

386B.8-020 Duty of loyalty.

- (1) A trustee shall administer the trust solely in the interests of the beneficiaries.
- (2) Subject to the rights of persons dealing with or assisting the trustee as provided in KRS 386B.10-110, a sale, encumbrance, or other transaction involving the investment or management of trust property entered into by the trustee for the trustee's own personal account or which is otherwise affected by a conflict between the trustee's fiduciary and personal interests is voidable by a beneficiary affected by the transaction unless:
 - (a) The transaction was authorized by the terms of the trust;
 - (b) The transaction was approved by the court;
 - (c) The beneficiary did not commence a judicial proceeding within the time allowed by KRS 386B.10-050;
 - (d) The beneficiary consented to the trustee's conduct, ratified the transaction, or released the trustee in compliance with KRS 386B.10-090; or
 - (e) The transaction involves a contract entered into or claim acquired by the trustee before the person became or contemplated becoming trustee.
- (3) A sale, encumbrance, or other transaction involving the investment or management of trust property is presumed to be affected by a conflict between personal and fiduciary interests if it is entered into by the trustee with:
 - (a) The trustee's spouse;
 - (b) The trustee's descendants, siblings, parents, or their spouses;
 - (c) An agent or attorney of the trustee; or
 - (d) A corporation or other person or enterprise in which the trustee, or a person that owns a significant interest in the trustee, has an interest that might affect the trustee's best judgment.
- (4) A transaction between a trustee and a beneficiary that does not concern trust property but that occurs during the existence of the trust or while the trustee retains significant influence over the beneficiary and from which the trustee obtains an advantage is voidable by the beneficiary unless the trustee establishes that the transaction was fair to the beneficiary.
- (5) A transaction not concerning trust property in which the trustee engages in the trustee's individual capacity involves a conflict between personal and fiduciary interests if the transaction concerns an opportunity properly belonging to the trust.
- (6) An investment by a trustee in securities of an investment company or investment trust to which the trustee, or its affiliate, provides services in a capacity other than as trustee is not presumed to be affected by a conflict between personal and fiduciary interests if the investment otherwise complies with KRS 286.3-272 regarding investments in an associated company or trust. In addition to its compensation for acting as trustee, the trustee may be compensated by the investment company or investment trust for providing those services out of fees charged to the trust. If the trustee receives compensation from the investment company or investment trust for providing investment advisory or investment

management services, the trustee shall at least annually notify the persons entitled under KRS 386B.8-130 to receive a copy of the trustee's annual report of the rate and method by which that compensation was determined.

- (7) In voting shares of stock or in exercising powers of control over similar interests in other forms of enterprise, the trustee shall act in the best interests of the beneficiaries. If the trust is the sole owner of a corporation or other form of enterprise, the trustee shall elect or appoint directors or other managers who will manage the corporation or enterprise in the best interests of the beneficiaries.
- (8) This section shall not preclude the following transactions, if fair to the beneficiaries:
 - (a) An agreement between a trustee and a beneficiary relating to the appointment or compensation of the trustee;
 - (b) Payment of reasonable compensation to the trustee;
 - (c) A transaction between a trust and another trust, decedent's estate, or conservatorship of which the trustee is a fiduciary or in which a beneficiary has an interest;
 - (d) A deposit of trust money in a regulated financial institution operated by the trustee;
 - (e) An advance by the trustee of money for the protection of the trust; or
 - (f) Any transaction authorized by any other statute under the laws of this Commonwealth.
- (9) The court may appoint a special fiduciary to make a decision with respect to any proposed transaction that might violate this section if entered into by the trustee.

Effective: July 15, 2014

History: Created 2014 Ky. Acts ch. 25, sec. 61, effective July 15, 2014.