

## **NONJUDICIAL SETTLEMENT AGREEMENT FOR DIRECTION TO TRUSTEE AND TRUST MODIFICATION**

This Nonjudicial Settlement Agreement (hereinafter the “Agreement”) is made this \_\_\_\_\_ day of \_\_\_\_\_, 2025, between First National Bank, Trustee (hereinafter referred to as “Trustee”) of The Johnson Educational Trust dated April 2, 2008 (hereinafter referred to as “the Trust”), and Sarah Johnson and Michael Johnson, the Beneficiaries of the Trust (hereinafter referred to as “Beneficiary” individually or “Beneficiaries” collectively).

In consideration of the mutual covenants herein contained the parties hereto agree as follows:

### **SECTION 1: BACKGROUND**

WHEREAS, Mary Johnson (“Settlor”) created the Johnson Educational Trust dated April 2, 2008 (the “Trust”) for the benefit of her living grandchildren, Sarah Johnson and Michael Johnson. The Settlor appointed First National Bank as Trustee, which has served since inception of the Trust continues to serve in that role;

WHEREAS, it is recognized by all parties to this Agreement that the purpose of the Trust was to provide for the education of the Beneficiaries, as well as for the education of their descendants, if any;

WHEREAS, Article 4.2 of the Trust specifically directs the Trustee to make distributions of income, principal, or both, for the “educational expenses” of the Beneficiaries. However, the Trust does not define “educational expenses”, and further does not define whether the Trust can be used in any other way to benefit the Beneficiaries. The parties recognize that no other provisions within the Trust instrument provide sufficient guidance on this issue;

WHEREAS, questions have arisen whether “educational expenses” includes only tuition and fees, or also encompasses room and board, books, computers, and study-abroad costs. Sarah Johnson has requested support for a study-abroad program in Spain related to her pursuit of a PhD, while Michael Johnson has requested support for the purchase of a laptop computer as well as an automobile for his commute to school. Both Beneficiaries have requested the Trustee expend funds for their room and board. Trustee has expressed to Beneficiaries that they are unable or unwilling to make such distributions due to the lack of definition of the term “educational expenses” within the Trust. Trustee has expressed further concerns over Sarah Johnson’s study-abroad program, and whether external sources of funding this opportunity exist;

WHEREAS, the Settlor consistently expressed her intent, both in family discussions and conversations with the Trustee, that her grandchildren should receive a broad educational experience and that the Trust should support all reasonable costs associated with their education; and

WHEREAS, the parties to this Agreement desire to effectuate the fair and proper interpretation and modification of the Trust without the expense and delay of presenting the same to a court.

NOW THEREFORE, in consideration of the covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, the parties to this Agreement agree as set forth in the following Sections:

## **SECTION 2: INTERPRETATION BY AGREEMENT**

The parties agree that 20 Pa.C.S. § 7710.1(d)(1) permits interested persons to resolve issues of trust interpretation by agreement, without judicial approval, so long as no material purpose of the Trust is violated. Based upon the mutually understood facts detailed in Section 1 above, the sufficiency of which is not disputed by the parties, the parties agree that material purpose of the Trust is to provide comprehensive educational support for Settlor's grandchildren, which is to be interpreted and implemented broadly.

The parties agree to afford the Trustee legal protection (as detailed below) for the Trustee's intended broad interpretation of the aforesaid language in Article 4.2 of the Trust.

## **SECTION 3: MODIFICATION BY AGREEMENT**

The parties agree that 20 Pa.C.S. § 7710.1(d)(11) permits interested persons to resolve issues of trust modification by agreement, without judicial approval, so long as no material purpose of the Trust is violated. Based upon the mutually understood facts detailed in Section 1 above, the sufficiency of which is not disputed by the parties, the parties agree that material purpose of the Trust is to provide comprehensive educational support for Settlor's grandchildren, which is to be interpreted and implemented broadly.

The parties agree that the language Article 4.2 of the Trust is insufficient to afford Trustee (and any successors) proper direction as to its administration of the Trust with respect to "educational expenses" of the Beneficiaries (and any successors). To enable a more fair and consistent administration of the Trust, the parties agree to modify the definition section within Section 11 of the Trust whereby "educational expenses" shall be defined as follows:

"Educational Expenses" shall include all reasonable costs, fees, and charges related to the education, training, or instruction of a Beneficiary, whether academic, vocational, or professional in nature. Without limiting the generality of the foregoing, Educational Expenses may include, but are not limited to:

1. **Tuition and Fees** – Tuition, enrollment, registration, laboratory, technology, and other mandatory fees at any elementary, secondary, collegiate, graduate, professional, vocational, trade, or technical school, whether public or private, domestic or foreign.
2. **Room and Board** – The reasonable cost of on-campus or off-campus housing and meal plans during periods of enrollment.
3. **Books and Supplies** – Books, equipment, computers, software, laboratory supplies, uniforms, tools, and other materials required for courses of study.
4. **Transportation and Travel** – Reasonable transportation to and from school, including commuting costs, purchase of a reasonable automobile, parking,

and, if necessary, travel to and from an institution of higher learning, including airfare and related travel expenses. Such expenses shall also include costs of study-abroad.

5. **Health Insurance and Care** – Student health insurance premiums, mandatory health fees, and necessary medical care related to attendance at the institution.
6. **Special Programs** – Expenses associated with study abroad programs, internships, practicums, licensing or certification courses, standardized testing fees, entrance exam preparation, and continuing education programs reasonably related to the Beneficiary’s career or professional development.
7. **Other Educational Costs** – Any other costs that the Trustee, in the Trustee’s discretion, deems reasonable and necessary to enable the Beneficiary to pursue, continue, or complete his or her education.

For avoidance of doubt, “Educational Expenses” shall not be limited to undergraduate or graduate study, but shall include technical, vocational, or professional training programs. The Trustee shall have broad discretion to determine whether a given expense qualifies as an Educational Expense under this Trust, taking into account the Beneficiary’s age, aptitude, and career objectives. Trustee is under no obligation to determine whether an external source of payment for the Educational Expenses exists.

The parties to the Agreement agree that the aforesaid modification to the Trust does not violate the Trust’s material purpose. In fact, the material purpose of the Trust is advanced by the modification in that both the Trustee and Beneficiaries will better understand their respective duties and benefits under the Trust with respect to applicable Educational Expenses.

Other than the aforesaid modification, all other aspects of the Trust instrument remain in effect, unmodified, and unchanged.

#### **SECTION 4: SUFFICIENCY OF NOTICE**

All parties to this Agreement recognize and agree that, by signing this Agreement, they have been given sufficient notice of the interpretation and modification of the Trust’s terms, and have been afforded a reasonable amount of time to review this Agreement, the Trust, and any requested financial statements relating to trust property.

The Trustee and the Beneficiaries recognize that pursuant to Pennsylvania Law and the Uniform Trust Code that the each have a right to petition a court of competent jurisdiction to review this Agreement, and by signing this Agreement they each waive the right to have this Agreement reviewed and approved by a court.

#### **SECTION 5: RELEASE OF LIABILITY**

The Beneficiaries each agree to indemnify and hold Trustee harmless, in its capacity as fiduciary of the Trust, from any and all claims, demands, or expenses (including legal fees and costs), which may arise from the herein contemplated interpretation and modification of the

Trust, including the distributions made in accordance therewith, whether incurred (i) defending against claims, or (ii) enforcing its rights under this Agreement.

#### **SECTION 6: GOVERNING LAW AND SITUS**

The parties agree that this Agreement shall be governed by the laws of the Commonwealth of Pennsylvania.

#### **SECTION 7: BINDING EFFECT**

This Agreement shall be binding upon the parties hereto, their employees, agents, heirs, licensees, personal representatives, successors, and assigns. Further, the Beneficiaries agree to represent and bind any future or contingent beneficiaries, including her descendants, by way of virtual representation under 20 Pa. C.S. § 7723.

This Agreement shall be binding only upon execution of the same by all of the parties to this Agreement.

#### **SECTION 8: MISCELLANEOUS PROVISIONS**

This Agreement may be executed in multiple counterparts or facsimiles, and copies so executed shall be binding as if they were the original signature of the signer.

IN WITNESS WHEREOF the parties, intending to be bound by this Agreement, have hereunto set their hands and seals the day and year first above written:

FIRST NATIONAL BANK

Dated \_\_\_\_\_, 202\_\_ \_\_\_\_\_ (SEAL)

By: \_\_\_\_\_ Trustee

Dated \_\_\_\_\_, 202\_\_ \_\_\_\_\_ (SEAL)

Sarah Johnson  
Beneficiary

Dated \_\_\_\_\_, 202\_\_ \_\_\_\_\_ (SEAL)

Michael Johnson  
Beneficiary