

SUPREME COURT OF MONTANA

In re The Charles M. Bair Family Trust

2008 MT 144 (Mont. 2008) · No. DA 06-0586 · Decided April 29, 2008

SUMMARY

The Supreme Court of Montana reviewed disputes concerning the Charles M. Bair Family Trust, including whether the trust agreement required creation of the Charles M. Bair Family Museum, whether the Board of Advisors breached its fiduciary duties, and whether the Friends of the Bair had standing to intervene. The court concluded that the trust agreement clearly directed the Board to establish the Museum, rejecting the lower court's characterization of that provision as precatory. The opinion states that the judgment was reversed.

CASE DETAILS

COURT	Supreme Court of Montana
WRITING FOR THE COURT	W. William Leaphart; Karla M. Gray; James C. Nelson; Patricia Cotter; John Warner; Brian Morris; Jim Rice
JURISDICTION	Montana
DECIDED	April 29, 2008
DOCKET	DA 06-0586
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	The State and Friends of the Bair appealed after a bench trial in which the District Court ruled that the Board of Advisors had acted reasonably and had not breached its fiduciary duties. U.S. Bank, N.A., cross-appealed the ruling allowing Friends of the Bair to intervene.
STANDARD OF REVIEW	Findings of fact are reviewed for clear error; conclusions of law are reviewed for correctness. Interpretation of the trust agreement and standing are questions of law reviewed for correctness.
PRECEDENTIAL VALUE	Published Montana Supreme Court opinion; precedential
PARTIES	State of Montana, Jamie Doggett, Peter Marchi, Richard Moe, Lee Rostad, Friends of the Bair Museum v. U.S. Bank, N.A., Board of Advisors

TOPICS

charitable trusts

trust administration

trustee duties

breach of trust

statutory interpretation

PRACTICE AREAS

Trusts and estates

Charitable trust administration

Fiduciary duties

Probate and trust litigation

QUESTIONS PRESENTED

1. Whether the trust agreement required the Board to establish the Charles M. Bair Family Museum and made the Museum the trust's primary purpose.
2. Whether the Board breached its fiduciary duties and the trust agreement by inadequately funding and maintaining the Museum, failing to give it first priority on distributed income, and closing it without applying the contractual standard.
3. Whether Friends of the Bair had standing to intervene to enforce the charitable trust.

HOLDINGS

1. The trust agreement mandated creation of the Charles M. Bair Family Museum and made the Museum the primary purpose of the trust; the language was not merely precatory.
2. The Board breached its duties under the trust agreement and Montana law by failing to use the principal and income necessary to make the Museum museum-ready, including by failing to provide adequate fire protection, air-handling and environmental controls, security, and additional structures.
3. The Board breached its duty to give the Museum first priority on distributed trust income because it failed to fund the Museum adequately while continuing to make charitable grants.
4. The Board breached its fiduciary duties by closing the Museum without determining, under the trust agreement's required standard, that it had ceased to serve its scholarly, educational, and historical purposes to the extent that continued operation was inadvisable.
5. The Court declined to decide whether Friends of the Bair had standing because the Attorney General was a proper party and had appealed, making resolution of Friends' standing an advisory and non-effective exercise.

KEY QUOTATIONS

"We conclude that the District Court erroneously determined that the Trust Agreement did not require the establishment of the Museum; on the contrary, the Trust Agreement's language mandates the creation of the Museum." (183 P.3d at 71; ¶ 38)

"While Alberta Bair clearly intended to create a charitable trust with general philanthropic purposes, we conclude that the creation of the Museum was the primary purpose of the Trust." (183 P.3d at 72; ¶ 40)

"The Board breached its duty to administer the Trust according to the trust instrument and breached its duty to administer the trust with the "care, skill, prudence, and diligence" of a prudent person when it failed to install a fire-prevention system, failed to install a proper air-handling system, failed to maintain an

appropriate security system, and when it failed to build additional structures for the Museum.” (183 P.3d at 75; ¶ 60)

“The Board granted itself a power not granted by the Trust Agreement when it sought to determine whether the Museum’s purposes could be better served elsewhere, rather than considering whether the Museum had ceased to serve its purposes.” (183 P.3d at 81; ¶ 83)

FACTUAL BACKGROUND

Alberta M. Bair created a charitable trust whose agreement directed the Board of Advisors to establish, maintain, and fund a public museum devoted to the historical and artistic significance of the Charles M. Bair Ranch. The Board opened the museum in 1996 but chose relatively limited improvements despite expert recommendations concerning fire protection, environmental controls, security, and additional facilities; the museum closed after the 2002 season and was permanently closed in 2005. The Board cited declining attendance, costs, remoteness, security, fire, environmental, and space concerns, although several of those conditions had been identified before opening and could have been addressed with trust assets.

PROCEDURAL HISTORY

U.S. Bank filed a petition seeking interpretation of the trust agreement and determination of the Board's authority concerning suspension, closure, sale, transfer, or relocation of the museum. Friends of the Bair intervened, followed by intervention by the Attorney General and the Board. After the Board permanently closed the museum, the State sought summary judgment for breach of fiduciary duties; the District Court denied summary judgment, conducted a four-day trial, and entered judgment for the Trustee and Board. The Montana Supreme Court reversed and issued equitable instructions concerning reconstitution of the Board and administration of the trust.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

The Trustee was instructed to appoint a new Board under § 6.2(d) of the Trust Agreement, including two new county-designated members and nominees for the institutional positions. The newly constituted Board was directed to hold its first formal meeting within six months, redress the breaches using whatever principal and income was necessary to establish, improve, and maintain the Museum, and give the Museum a fair opportunity to succeed. The Board could exercise its closure authority at any time after the fifth anniversary of the new Board's first formal meeting, subject to the trust agreement's conditions and standards.

CASES CITED

- Slauson v. Bertelsen Family Trust, 2006 MT 314, 335 Mont. 43, 151 P.3d 866
- In re Marriage of Holloway, 2000 MT 104, 299 Mont. 291, 999 P.2d 980
- Matter of Estate of Bolinger, 284 Mont. 114, 943 P.2d 981 (1997)

- In re Estate of Snyder, 2000 MT 113, 299 Mont. 421, 2 P.3d 238
- Murphy v. Redland, 178 Mont. 296, 583 P.2d 1049 (1978)
- Meinhard v. Salmon, Meinhard v. Salmon, 249 N.Y. 458, 164 N.E. 545 (1928)
- Simmons v. Jenkins, 230 Mont. 429, 750 P.2d 1067 (1988)
- Matter of Estate of Lindgren, 268 Mont. 96, 885 P.2d 1280 (1994)
- Conway v. Emeny, 139 Conn. 612, 96 A.2d 221 (1953)
- Druffel v. Board of Adjustment, 2007 MT 220, 339 Mont. 57, 168 P.3d 640
- Clark v. Roosevelt County, 2007 MT 44, 336 Mont. 118, 154 P.3d 48
- In re Guardianship of Saylor, 2005 MT 236, 328 Mont. 415, 121 P.3d 532
- Columbia Falls Elementary School v. State, 2005 MT 69, 326 Mont. 304, 109 P.3d 257