This opinion is nonprecedential except as provided by Minn.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
A25-1392

In re the Trust of Earl J. Proulx,
In re: Margaret J. Proulx Trust
under Agreement dated December 7, 2015.

Filed April 27, 2026
Reversed and remanded
Florey, Judge[*]

Polk County District Court
File Nos. 60-CV-22-404; 60-CV-24-1653

Mark A. Grainger, Camrud, Maddock, Olson & Larson, Ltd., Grand Forks, North Dakota (for appellants Karen M. Hanson, Katherine A. Proulx-Hendrickson, and Terry L. Clauson)

Robert G. Manly, Vogel Law Firm, Fargo, North Dakota (for respondents Robert E. Proulx and Ronny J. Proulx)

Considered and decided by Bond, Presiding Judge; Harris, Judge; and Florey, Judge.

NONPRECEDENTIAL OPINION

FLOREY, Judge

Appellants challenge a district court order interpreting their parents' trust documents, arguing that the district court improperly applied the amended terms of one parent's trust to property interests held by another parent's trust. We reverse and remand.

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[*] Retired judge of the Minnesota Court of Appeals, serving by appointment pursuant to Minn. Const. art. VI, § 10.

FACTS

Spouses Earl J. Proulx and Margaret J. Proulx had eight children, five of whom filed briefs in this appeal. Appellants are Karen M. Hanson, Katherine ("Kathy") A. Proulx-Hendrickson, and Terry L. Clauson, while respondents are Robert ("Bob") E. Proulx and Ronny J. Proulx.[1] Two of the other three children argued before the district court but did not file briefs on appeal: Elaine Fetsch and John A. Proulx.

This appeal focuses on the interpretation of two trusts. We restate the undisputed facts as drawn from the record, including exhibits and testimony received at trial.

In 2015, Earl and Margaret (the parents) each drafted a similar trust as part of their estate plan. It is undisputed that each trust contained a one-half undivided interest in the same farmland. Two of the parents' children, Bob and John, were farmers who rented this farmland as part of a farming partnership. In 2017, the parents each executed a similar amendment to their trust. In relevant part, these amendments included the addition of a "right of first refusal" for any sale of the farmland to certain children and an outright gift of specific tracts of farmland (the home farm) to Bob and John.

It is undisputed that Margaret was deemed incapacitated in 2019, and thereafter the terms of her trust were not and could not be amended. That November, Earl executed a comprehensive "amendment and restatement" of his trust only. In relevant part, this amendment and restatement gave Bob and John "the option to purchase on a contract for deed" certain farmland. The terms of this purchase option included a certain amortization

[1] For ease of reference, we refer to the family members by their first names.

period, a particular valuation date, and a rent credit for all rents paid by Bob and John "on said real estate." Margaret's trust did not include this language.

The district court held two proceedings regarding the parents' trusts. First, in March 2022, appellants challenged the validity of Earl's amendment and restatement. Before the first proceeding concluded, both parents passed away: Margaret in August 2022 and Earl in September 2023. After a two-day trial in 2024, the district court determined that Earl's amendment and restatement was valid.[2]

The second proceeding began in January 2024 when Bob and John provided written notice of their intent to purchase farmland, as required by the purchase option in Earl's trust. Respondents here, as Earl's trustees, petitioned the district court for information and instruction about Earl's trust pursuant to Minn. Stat. § 501C.0201 (2024). After an evidentiary hearing, the district court filed an order interpreting the trusts. It determined, among other things, that only Earl's trust created a sub-trust called the "Children's Trust," and that the purchase-option terms in Earl's trust applied to the farmland interests held by both parents' trusts. The district court also calculated the rent credit that Bob and John would receive on the purchase. In doing so, it subtracted the rents paid on the home farm, which Bob and John received as an outright gift according to the terms of both parents' trusts, from the rents paid on all the parents' farmland.

This appeal follows.

[2] In the remainder of this opinion, reference to "Earl's trust" refers to his November 2019 amendment and restatement, while reference to "Margaret's trust" refers collectively to her initial 2015 trust agreement and her 2017 amendment. Reference to the "parents' trusts" refers to both Earl's trust and Margaret's trust, as defined here.

DECISION

Appellants argue that the district court erred by (1) concluding that only Earl's trust created a Children's Trust, (2) applying the terms of Earl's trust to property interests held by Margaret's trust, and (3) considering extrinsic evidence. We address each argument in turn.

I. Each parent's trust created its own Children's Trust.

Appellants argue that the district court erred by concluding that only Earl's trust created a "Children's Trust," ignoring "mandatory pour-over provisions" in Margaret's trust that became effective upon Earl's death. We agree.

Appellate courts review de novo a district court's interpretation of unambiguous language in a trust. *See In re Stisser Grantor Tr.*, 818 N.W.2d 495, 502 (Minn. 2012). The "purpose in construing a trust agreement is to ascertain and give effect to the grantor's intent." *Id.* A grantor's intent is determined by looking at the trust document as a whole and not isolated words. *Id.*

The district court focused its analysis on articles 4 and 5 of both parents' trusts. The parents' trusts arrange these articles in a similar manner. Article 4 provides instructions for the creation of certain "sub-trusts" upon the parents' deaths, while article 5 describes the administration of those sub-trusts. The district court determined that the language at the beginning of paragraphs 4.1 and 4.2—"[i]f my spouse survives me" and "[i]f my spouse does not survive me," respectively—was unambiguous. The district court explained that paragraph 4.1 "outlines what was to happen when the first spouse passes away," specifically the creation of a "Marital Trust" and a "Family Trust," while paragraph 4.2

"outlines what was to happen when the second spouse passes away," specifically the creation of a "Children's Trust."

Because Margaret passed away before Earl, the district court concluded that Margaret's trust created a Marital Trust and a Family Trust under paragraph 4.1 of her trust. The district court further explained that "the condition precedent [for paragraph 4.2 was] not met," meaning that her trust made no allocations "to the Children's Trust" under that paragraph and "administration and distribution of those allocations [could]not occur under Article [5]" of her trust. The district court also determined that, upon Earl's death, Earl's trust created a Children's Trust under paragraph 4.2 of his trust.

We agree with the district court that, upon Margaret's death, paragraph 4.1 of her trust allocated her trust assets into a Marital Trust and a Family Trust. We also agree that, upon Earl's death, paragraph 4.2 of Earl's trust allocated his trust assets into a Children's Trust (hereinafter "Earl's Children's Trust"). And we agree that the phrases "[i]f my spouse survives me" and "[i]f my spouse does not survive me" are unambiguous.

But we disagree with the district court's determination that *only* Earl's trust created a Children's Trust, and the underlying implication that the terms of Earl's Children's Trust applied to property interests held by Margaret's trust. We draw this conclusion from articles 3 and 5 of Margaret's trust. In paragraph 3.3.2, Margaret instructed her trustee to, upon Margaret's death, distribute "all interests in property . . . *used* by me or my spouse *for residential purposes*" to Earl, if Earl survived her. (Emphasis added.) Following that distribution, Margaret's trust retained in its assets a one-half undivided interest in the parents' nonresidential farmland. Margaret's trust assets went into a Marital Trust and a

Family Trust. Margaret's trust explained how to administer these sub-trusts in paragraphs 5.1 (regarding the Marital Trust) and 5.2 (regarding the Family Trust). Both paragraphs set out conditions for Earl to receive distributions from these sub-trusts during his lifetime. Both paragraphs also explain Margaret's intentions for her trust assets "[u]pon my spouse's death": Margaret directed that any remaining trust assets "shall be allocated and distributed in the manner provided under Article 4 *[as] if I had survived my spouse and died immediately after my spouse's death*." (Emphasis added.)

The district court did not refer to paragraphs 5.1 or 5.2 of Margaret's trust, instead focusing on the isolated words of paragraphs 4.1 and 4.2. *See id.* Although we agree that Margaret's death did not initially trigger a Children's Trust under paragraph 4.1 of her trust, by looking at her trust document as a whole, we conclude that Earl's death triggered paragraphs 5.2 and 5.3 of Margaret's trust. These, in turn, triggered paragraph 4.1 of Margaret's trust, which allocated her remaining trust assets into a separate Children's Trust (hereinafter "Margaret's Children's Trust"). And while Margaret's trust distributed her interest in residential farmland to Earl upon her death, the record contains no evidence to support the implication that Margaret's remaining trust assets transferred into Earl's trust. We conclude that each of the parents' trusts created its own Children's Trust upon Earl's death and each Children's Trust contained its own assets.

II. The terms of each parent's trust apply only to its own assets, including property interests.

Appellants challenge the district court's application of the purchase-option terms from Earl's trust to the farmland interests held by both parents' trusts, asserting that the property interests in Margaret's trust are not subject to the purchase option. We agree.

Both parents' trusts include paragraph 5.4.3, which provides a right of first refusal for the sale of any "agricultural real estate managed pursuant to the terms of the Children's Trust." This paragraph states: "In the event the *Trustee elects to sell* said real estate, I hereby grant the first right to purchase said real estate to my *descendants that are actively farming* at the time of the proposed sale." (Emphasis added.) The paragraph calculates the purchase price according to "the estimated market value as reported on the real estate tax statement for the *year of the proposed sale*." (Emphasis added.)

As discussed, Earl's trust was amended and restated in 2019 after Margaret became incapacitated and could no longer amend her trust. That year only Earl amended his trust, adding a paragraph 4.2.1.6 with the following purchase-option language:

> I give Robert Proulx and John Proulx *the option to purchase* on a contract for deed any agricultural real estate to be allocated to the Children's Trust. Said contract for deed shall amortize the principal balance over a 20-year term . . . . The purchase price shall be the estimated market value as reported on the real estate tax statements for taxes due and payable *in the year of my death* less any *rent paid by Robert Proulx and John Proulx* on said real estate prior to my death.

(Emphasis added.)

After determining that only one Children's Trust existed, the district court applied the purchase-option terms of Earl's trust to the farmland interests held by both parents' trusts. The district court concluded that Bob and John had the right to purchase all of the farmland, the purchase price would be based on property-tax statements for 2023 (the year of Earl's death), and it would calculate the rent credit based on rent paid by Bob and John on all of the farmland.

We concluded that the district court erred by determining that only one Children's Trust existed.[3] Instead, the parent's trusts created both an Earl's Children's Trust and a Margaret's Children's Trust, each with its own property interests and purchase terms. Accordingly, we conclude that the property interests in Earl's Children's Trust are subject to both a right of first refusal for "descendants that are actively farming," under Earl's paragraph 5.4.3, and a purchase option for Bob and John, under Earl's paragraph 4.2.1.6, while the property interests in Margaret's Children's Trust are subject only to a right of first refusal for "descendants that are actively farming," under Margaret's paragraph 5.4.3.

We remand to the district court so that it can apply each trust's terms to its own assets, limiting the purchase-option language in Earl's trust to his one-half undivided share of the parents' farmland.

III. The district court did not err by looking to the "surrounding circumstances" of Earl's trust to determine Earl's intentions.

Lastly, appellants argue that the district court improperly relied on extrinsic evidence to determine Earl's intent related to the rent credit. We disagree.

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[3] We are not persuaded by appellants' related argument that the district court improperly merged the two trusts. While the district court referenced the trusts' merger clauses, it did not make any findings or conclusions about merger. We conclude that the district court's error rested upon a misinterpretation of the trusts, not upon a misapplication of the merger clauses.

When interpreting unambiguous language in a testamentary document, including a trust, a reviewing court works to ascertain a grantor's "dominant intention." *In re G.B. Van Dusen Marital Tr.*, 834 N.W.2d 514, 520 (Minn. App. 2013), *rev. denied* (Minn. June 26, 2013); *see also* Minn. Stat. § 501C.0112 (2024) (applying rules of construction for wills to trusts). Reviewing courts "gather intent 'from everything contained within the four corners of the [document], read in the light of the surrounding circumstances,' and do not focus on isolated words." *In re Est. of Bach*, 979 N.W.2d 430, 434 (Minn. 2022) (quoting *In re Trs. Created by Will of Hartman*, 347 N.W.2d 480, 482-83 (Minn. 1984)).

A district court may consider "surrounding circumstances" when evaluating a testator's intent, even if the document's language is unambiguous. *See In re Est. of Arend*, 373 N.W.2d 338, 342 (Minn. App. 1985) ("Even if no ambiguity existed, evidence of surrounding circumstances is always admissible to determine a testator's intent."); *see also Hartman*, 347 N.W.2d at 482-83 (requiring that interpreting court "be aware of" certain circumstances). Surrounding circumstances include "the character and the occupation of testator; the amount, the extent[,] and the condition of testator's property; the number, identity[,] and the like of testator's family . . . ; and testator's relation to the beneficiaries and to the natural objects of [testator's] bounty." *Hartman*, 347 N.W.2d at 483 (quotation omitted). By contrast, a court may not consider "extrinsic evidence," like prior drafts, if a document's language is unambiguous. *See id.* ("Drafts of prior wills are a qualitatively different kind of evidence than surrounding circumstances at the time of the will's execution."); *Stisser*, 818 N.W.2d at 502 (instructing courts to "ascertain the grantor's intent from the language of the agreement, without resort[ing] to extrinsic evidence").

Earl's Children's Trust allocated a rent credit for "any rent paid by Robert [Bob] Proulx and John Proulx" on certain land. The district court determined that "[t]he use of Bob and John's names [in the rent-credit provision] *could be ambiguous* given the known circumstances that they operated as a farming partnership." (Emphasis added.) The district court then discussed Earl's occupation as a farmer, Earl's longstanding farming relationship with Bob and John, the eventual addition of Earl's grandson Richard into that relationship, and the fact that Earl had rented the farmland to Bob, John, and Richard.

All parties argue that the language in Earl's trust is unambiguous, and we agree. In construing this unambiguous language, the district court properly considered the circumstances surrounding the trust's execution. While appellants seem to conflate "extrinsic evidence" and "surrounding circumstances," we conclude that the district court properly considered only surrounding circumstances and did not erroneously consider extrinsic evidence.

Reversed and remanded.