 to the trust but denied appellants' requests to void the sale

of the two properties to the trustee, to remove the trustee, and to deny or reduce the trustee's compensation.¹ In another order filed in April 2022, the district court determined that the trustee was owed \$115,392 in total compensation for her work on the trust. And the district court awarded attorneys' fees to both parties.

This appeal follows.

DECISION

Appellants challenge the district court's orders resolving their claims against the trustee and awarding the trustee compensation and attorneys' fees. Generally, we review a district court's factual findings concerning trusts for clear error and its conclusions of law de novo. *In re Estate of Short*, 933 N.W.2d 533, 537 (Minn. App. 2019). A district court's factual findings "are clearly erroneous only if the reviewing court is left with the definite and firm conviction that a mistake has been made." *Id.* (quotation omitted). "However, when reviewing mixed questions of law and fact, we correct erroneous applications of law, but accord the district court discretion in its ultimate conclusions and review such conclusions under an abuse of discretion standard." *Id.* (quotation omitted).

Appellants raise multiple issues. First, they argue that the district court erred by imposing an inappropriate remedy for the trustee's breach of her duty of loyalty. Next, they argue that the district court erred by concluding that the trustee did not breach her duties of prudent administration and impartiality. In addition, they argue that the district court "improperly shifted the burden of an accounting away from the trustee" and, in doing

¹ In January 2022, the trustee certified that she had satisfied the judgment owed to the trust based on the district court's December 2021 order.

so, erred by determining that the trustee had not committed an actionable breach of her duty to inform and report. Finally, appellants argue that the district court abused its discretion by declining to remove the trustee and by awarding the trustee compensation and attorneys' fees.

We address each issue in turn.

I. The district court did not misapply the law or impose an inappropriate remedy to address the trustee's breach of loyalty.

Appellants argue that the district court erred by imposing an inappropriate remedy for the trustee's breach of loyalty when it declined to unwind the sale of the two trust properties to the trustee for less than fair market value and return those properties to the trust. Appellants also assert that it was improper for the district court to consider capital gains taxes in determining the damages award, and they challenge the district court's valuation of the properties for purposes of calculating the damages award. Because determining the appropriate remedy presents a mixed question of law and fact, we will correct any erroneous application of law by the district court "but accord the district court discretion in its ultimate conclusions and review such conclusions under an abuse of discretion standard." *Id.* (quotation omitted). "A district court abuses its discretion by making findings of fact that are unsupported by the evidence, misapplying the law, or delivering a decision that is against logic and the facts on record." *Woolsey v. Woolsey*, 975 N.W.2d 502, 506 (Minn. 2022) (quotation omitted).

A trustee owes various duties to a trust's beneficiaries, including the duty of loyalty. Minn. Stat. § 501C.0802(a). Pursuant to the duty of loyalty, a trustee may not place their

own interests above those of the beneficiaries. *Id.* Thus, a trustee can breach the duty of loyalty by acting for their own personal gain. *In re Revocable Tr. of Margolis*, 731 N.W.2d 539, 545 (Minn. App. 2007). “But there is no breach of the duty of loyalty where [a] transaction is explicitly authorized by the terms of the trust.” *Id.*

When a trustee commits a breach of the duty of loyalty, a district court has the discretion to take any number of different actions to remedy that breach of trust. Minn. Stat. § 501C.1001 (2022). These actions include compelling a trustee to pay money or restore property, voiding a trustee’s action, imposing a lien or a constructive trust, tracing trust property that was wrongfully disposed of to recover the property or its proceeds, and ordering “any other appropriate relief.” Minn. Stat. § 501C.1001(b)(3), (9)-(10). In addition, Minn. Stat. § 501C.1002 (2022), provides that “[a] trustee who commits a breach of trust is liable for the greater of: (1) the amount required to restore the value of the trust property and trust distributions to what they would have been had the breach not occurred; or (2) the profit the trustee made by . . . the breach.”

Here, the district court determined that the trustee’s decision to buy two rental properties from the trust was a breach of her duty of loyalty because the trustee paid less than fair market value for the properties. In reaching this conclusion, the district court recognized that the terms of the trust agreement expressly allowed the trustee to transact business with the trust. But the district court determined that the trustee still had a duty not to put her own interests above those of the beneficiaries. *See* Minn. Stat. § 501C.0802(a). And, by paying a price below fair market value, the trustee breached that duty.

The district court next considered the appropriate remedy. The district court determined that appellants' request to unwind the sales and return the two properties to the trust was not an appropriate remedy for the breach because the breach related only to the amount paid and not to the actual sale of the properties. The district court calculated the amount required to make the trust whole as \$67,987.50 plus interest. To reach this amount, the district court first computed the difference between the fair market value of each property at the time of the sale and the discounted price that the trustee paid for each property. Based on the differences in these values, the district court determined that the trustee would have paid \$92,500 more for the two properties if she had purchased them at fair market value. But the district court also recognized that, if the trustee had purchased the two properties at fair market value, the estate would have had to pay capital gains tax on the sales at the higher purchase prices. Accordingly, the district court subtracted the additional capital gains tax the estate would have had to pay from the \$92,500 to arrive at the \$67,987.50 amount.

Appellants argue that the district court should have instead ordered that the properties be returned to the trust so that they could be sold in an arms-length transaction, as appellants originally requested. Appellants assert that, by failing to do so, the district court misapplied the plain language of Minn. Stat. § 501C.1002, which establishes the damages that a trustee owes for a breach of trust: the *greater* of either (1) the amount required to make the trust whole or (2) the profit the trustee made from the breach. Appellants argue that, by purchasing the trust properties at a discount, the trustee made a profit that “was indisputably far greater than” the amount that the district court found was

required to make the trust whole. Appellants appear to base their argument on their view that the “profit” made by the trustee from the breach includes not only the price difference between the fair market value and the purchase price but also the increase in property values *after* the trustee purchased the properties and the rental income that she has received from the properties since purchasing them. On this basis, appellants argue that the district court was required to unwind the property sales and return the properties to the trust in order to award the beneficiaries the proper damages under Minn. Stat. § 501C.1002(a)(2)—the profit made by the trustee by reason of the breach.

The trustee argues that the district court did not misapply the law and “arrived at a reasonable remedy for relatively minor breaches of trust related to underpayment on authorized transactions.” The trustee asserts that “[a]ppellants’ argument confuses the improper act of self-dealing, where the transaction is not permitted, [with] the failure of the trustee to obtain the correct price for an authorized transaction.” The trustee emphasizes that the district court correctly concluded that the trustee did not engage in self-dealing when she purchased the rental properties because the trust expressly allowed the trustee to purchase property from the trust. The trustee further argues that, because her breach of duty was not due to self-dealing and “[t]he sole issue was the valuation” of the properties she bought from the trust, the district court’s remedy was fully consistent with Minn. Stat. § 501C.1002. We agree with the trustee.

The district court did not misapply the law or impose an improper remedy to address the trustee’s breach of trust. As noted above, under Minn. Stat. § 501C.1002, “[a] trustee who commits a breach of trust is liable for the greater of: (1) the amount required to restore

the value of the trust property and trust distributions to what they would have been had the breach not occurred; or (2) the profit the trustee made by . . . the breach.” In addition, the Restatement (Third) of Trusts provides that, when a trustee breaches the duty of loyalty by selling trust property to themselves, the beneficiaries may void the sale in order to eliminate the trustee’s profit. Restatement (Third) of Trs. § 100 cmt. c (Am. L. Inst. 2012). But here, the trustee did not breach the duty of loyalty by selling trust property to herself because, as the district court correctly explained, the trust agreement permitted such a sale. And while “[a] trustee can breach the duty of loyalty by acting for personal gain . . . there is no breach of the duty of loyalty where the transaction is explicitly authorized by the terms of the trust.” *Margolis*, 731 N.W.2d at 545; *see also* Minn. Stat. § 501C.0802(b)(1) (explaining that a trustee breaches the duty of loyalty when they transact individually with a trust they administer *unless* the transaction is authorized by the terms of the trust). Therefore, the district court correctly concluded that the trustee only breached the duty of loyalty by selling the trust properties to herself at too low a price.

Moreover, if a trustee’s “breach of trust involve[s] accepting too low a price in an otherwise proper sale of trust property, the trustee’s liability [is] the amount by which the sale price was inadequate, plus (or minus) a projected total return on that amount to the time of surcharge.” Restatement (Third) of Trs. § 100 cmt. b(1). Consequently, any increase in property value or rent generated from the property *after the sale* is not relevant to the calculation of damages caused by the trustee accepting a price below the fair market value. *See id.* The district court therefore did not misapply the law by ordering the trustee to pay the trust the difference between the fair market value of the two properties at the

time of sale and the discounted price she paid for them—in other words, “the amount required to restore the value of the trust property and trust distributions to what they would have been had the breach not occurred.” Minn. Stat. § 501C.1002(a)(1). And while the district court had the discretion to unwind the property sales and return the properties to the trust under Minn. Stat. § 501C.1001(b)(3), we discern no abuse of discretion in its decision not to do so.

We further conclude that it was not inappropriate, as appellants assert, for the district court to account for capital gains taxes in determining “the amount required to restore the value of the trust property” in calculating the damages award. Minn. Stat. § 501C.1002(a)(1). We review a district court’s damages award for an abuse of discretion. *In re Tr. of Williams*, 631 N.W.2d 398, 407 (Minn. App. 2001), *rev. denied* (Minn. Sept. 25, 2001). A district court abuses its discretion when it bases its decision on an erroneous view of the law or reaches a decision that is inconsistent with the facts on record. *In re Stisser Grantor Tr.*, 818 N.W.2d 495, 508 (Minn. 2012). Moreover, “[w]e will not disturb a damage award on appeal unless our failure to do so would be shocking or would result in plain injustice.” *In re Margolis Revocable Tr.*, 765 N.W.2d 919, 923 (Minn. App. 2009) (quotation omitted).

Appellants assert that it was improper for the district court to consider capital gains taxes in determining the damages award because capital gains taxes could have been avoided. Appellants emphasize that, when the trustee prepared the estate taxes, the trustee used the lower of two different appraised property values she had obtained for each of the properties she later purchased. Appellants contend that, if the trustee had used the higher

appraisal values for each property for estate tax purposes, “there would have been no capital gains,” even if the properties were sold at the fair market value calculated by the district court. This argument is unavailing.

The trustee’s use of the lower appraisal values for estate-tax purposes was within the trustee’s discretion. The district court addressed this issue in its December 2021 order, finding that the beneficiaries had “failed to provide evidence that using the lower date of death appraisal was unreasonable for filing estate taxes” and determining that the decision to use the lower appraisal values “was well within the [t]rustee’s discretion.” In reaching this decision, the district court also noted that “the estate taxes were prepared by [the trustee’s] accountants and the [t]rust gives the [t]rustee authority to rely on her accountants’ advice without further investigation.” We discern no abuse of discretion in the district court’s determination on this issue and therefore conclude that the district court did not err by discounting the money judgment owed by the trustee to the trust based on the capital gains tax that the trust would have owed on the higher purchase price. Instead, we conclude that the district court appropriately sought to make the trust whole pursuant to Minn. Stat. § 501C.1002(a)(1).

Finally, appellants argue that the district court abused its discretion when it determined the fair market value of the two properties for purposes of calculating the damages award. Appellants contend that the district court “failed to support its finding of [fair market] value.” The district court determined the fair market value of the two properties by calculating the value halfway between the conflicting look-back appraisals that the parties submitted to the district court for each property. Appellants argue that the

district court should not have assigned each trust property a value halfway between the parties' look-back appraisals. We disagree. A district court "confronted with conflicting appraisals may conclude that a compromise in valuation is required, provided it has evidentiary support and is not unreasonable or clearly erroneous." *Nw. Racquet Swim & Health Clubs, Inc. v. County of Dakota*, 557 N.W.2d 582, 588 (Minn. 1997). Here, the district court's valuation was supported by evidence in the form of the parties' detailed look-back appraisals and is not unreasonable.

In sum, we discern no basis for disturbing the district court's award of damages for the trustee's breach of the duty of loyalty.

II. The district court did not err by denying appellants' claims of breach of the duty of prudent administration.

Next, appellants argue that the district court erred by determining that the trustee did not breach the duty of prudent administration in relation to the rental property where a fire occurred. We review the district court's factual findings for clear error, but we review the district court's conclusions of law de novo. *Short*, 933 N.W.2d at 537.

The duty of prudent administration requires a trustee to "administer the trust as a prudent person would, by considering the purposes, terms, and distribution requirements of the trust and all relevant circumstances." Minn. Stat. § 501C.0804 (2022). In doing so, the trustee must "exercise reasonable care, skill, and caution." *Id.*

Before the district court, the beneficiaries argued that the trustee breached the duty of prudent administration by allowing a family friend to live in an unlicensed third-floor apartment and by failing to renew the insurance on the property before the fire. The district

court disagreed. The district court determined that the trustee ultimately satisfied her duty of prudent administration with respect to both issues. The district court based its conclusion on the following factual findings: the trustee did not know that the family friend had created the dangerous condition that caused the fire; the trustee believed the insurance was set up for automatic renewal; the insurance company sent the cancellation notice to the wrong address; and, as a result, the trustee did not know that the insurance had lapsed prior to the fire. Accordingly, the district court concluded that the trustee acted prudently under the circumstances.

Appellants argue that the district court erred when it concluded that the trustee did not breach the duty of prudent administration. In support of their argument, they contend that (1) no fire would have occurred if the trustee had not allowed the family friend to live in the unlicensed apartment, (2) allowing tenants to occupy unlicensed rental units can lead to revocation of a landlord's other rental licenses, and (3) allowing the insurance to lapse compounded the trustee's failure to prudently administer the trust. Appellants assert that "a monetary judgment equal to the damage caused by the fire would be [an] appropriate [remedy]" for the breach of trust. We are not persuaded.

To prevail on a breach-of-trust claim, a petitioner must prove four elements: duty, breach, causation, and damages. *Hansen v. U.S. Bank Nat'l Assoc.*, 934 N.W.2d 319, 327 (Minn. 2019). If even one element is not proven, no relief is available. *See TCI Bus. Cap., Inc. v. Five Star Am. Die Casting, LLC*, 890 N.W.2d 423, 434 (Minn. App. 2017).

We conclude that the record and the law support the district court's determination that appellants did not demonstrate a breach of the duty of prudent administration. First,

appellants do not dispute the following findings by the district court: the Ranallo family had a relationship with the tenant, the trustee did not know that the tenant had created an unsafe condition, and the trustee was unaware that the insurance for the property had lapsed. And appellants point to no caselaw to support their apparent contention that renting an unlicensed unit automatically breached the trustee's duty of prudent administration in this context. In addition, the accidental fire was not caused by the fact that the third-floor apartment was unlicensed. Therefore, absent a closer causal connection between the trustee's alleged breaches of duty and the fire, we conclude that the district court did not err by determining that the trustee did not breach the duty of prudent administration as it relates to the circumstances surrounding the fire.

III. The district court's conclusion that the trustee did not breach the duty of impartiality is supported by the record and the law.

Appellants also argue that the district court erred by determining that the trustee did not breach her duty of impartiality when she gave herself a distribution from the trust to fund her purchases of trust properties before the other beneficiaries received a distribution. Again, we review the district court's factual findings for clear error, but we consider the district court's conclusions of law de novo. *Short*, 933 N.W.2d at 537.

A trustee has a duty to administer the trust impartially, "giving due regard to the beneficiaries' respective interests." Minn. Stat. § 501C.0803 (2022); *see In re Est. of King*, 668 N.W.2d 6, 9 (Minn. App. 2003). In other words, if a trust has two or more beneficiaries, the trustee must "manage the trust with equal consideration for the interests

of all beneficiaries.” *In re Van Dusen Marital Tr.*, 834 N.W.2d 514, 521 (Minn. App. 2013) (quotation omitted), *rev. denied* (Minn. June 26, 2013).

The district court found that the trustee did not breach the duty of impartiality by giving herself a distribution from the trust before any other beneficiary because “no evidence was presented that the other beneficiaries were harmed by a later distribution.” The district court also found that the trustee’s attorney sent a letter in February 2016 informing the beneficiaries that they could elect to receive real property as their distribution from the trust. In addition, the district court noted that the trust gave the trustee “broad discretion in making distributions.”

Appellants assert that the district court’s conclusion that the other beneficiaries were not damaged by the trustee’s partiality “is not supported by the evidence.” They argue that the trustee breached the duty of impartiality and that the beneficiaries were damaged because the trustee received the benefit of her distribution *before* the other beneficiaries along with cash flow from the rental properties. We are not persuaded.

We conclude that the district court did not err when it concluded that appellants failed to prove a breach of the duty of impartiality. First, “[t]he duty to act impartially does not mean that the trustee must treat the beneficiaries [of a trust] equally. Rather, the trustee must treat the beneficiaries equitably in light of the purposes and terms of the trust.” Unif. Tr. Code § 803, cmt. (Unif. L. Comm’n 2000). Second, the trust agreement permitted the trustee to sell trust property to herself, and the record supports the district court’s finding that the other beneficiaries of the trust were given the same *option* to purchase property from the trust instead of or in addition to receiving a cash distribution. The trustee sent a

letter to the other beneficiaries in February 2016 stating that the trustee had “secured a written appraisal of all real estate owned by [the settlor], including her homestead and her four rental properties,” and that “[t]hese values will be used for the estate tax return and for calculating distributions *if one of you elects to receive real property as their distribution.*” (Emphasis added.) The letter further stated that the rental properties held by the trust would “either be sold *or distributed to you,*” and that “[i]t is my understanding that you three would like your share of the estate to be paid in cash *and not real estate.* Please correct me right away if I am wrong.” (Emphasis added.) Only one of the three non-trustee beneficiaries indicated an interest in purchasing one of the properties, and the district court found that the trustee informed that beneficiary that he could use part of his distribution to purchase the property. But the beneficiary ultimately told the trustee that he was unable to afford the purchase price.

Because the record shows that the trustee informed all of the beneficiaries of their right to receive their distributions from the trust as property, the fact that the trustee obtained such a distribution before the other beneficiaries is insufficient to support a conclusion that the trustee failed to treat the other beneficiaries “equitably in light of the purposes and terms of the trust.” *See id.* We therefore conclude that the district court did not err by determining that the trustee did not breach her duty of impartiality by giving herself a distribution from the trust to fund her purchase of trust property before providing distributions to the other beneficiaries.

IV. The district court did not err by determining that the trustee committed no actionable breach of her duty to inform and report.

Appellants also challenge the district court's determination that the trustee committed no actionable breach of her duty to inform and report, arguing that the district court "improperly shifted the burden of an accounting away from the trustee." Whether a trustee's accounting fulfills the duty of disclosure is generally a question of fact for the district court. *In re Bailey's Tr.*, 62 N.W.2d 829, 833-34 (Minn. 1954). We review the district court's factual findings for clear error and will not reverse for clear error unless we are "left with the definite and firm conviction that a mistake has been made." *Short*, 933 N.W.2d at 537 (quotation omitted). However, we review the district court's legal conclusions de novo. *Id.*

The duty to inform and report requires a trustee to "keep the qualified beneficiaries of an irrevocable trust reasonably informed about the administration of the trust and of the material facts necessary to protect their interests." Minn. Stat. § 501C.0813(a). "Unless unreasonable under the circumstances, a trustee shall promptly respond to a beneficiary's request for information related to the administration of an irrevocable trust." *Id.* And the burden to prove the accuracy of an accounting is on the trustee. *Malcolmson v. Goodhue Cnty. Nat'l Bank*, 272 N.W. 157, 160 (Minn. 1936).

Here, the district court determined that the trustee generally kept the beneficiaries informed throughout the trust administration process. The district court noted that the trustee sent a number of letters to the beneficiaries explaining the value of the settlor's estate, giving updates on tax preparation and other property management activities, and

inviting the beneficiaries to reach out to the trustee or her attorney with any questions. The district court further found that the beneficiaries “almost never asked for information, and there is no evidence that they were not given the information they requested.” In addition, with regard to the date-of-death appraisals in particular, the district court specifically found that the beneficiaries “were informed that appraisals had been done” but “[n]one of them asked to see the appraisals.” The district court did, however, agree with the beneficiaries that the trustee had failed to disclose her receipt of \$40,000 in cash as repayment of a loan, but the district court concluded that this omission was not actionable because the funds were ultimately deposited into the trust account. As a result, the trust did not suffer any loss. The district court reached a similar conclusion with respect to the trustee’s failure to inform the beneficiaries of the details of her property purchases until the final accounting, explaining that they “failed to identify any damage from the failure to disclose this information sooner” because “[t]hey know it now and have objected to the final accounting and distribution because of it.” Finally, the district court determined that the trustee met her burden to keep an accurate accounting of the estate sale by producing numerous receipts from the sale and further found that there was no evidence showing that the estate sale proceeds were not in the trust account.

Appellants do not challenge any specific findings of fact made by the district court relating to the trustee’s duty to inform. Instead, appellants seem to suggest that this court should conclude that the trustee breached her duty to inform and report by (1) omitting the \$40,000 loan repayment she had collected from both final accountings; (2) not sharing the appraisals that she received and not disclosing *sooner* her decision to buy properties from

the trust; and (3) failing to properly account for the proceeds of the estate sale of the settlor's personal property. Appellants further assert that the district court's determination that the trust suffered no damages from the trustee's initial failure to disclose the \$40,000 loan "simply cannot be correct." We are not persuaded.

We conclude that the district court did not err by determining that the trustee did not commit an actionable breach of her duty to inform and report and did not improperly shift the burden of accounting away from the trustee. While the trustee could have informed appellants about the administration of the trust in greater detail, the duty to inform and report requires a trustee to keep qualified beneficiaries only *reasonably* informed. Minn. Stat. § 501C.0813(a). And here, the record supports the district court's findings that: the trustee reasonably communicated with appellants about her administration of the trust; appellants "almost never asked for information, and there is no evidence that they were not given the information they requested"; appellants failed to identify any damages stemming from either the trustee's failure to disclose sooner the details of her purchase of the trust properties or the \$40,000 loan repayment; and the trustee produced numerous receipts from the estate sale to meet her burden to keep an accurate accounting of that sale. Based on these findings, we conclude that the district court did not err by determining that the trustee did not commit an actionable breach of her duty to inform and report. And we conclude that the district court did not improperly shift the burden of an accounting away from the trustee because the district court's determination was based on evidence of the proceeds from the estate sale *produced by the trustee*.

V. The district court did not abuse its discretion by not removing the trustee.

Next, appellants argue that the district court abused its discretion by declining to remove the trustee. “We review a district court’s decision whether to remove a trustee for abuse of discretion.” *Lund ex rel. Revocable Tr. of Lund v. Lund*, 924 N.W.2d 274, 284 (Minn. App. 2019), *rev. denied* (Minn. Mar. 27, 2019). A district court abuses its discretion when it bases its decision on an erroneous view of the law or reaches a decision that is inconsistent with the facts on record. *Stisser*, 818 N.W.2d at 508.

Generally, district courts are reluctant to remove a trustee selected by a settlor. *See In re Will of Gershcov*, 261 N.W.2d 335, 338 (Minn. 1977). But a district court may, upon petition or by its own initiative, remove a trustee if “the trustee has committed a serious breach of trust” or “the [district] court determines that removal of the trustee best serves the interests of the beneficiaries because of unfitness, unwillingness, or persistent failure of the trustee to administer the trust effectively.” Minn. Stat. § 501C.0706(a), (b)(1), (b)(3) (2022). The district court has discretion to determine “what constitutes sufficient grounds for the removal of a trustee.” *Gershcov*, 261 N.W.2d at 338.

Here, the district court declined to remove the trustee. To support this decision, the district court explained that the trustee had “managed the entire [t]rust essentially on her own for several years and spent many hundreds of hours on its maintenance and administration,” that the trustee’s “mistakes were not made in bad faith,” and that it was the settlor’s intent to have the trustee manage the trust. The district court also noted that because “[t]here is not much left to do other than to resolve the attorney fees issues and

[the trustee's] compensation . . . [i]t would be inefficient to bring in a new trustee at this late date."

Appellants argue that the district court "made a mistake" by not removing the trustee because the trustee's actions constitute numerous and substantial breaches of trust. And they argue that removal is necessary in the event that this court decides to unwind the sales of the trust properties to the trustee and return those properties to the trust, because there will be additional work for the trustee to do and "she has amply demonstrated that she cannot be entrusted with such duties." We are not persuaded.

We conclude that the district court did not abuse its discretion by declining to remove the trustee. As noted above, a district court *may* remove a trustee if "the trustee has committed a serious breach of trust" or if "the [district] court determines that removal of the trustee best serves the interests of the beneficiaries because of unfitness, unwillingness, or persistent failure of the trustee to administer the trust effectively." Minn. Stat. § 501C.0706(b)(1), (3). Here, the district court determined that the trustee's only actionable breach of trust was her decision to sell trust property to herself for less than fair market value without obtaining more recent property appraisals. The district court determined that this breach of loyalty could be fully remedied through a money judgment making the trust whole. The district court also found, contrary to appellants' assertions, that the trustee's "mistakes were *not* made in bad faith." (Emphasis added.) And the district court further determined that removal of the trustee was not in the best interests of the beneficiaries because administration of the trust was wrapping up and "[i]t would be inefficient to bring in a new trustee at this late date." We discern no abuse of discretion in

these determinations. The district court acted well within its discretion when it decided not to remove the trustee.

VI. The district court did not abuse its discretion by awarding the trustee compensation and attorneys' fees.

Finally, appellants argue that the district court abused its discretion by awarding the trustee compensation and attorneys' fees. We review a district court's allowance of compensation to a trustee for their services for an abuse of discretion. *In re Tr. Created by Voss*, 474 N.W.2d 199, 201 (Minn. App. 1991). We also review the reasonableness of an award of attorneys' fees for an abuse of discretion. *Margolis*, 765 N.W.2d at 928.

“Where a trustee has committed a breach of trust, a court may deny compensation, reduce compensation, or allow full compensation.” *In re Tr. Created by Boss*, 487 N.W.2d 256, 261 (Minn. App. 1992), *rev. denied* (Minn. Aug. 11, 1992). And, “[i]n a judicial proceeding involving the administration of a trust, the [district] court, as justice and equity may require, may award costs and expenses, including reasonable attorney fees, to any party from the trust that is the subject of the judicial proceeding.” Minn. Stat. § 501C.1004 (2022). “[A]ttorneys’ fees and other expenses reasonably and necessarily incurred by all necessary parties to litigation may be allowed and properly charged to the trust estate . . . if an adjudication . . . is essential to a proper administration of the trust, and if . . . the litigation is conducted in good faith for the primary benefit of the trust as a whole.” *In re Atwood’s Tr.*, 35 N.W.2d 736, 740 (Minn. 1949); *see also* Minn. Stat. § 501C.0106 (2022) (providing that common law supplements the Minnesota Trust Code except to the extent modified by the code or another Minnesota law).

In its December 2021 order, the district court noted that the trustee had provided detailed records of the time she spent administering the trust to the benefit of the trust. And the district court concluded that, although the trustee “improperly sold herself two properties a little below market value and should have disclosed that she had collected the \$40,000 loan, these lapses do not offset the substantial benefit that she provided to the trust in wallowing through years of financial filings and managing the major assets of the estate.” The district court therefore concluded that the trustee was entitled to reasonable compensation and that her compensation should not be reduced or denied as appellants had requested. In addition, the district court found that the trustee presented “reasonable good faith defenses on many [of appellants’] claims” and that she could therefore submit an affidavit to support her claim for attorneys’ fees and litigation costs. In its April 2022 order, the district court made detailed findings regarding the appropriate compensation for the trustee and the reasonable attorneys’ fees that should be awarded to both parties.

Appellants do not dispute the specific amount of compensation and attorneys’ fees awarded to the trustee. Instead, they argue that the district court should have denied the trustee *any* compensation or attorneys’ fees because she breached her duty of trust intentionally and in bad faith. And they argue that the district court should have denied the trustee any compensation because the district court could not have made accurate findings related to reasonable compensation based on the trustee’s incomplete and inaccurate accounting. *See Smith v. Tolversen*, 252 N.W 423, 425 (Minn. 1934) (explaining that, where a trustee’s records are “negligently kept, . . . the consequent obscurity or doubt

cannot operate to [the trustee's] advantage, but must be resolved against [the trustee]"). We are not persuaded.

We conclude that the district court properly exercised its discretion in awarding the trustee compensation and attorneys' fees for several reasons. First, the district court did not find that the trustee's breach of trust involved "fraud, bad faith, or inexcusable negligence." *In re Comstock's Will*, 17 N.W.2d 656, 664 (Minn. 1945) (explaining that a district court has discretion to award reasonable compensation and attorneys' fees to a trustee in the absence of these conditions). Second, the trust agreement itself provides that the trustee must be compensated at a rate of \$100 per hour for her administration of the trust. *See In re Trusteeship of Williams*, 591 N.W.2d 743, 747 (Minn. App. 1999) (explaining that a court's role in trust matters "is limited to fulfilling the [settlor's] intent"). Third, the district court made explicit findings that the trustee testified credibly about her administration of the trust and that her "mistakes were not made in bad faith." *See Stisser*, 818 N.W.2d at 507 (explaining that we "defer to the district court's opportunity to assess the credibility of witnesses"). In addition, the district court made detailed findings to support its award of trustee compensation and its award of attorneys' fees to both parties, and the record supports the district court's findings. Finally, the district court also declined to compensate the trustee and award attorneys' fees to the trustee for certain claims that the district court deemed inappropriate, which further demonstrates that the district court exercised its discretion with caution and discernment. The district court did not abuse its discretion by awarding the trustee compensation and attorneys' fees.

In sum, we discern no basis for reversal of the district court's order regarding the administration of the trust and related matters.

Affirmed.