This opinion is nonprecedential except as provided by Minn. R. Civ. App. P. 136.01, subd. 1(c).

STATE OF MINNESOTA
IN COURT OF APPEALS
A25-0714

Thomas Hager,
Appellant,

vs.

Cletus Schroepfer, et al.,
Respondents.

Filed December 15, 2025
Affirmed
Worke, Judge

Nicollet County District Court
File No. 52-CV-22-390

Kevin A. Velasquez, Blethen Berens, Mankato, Minnesota (for appellant)

Lorie S. Gildea, Hannah R. Conrad, Greenberg Traurig, LLP, Minneapolis, Minnesota (for respondents)

Considered and decided by Worke, Presiding Judge; Bjorkman, Judge; and Cochran, Judge.

NONPRECEDENTIAL OPINION

WORKE, Judge

In this trust dispute, appellant argues that the district court erred by refusing to remove the trustee because the trustee (1) breached his duty to keep appellant informed of the trust, (2) unilaterally lowered the sale price of farmland, and (3) failed to impartially administer the trust. Appellant also argues that the district court erred in its interpretation of the trust. We affirm.

FACTS

Eugene Hager (Gene) created the Eugene N. Hager Trust Agreement dated January 4, 2006 (the trust). The trust named Gene's living children as beneficiaries: appellant Thomas Hager (Tom)[1] and Tom's four sisters.

After the trust was executed, Gene amended it three times.[2] In 2009, Gene excluded Tom as a beneficiary. The 2009 amendment stated: "I have intentionally omitted [Tom] . . . from this distribution, not out of lack of love or affection, but as a part of a carefully considered estate plan." In 2017, Gene reinstated Tom as a beneficiary but the 2017 amendment provided that any distribution to Tom "shall be reduced and offset . . . by debts owed to [Gene]." The amendment lists the debts as a $400,000 promissory note, a $500,000 payment to the bank, and "costs and attorney fees reasonably incurred in connection with repossession of land."

The Debts

In 2005, Tom and his wife purchased Gene's interest in farmland through a contract for deed, which required annual payments through December 31, 2034, and contained an acceleration clause in case of default. In 2014, Tom experienced financial problems and borrowed $400,000 from Gene. A promissory note to Gene was executed "documenting the indebtedness." The note called for interest at 3.25% and promised repayment on

[1] Due to having the same surname, we use Tom's and Gene's first names.
[2] The first amendment is not relevant to this appeal.

December 31, 2014. In 2015, Tom obtained a $500,000 loan from the bank. To secure the loan, Gene subordinated his vendor's interest in the 2005 contract for deed.

By the end of 2016, Tom needed more financing for the following year. The bank requested that Gene subordinate more of his vendor's interest in the 2005 contract for deed as a condition for ongoing financing. Tom defaulted on the 2005 contract for deed on December 31, 2016. Gene then offered $500,000 to the bank to satisfy Tom's loan and to release the subordination.

Agreements and Releases with the Bank

The bank refused Gene's payment and sued Gene, Tom, and Tom's wife (the Hagers). In March 2018, the parties reached a mediated agreement.[3] Under the agreement, the Hagers deeded 155 acres to the bank, and the bank agreed to accept Gene's $500,000 payment along with an additional $17,500 payment. Additionally, Gene transferred land to Tom and his wife as "homestead property," and Tom agreed to transfer his remaining real estate, minus one farm, back to Gene. Tom's previously unsecured $400,000 promissory note was secured via mortgage on the homestead property.

The March agreement included language in which the Hagers agreed to release the bank, and the bank released the Hagers. There was no language included suggesting a release of any claims among the Hagers themselves.

[3] Distel Grain Systems, Inc., also sued over bills Tom allegedly had not paid; the matter was resolved through this same mediated agreement. The release language included Distel Grain as a plaintiff.

In October 2018, the bank and the Hagers entered a second mediated agreement.[4] The October agreement replaced the terms reached between the bank and the Hagers in the March agreement. The agreement retained the same obligations by Gene to pay the bank and the mutual releases. Like the March agreement, the October agreement did not contain language implying the Hagers released any claims against each other.

Current Litigation

Following Gene's death, respondent[5] Cletus Schroepfer (trustee), Gene's longtime friend, was appointed as the estate trustee. In 2022, Tom filed a petition under Minn. Stat. §§ 501C.0202, .0706 (2024), seeking (1) an accounting of the trust, (2) a declaration that the trustee incorrectly interpreted the trust by offsetting his share for the $500,000 debt, (3) removal of the trustee for alleged breaches of the trust, and (4) other appropriate relief.

The district court held a three-day bench trial before denying the petition.

This appeal followed.

DECISION

Trustee Removal

Tom first argues that the district court abused its discretion by refusing to remove the trustee. A district court may remove a trustee if the trustee has committed a serious breach of trust. Minn. Stat. § 501C.0706(b)(1). Identifying "[t]he correct legal standard to remove a trustee under the Minnesota Trust Code presents a question of law, which

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[4] Distel Grain was not a party to the October agreement.

[5] Tom's four sisters—Michelle Rodning, Vickie Hager, Kelly Runkel, and Sherry Dee Ye—are also respondents in this appeal.

[appellate] court[s] review[] de novo." *In re Otto Bremer Tr.*, 2 N.W.3d 308, 316 (Minn. 2024). "The determination of what constitutes sufficient grounds for the removal of a trustee is within the discretion of the [district] court." *Id.* at 317 (quotation omitted). "Accordingly, the decision whether to remove a trustee is reviewed on an abuse of discretion standard." *Id.*

Duty to Inform

Tom argues that the district court abused its discretion by determining that the trustee did not violate his duty to inform and report to Tom on the administration of the trust.

A trustee is required to keep "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) (2024). A trustee is required to "promptly respond to a beneficiary's request for information related to the administration of an irrevocable trust." *Id.* Like removal of a trustee, we review a district court's decision regarding a trustee's duty to inform and report for an abuse of discretion. *See Bremer Tr.*, 2 N.W.3d at 322.

The trustee assumed that Tom was not a beneficiary whom he was obligated to keep informed of the administration of the trust because Tom was not entitled to a distribution. We assume, without deciding, that the trustee had an obligation to keep Tom informed in the administration of the trust and did breach the duty to keep Tom informed. We, however, agree with the district court that the trustee's failure to include Tom in certain communications with Tom's sisters was not a breach that rose to a serious level. "Serious breach of trust" is not defined within the statute, so we may look to the official comments to the Uniform Trust Code for guidance. *Id.* at 317 (citing *In re Trust of Moreland*, 993 N.W.2d 80, 88 n.6 (Minn. 2023) (acknowledging that official comments to the Uniform Trust Code are not binding but may be persuasive)). "A serious breach of trust may consist of a single act that causes significant harm or involves flagrant misconduct or a series of smaller breaches, none of which individually justify removal when considered alone, but which do so when considered together." *Id.* (quoting Unif. Tr. Code § 706 cmt.).

The trustee kept Tom reasonably informed about material facts necessary to protect his interests. When Tom requested information regarding the trust's administration, the trustee promptly responded with the information he could reasonably provide him. And, although Tom was not informed directly by the trustee of the proposed land sale, inquiries made to the trustee show he was aware the real estate was being sold. Even if the trustee breached his duty to keep Tom informed on the administration of the trust, the breach was not serious, and Tom was not harmed. Therefore, the district court did not abuse its discretion.

Prudent Administration

Tom argues that the district court erred by determining that the trustee did not breach the duty of prudent administration by unilaterally lowering the sale price of farmland held by the trust.

A trustee is required 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 (2024). "In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution." *Id.* A trustee must invest and manage trust assets "as a prudent investor would." *Norwest Bank Minn. N., N.A. v. Beckler*, 663 N.W.2d 571, 580 (Minn. App. 2003) (quotation omitted). A district court's determination on a breach of prudent administration is reviewed for abuse of discretion. *See generally Bremer Tr.*, 2 N.W.3d at 317. Findings of the district court are reviewed for clear error, and its legal conclusions are reviewed de novo. *In re Est. of Short*, 933 N.W.2d 533, 537 (Minn. App. 2019).

Here, the trustee lowered the sale price before potential purchasers could reject the offer. But, as the district court determined, the trustee only lowered the sale price after he received advice from a CPA familiar with local land values, reviewed recent comparable sales, and consulted with legal counsel. Consulting three experts before re-setting—albeit here, by reducing—the sale price evinces the trustee's diligence and dedication to the prudent administration of the trust on behalf of the beneficiaries.

Therefore, the district court correctly concluded that the trustee did not breach the duty to prudently administer the trust by unilaterally lowering the farmland's sale price.

Duty of Impartiality

Tom next argues that the trustee breached the duty of impartiality by not crediting him with a distribution in the form of an offset that applied his $400,000 promissory note, which was the first and most specific debt itemized in the trust. He further argues that, because the $400,000 promissory note is a specific devise, it must abate first and be fully offset before the general offsets apply. We disagree.

A trustee must “administer the trust impartially, giving due regard to the beneficiaries’ respective interests.” Minn. Stat. § 501C.0803 (2024). As long as a trustee acts in accordance with the settlor’s intent, and “in good faith, from proper motives, and within the bounds of reasonable judgment, the court will not interfere with their decisions.” *Norwest Bank*, 663 N.W.2d at 580-81 (quotation omitted).

The district court determined, and we agree, that the trust language controls here. The trust makes clear that Tom is not entitled to any distribution until his debts are repaid. Tom mischaracterizes the nature of the debt because it is not a devise; it is a liability to be satisfied as provided by the trust. In administering the trust, the trustee was not required to prioritize Tom’s preferences for debt repayment. In fact, as the district court noted, the trust itself did not include any directive informing the trustee which of the three debts was to be offset first. The trustee’s approach—applying Tom’s distribution offset to the $500,000 first—added value to the trust for the benefit of the beneficiaries because the $500,000 debt did not accrue interest, unlike the $400,000 debt. The trustee followed the wishes of his late friend in administering the trust to the benefit of the trust and its beneficiaries.

The district court correctly concluded that the trustee did not breach the duty of impartiality and that the trustee acted in a manner that best served the interests of the trust and its beneficiaries. Therefore, the district court did not abuse its discretion.

For the foregoing reasons, the district court did not abuse its discretion by determining that the trustee’s actions did not rise to a serious breach warranting removal of the trustee.

The Trust and Settlement Agreement Interpretation

Appellate courts apply a de novo standard of review to a district court's interpretation of a trust agreement but "[e]xtrinsic evidence is used to interpret a trust only after a finding of ambiguity." *Moreland*, 993 N.W.2d at 85. "A district court's findings of fact are given great deference and shall not be set aside unless clearly erroneous." *In re Eva Marie Hanson Living Tr.*, 986 N.W.2d 1, 4 (Minn. App. 2023). When reviewing factual findings for clear error, appellate courts (1) view the evidence in the light most favorable to the findings; (2) do not find their own facts; (3) do not reweigh the evidence; and (4) do not reconcile conflicting evidence. *In re Civ. Commitment of Kenney*, 963 N.W.2d 214, 221-22 (Minn. 2021); *see also Bremer Tr.*, 2 N.W.3d at 319 (citing *Kenney* in trust dispute).

Interpretation of the Trust

Tom argues that the district court incorrectly interpreted the trust, and that the language in question is ambiguous. He argues that he does not owe the $500,000 debt because the debt is atypical and falls under the concept of equitable subrogation, which requires an equitable analysis.

"When the trust agreement is unambiguous, [appellate courts] will ascertain the grantor's intent from the language of the agreement, without resort[ing] to extrinsic evidence." *In re Pamela Andreas Stisser Grantor Tr.*, 818 N.W.2d 495, 502 (Minn. 2012). A grantor's intent is determined by looking at the trust document as a whole and not isolated words. *Id.*

Here, the trust unambiguously states that any distribution to Tom "shall be reduced and offset" by debts owed to Gene. The trust specifically lists the $500,000 debt "memorialized by the payment of [Gene] to [the bank]." We need not rely on extrinsic evidence or an equitable analysis, as Tom argues is necessary, because the trust clearly and unambiguously establishes the debt. In addition to the trust's plain language establishing the owed debt, Tom was aware that Gene paid $500,000 to the bank. There is nothing in the record indicating that Gene ever told Tom, or the trustee, any debts were forgiven or discharged. Moreover, as the district court determined, the purpose of the equity transfer was to address Tom's default with Gene, not to satisfy his debt with the bank.

Therefore, Gene's intent is clear, and the district court correctly determined that the trust unambiguously provides that Tom still owes the estate $500,000.

Mediated Settlement Agreements

Lastly, Tom argues that the March 2018 settlement agreement released the $500,000 debt and that the October 2018 agreement did not revive it. Like interpreting a trust, interpretation of an unambiguous settlement agreement is reviewed de novo. *Curtis v. Altria Grp., Inc.*, 813 N.W.2d 891, 898 (Minn. 2012); *see Turner v. Alpha Phi Sorority House*, 276 N.W.2d 63, 66 (Minn. 1979) (noting "where there is ambiguity and construction depends upon extrinsic evidence and a writing, there is a question of fact for the jury").

Much like the district court, we are unpersuaded by Tom's arguments as to the release of debt owed between the Hagers themselves. The release language in the settlement agreements unambiguously applies between the bank and the Hagers and not to the Hagers themselves. The March 2018 agreement, cited by Tom, separates the litigants into categories of plaintiff (the bank and Distel Grain) and a defendant (the Hagers). The March agreement contains the following mutual release: "It is the specific intent of the parties to release and discharge the other from any and all claims and causes of action of any kind or nature whatsoever."[6] Similarly, the October agreement provides: "[The bank] shall release and forever discharge [the Hagers], and any entity owned or controlled by" Tom. Conversely, the Hagers's release "completely remises, releases, and forever discharges [the bank]."

The language of both settlement agreements is clear and unambiguous. As the district court noted, the March agreement's language provides only for a limited release between the adversarial parties, and the October agreement does not address waiver of claims among the Hagers. Therefore, the district court correctly interpreted the settlement agreements as not releasing the $500,000 debt.

Affirmed.

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[6] We agree with the district court's analysis which relied on the March agreement's use of the singular "the other" versus plural "the others." The singular use meant any claim that a plaintiff could waive against a defendant, or vice versa, is waived. If a different interpretation had been intended, like the release applying to claims among the defendants, the agreement would have used the plural "the others" to denote the viability of such claims.