# CAUTION

This is a more sophisticated Trust used to hold real estate paper, such as a mortgage, deed of trusts, etc. where a single loan and collateral documents refer only to the Trust. The Trust also provides the structure for two or more beneficiaries.

Trustee is directed by the Beneficiaries. If a Trustee is also a Beneficiary, such Trustee may have discretionary power to act in best interests of Beneficiaries without a requirement to consult with them.

Because of this, you may want to be both Trustee and Beneficiary. This is OK if you also have a second beneficiary, successor beneficiary, etc. to prevent a merger of interest.

# Paper Trust Agreement

This paper Trust Agreement, dated this _____ day of _____, 20_____, and known as the _____ Trust, is to certify that _____, as Trustee (hereinafter referred to as "Trustee," which designation shall include all successor trustees), has taken, or is about to take title to the promissory notes, mortgages, land installment contracts, deeds of trust, deeds to secure debt, options, or other financial instruments, bank accounts and/or real estate and/or other property that collateralize such financial transactions as may be described in Schedule "A," attached hereto and made a part of this Agreement; and that when the Trustee has taken the title thereto, or title to any other property conveyed to it as Trustee hereunder, the Trustee will hold it and the proceeds, profits, and avails thereof, if any, which may come into the Trustee's possession, in trust or distribute as each Beneficial Interest may require, for the ultimate use and benefit of the Beneficiaries hereunder and their successors or assigns. Assets may be added or removed from time to time and shall be shown as amendments to Schedule "A."

**1. Purpose of Agreement**. The object and purpose of this Trust shall be to hold title to the Trust property and to protect and conserve it until its sale or other disposition or liquidation. The Trustee shall not be required to service, manage or operate the Trust property nor undertake any other activity not strictly necessary to the attainment of the foregoing objects and purposes; nor shall the Trustee transact business of any kind with respect to the Trust property which may cause this Agreement to be deemed to be, or which may create or evidence the existence of a corporation (de facto or de jure); or a Massachusetts Trust, or any other type of business trust; or an association in the nature of a corporation; or a partnership or joint venture by or between the Beneficiaries, or by and between the Trustee and Beneficiaries.

**2. Beneficiaries and Beneficial Interests**. The undersigned persons (or his successors in interest as hereinafter provided for) are the Beneficiaries of this Trust, and as such shall be entitled to the proceeds, profits, and avails of said Trust property according to their respective interests and on the terms and conditions as set forth in this Trust along with any amendments thereto.

**3. Interests of Beneficiaries and Personalty**. It is understood and agreed by and between the Trustee and any person or persons who have or may become entitled to any interest under this Trust, that the interests of any such Beneficiary hereunder shall consist solely of a power of direction to deal with title to the Trust property, and the right to receive or direct the disposition of the proceeds from the payments, rentals, assignments, hypothecations, and from the mortgages, deeds of trust, sales, or other disposition of said property, and the right to service, lease, manage, and control said property as hereinafter provided. The right in the avails and proceeds of the property shall be deemed to be personal property and may be treated, assigned, and transferred as personal property, and will be so treated for all purposes. In case of the death of any Beneficiary hereunder during the existence of this Trust, and such Beneficiary has designated a contingent beneficiary, such Beneficiary's right and interest shall pass in accordance with the designations and provisions as set forth in this Trust Agreement, and such right and interest shall not be subject to any provisions of the Last Will and Testament of the Beneficiary, nor shall such right and interest be subject to any probate proceedings. However, in the event that no successor designations or provisions are set forth herein, then such right and interest held by the Beneficiary shall pass to the Beneficiary's executor or administrator and not to his or her heirs at law, and the disposition of such right and interest shall be governed by the Beneficiary's Last Will and Testament or by the applicable laws of intestate succession. No Beneficiary now has, or shall hereafter at any time have, any right, title, or interest in or to any proportion of said notes, mortgages, deeds of trust, deeds to secure debt, land installment contracts, or other financial instruments, and/or real estate, as such, either legal or equitable, nor in any other Trust property, but only an interest in the earnings, avails, and proceeds as aforesaid, it being the intention of this instrument to vest the full legal and equitable title to the Trust property in the Trustee. No Beneficiary shall have the right to require partition of any Trust property.

**4. Death of Beneficiary**. The death of any individual Beneficiary, or the merger, reorganization or dissolution of any other corporate, partnership, or other form of Beneficiary hereunder shall not terminate the Trust nor in any manner affect the powers of the Trustee hereunder.

**5. Notice of Assignments of Beneficial Interests**.

(a) No assignments of interests hereunder by a Beneficiary shall be binding on the Trustee until the original or duplicate copy of any such assignment, in such from as the Trustee may approve, is delivered to the Trustee and the Trustee's acceptance is indicated thereon. Any assignment not so delivered to the Trustee shall be void as to all subsequent assignees or purchasers without notice. Upon Trustees' acceptance of an Assignment, the Beneficiaries of this Trust shall be revised to reflect any changes in ownership.

(b) No assignment of any interest that includes the power to direct the Trustee to convey or otherwise deal with the Trust property, as provided elsewhere in this Agreement, shall be valid without the written approval of a majority-in-interest of the other Beneficiaries who possess such power of direction. No person who is vested with such power of direction, but who is not a Beneficiary hereunder, shall assign such power without the written consent of all of the Beneficiaries.

(c) Certificates evidencing the interests of the Beneficiaries may be issued by the Trustee in such form as it may approve, in which event an assignment of an interest shall be valid only upon the surrender therewith of such certificate, and the assignee shall not be entitled to recognition as a Beneficiary hereunder until such original certificate has been surrendered to the Trustee with a proper assignment and until a new certificate has been issued. However, the issuance or use of Certificates shall not be used herein if such issuance or use would subject the Trust, the Trustee, or the Beneficiaries to state or federal securities regulation from which economical and non-restrictive exemptions from said regulations would not be readily obtainable.

**6. Tax Returns**. The Trustee shall not be obligated to file any income, profit, or other tax reports or schedules or returns with respect to this Trust as may be required by law. The Beneficiaries shall individually report and pay any and all taxes on the earnings, avails, and proceeds of the Trust property or otherwise arising out of their respective interests hereunder. The Trustee shall make available, upon request by the Beneficiaries, accounting records of the Trust which pertain to their respective interests hereunder, which records the Trustee agrees to maintain. If it should be found necessary to file informational returns under the Internal Revenue Code or other applicable law or regulation, the Trustee shall not be obligated to prepare such returns, although the Trustee shall, if necessary, sign such information returns as Trustee only and not personally.

**7. Reimbursement and Indemnification of Trustee**. In the event that the Trustee shall make any advance of money on account of this Trust or shall be made a party to any litigation on account of holding title to notes, mortgages, land installment contracts, deeds of trust, options, or other financial instruments, or to real estate in this Trust or in connection with this Trust, or in case the Trustee, either personally or as Trustee, shall be compelled to pay any sum of money on account of this Trust or any property included therein, whether on account of breach of contract, injury to personal property, fines, or penalties under any law or otherwise, the Beneficiaries, in accordance with their respective interests hereunder will, on demand, pay to the Trustee, with interest thereon at the rate of ten percent (10%) per year, all such disbursements, advances, or payments made by the Trustee, together with the Trustee's expenses, including reasonable attorneys' fees, and that they will indemnify and hold the trustee harmless of and from any and all payments made or liabilities incurred by it for any reason whatsoever as a result of this Agreement. The Trustee shall be under no duty to convey or otherwise deal with the Trust property at any time held hereunder until all of such disbursements, payments, advances, and expenses made or incurred by the Trustee have been fully paid, together with interest thereon. The Trustee shall not be required to advance or to pay out any money on account of this Trust or to commence or defend any legal proceedings involving this Trust or any property or interest hereunder unless the Trustee shall be furnished with funds sufficient therefore or be satisfactorily indemnified in respect thereto.

**8. Reliance by Third Parties on Authority of Trustee**. No party dealing with the Trustee in regard to the Trust property in any manner whatsoever, nor any party to whom the property or any part thereof or interest therein is conveyed, contracted to be sold, assigned, leased, optioned, hypothecated, or mortgaged by the Trustee, shall be obliged to see to the proper handling, application, or disbursement or any money paid therefor, or to inquire into the necessity or expedience of or authority for any act of the Trustee or as to the provisions of this Trust Agreement.

**9. Prohibition Against Recordation**. This Agreement shall not be placed on record in the recorder's office of the county in which the Trust property or underlying security is situated, or elsewhere. However, in the event that any such recording shall occur, said recording shall not be considered as notice of the rights of any person hereunder derogatory to the title or powers of the Trustee.

**10. Limitation on Disclosure of Beneficiaries or Terms of Trust**. The Trustee shall not disclose the identity of any Beneficiary or terms of this Trust, nor shall any Beneficiary disclose the identity of any other Beneficiary or terms of the Trust, except insofar as such disclosure may now or hereafter be required by law or upon order of a court having competent jurisdiction over this Trust, unless permission to disclose is received from such Beneficiary, in writing. Any disclosing party shall be responsible to the identified party for any losses or damages sustained by the identified party as a result of such disclosure.

**11. Resignation and Replacement of Trustee**.

(a) The Trustee may resign at any time by sending a notice of its intention to do so by certified mail to each of the Beneficiaries hereunder at his or her address last known to the Trustee. In the event that the Trustee shall resign, die or become incapacitated, or shall undergo a merger, reorganization, or dissolution, or if the Trustee shall become unwilling or unable to act for any reason, the following, in order of their listing (provided the same shall be willing and able to act), shall be appointed as the successor Trustee with the same powers and duties of the predecessor Trustee:

1st Choice: _____

2nd Choice: _____

3rd Choice: _____

4th Choice: _____

(b) In the event of the Trustee's resignation and the above named successor Trustees cannot or choose not to act, a successor or successors may be appointed by majority-in-interest of the persons then entitled to direct the Trustee as to the disposition of the Trust property, by an instrument in writing lodged with the resigning Trustee, having endorsed thereon the acceptance of such successor trustee. Thereupon the resigning Trustee shall convey the Trust property to such successor(s)-in-trust. A Beneficiary hereunder may be named as a successor Trustee.

In the event that a successor Trustee is appointed hereunder, a copy of this Trust Agreement, together with a Statement of Appointment of the new Trustee, and the Acceptance of the Successor Trustee, shall act to vest title in the successor Trustee with the same powers and duties of the predecessor Trustee, and all other provisions of this Trust shall remain in full force and effect. Only if necessary to accomplish the terms of this Trust shall these documents be recorded in the county or counties wherein the property held hereunder is located or wherein the underlying security is located.

(c) In the event no successor trustee is appointed as herein above provided within sixty (60) days from the date of such resignation, the resigning Trustee may convey the Trust property to the Beneficiaries in accordance with their respective interests hereunder and thereupon this Trust shall terminate; or, the Trustee may, at its sole discretion, apply for appropriate relief in any court of competent jurisdiction.

(d) Notwithstanding the resignation or replacement of the Trustee, the Trustee (and the Trustee's estate, if applicable) shall continue to have a first lien on the Trust property for any unpaid costs and expenses, including reasonable attorneys' fees, and for its reasonable compensation as provided for in this Agreement.

(e) Every successor Trustee or Trustees appointed hereunder shall become fully vested with all the estate, properties, rights, titles, powers, trusts, duties, and obligations of its, his, or their predecessor-in-trust. Any of the following individuals may act individually as an alternate for the Trustee named above with the same powers as stated herein:_____.

**12. Discretionary Powers and Duties of Trustee**. So long as the Trustee is the sole owner of record of the trust property, real estate, and/or any other property held by it hereunder, and so far as the public is concerned has full power to deal with it, it is understood and agreed by the persons in interest hereunder and by any persons who may hereafter become interested, that the Trustee shall deal with said property only when authorized to do so in writing, and that notwithstanding any change in the Beneficiary or Beneficiaries hereunder, it will, on the written direction of a majority-in-interest of the Beneficiaries hereunder or their successors-in-interest, make and execute assignment of notes, mortgages, land installment contracts, or deeds of trust, hypothecations, options, or sale contracts; or make and execute contracts or deeds for the sale of, execute mortgages, leases, or options on, or otherwise deal with, real estate or any part thereof; and with any other Trust property also subject to this Agreement, and with the disposition of the proceeds from any payments, rentals, mortgages, assignments, hypothecations, insurance, sales, or other disposition of said property upon such terms and conditions as may be directed; provided, however, that Trustee shall not be required without its consent to enter into any personal obligation or liability in dealing with said Trust property or to make itself liable for any damages, costs, expenses, fines, or penalties, or to deal with the title so long as any money is due to it hereunder; and, to the extent of any moneys due to the Trustee hereunder, it shall have a lien on the property or the proceeds thereof.

Notwithstanding, should Trustee also be a beneficiary holding a significant interest (defined as ten percent or greater), then said Trustee may be authorized by all Beneficiaries to deal with said Trust property at his or her sole discretion, acting in the best interests of the then Beneficiaries.

**13. Rights and Duties of Beneficiaries**. Each Beneficiary shall be responsible for his or her share of expenses or other disbursements relating to the property should Trust funds on hand be inadequate to cover. The Trustee is not required to do anything with respect to the management or control of said property, the payment of taxes or assessments, recording fees, surveys, appraisals, insurance, litigation, or otherwise, until Trustee receives funds necessary from Beneficiaries. Trustees shall promptly notify all Beneficiaries should additional funds be needed and each Beneficiary’s prorated portion.

**14. Termination of Trust**.

(a) Trust shall terminate upon accomplishing its stated purposes and all assets and profits have been paid out as agreed to all Beneficiaries, Trustee and third parties. At such time Trustee may initiate a Termination Agreement for all parties to sign agreeing they are paid out and indemnifying Trustee.

(b) If the Trust property or any part thereof remains in the Trust fifty (50) years after the date this Trust was executed, the Trustee shall give written notice to the Beneficiaries of the proposed termination of the Trust. Said notice shall be sent not later than thirty (30) days after said fiftieth anniversary date. In the event that an agreement extending the term of this Trust has not been agreed to by all parties within sixty (60) days from the date of such notification, the Trustee shall either convey the Trust property to the Beneficiaries in accordance with their respective interests hereunder; or, upon written direction of a majority-in-interest of the Beneficiaries hereunder or their successors-in-interest, sell the same at public sale on reasonable notice and divide the proceeds of the sale among all the Beneficiaries in accordance with their respective interests hereunder.

**15. Insurance**. The Trustee, at its discretion, after reasonable notice, may procure public liability insurance, and such other liability insurance as the Trustee shall deem necessary or appropriate in the circumstances, insuring the Trustee in amounts and form acceptable to the Trustee. Beneficiaries hereunder do hereby jointly and severally agree that they will forthwith on demand pay the Trustee the amount of the premium on said insurance plus interest at the annual rate of ten percent (10%).

**16. Compensation of Trustee**. The Trustee shall receive reasonable compensation for its services with respect to this Trust and shall be entitled to reimbursement of its expenses reasonably incurred. Initial compensation shall be $100 per year for each asset held in this Trust and paid no later than when asset is sold or otherwise removed from the Trust. Reasonable fees may be paid to Trustee for any additional services rendered. Compensation and/or fee schedule may be modified from time to time by the approval of a Majority-in-interest of the Beneficiaries hereunder or their successors-in-interest, and by the approval of the Trustee. If Trustee is also a Beneficiary or representing a Beneficiary, Trustee may, at his or her sole discretion, forego any compensation for normal services as he or she considers the earnings and proceeds on their Beneficial Interest to be a fair and adequate return for services. The Trustee shall have no obligation to advance any sums on behalf of the Trust but may do so in its sole discretion. The Trustee shall have a lien on the real estate and any other property of the Trust in its hands for its fees, expenses, and advances. The Beneficiaries and any persons accepting an assignment of the interest of any Beneficiary agree to pay such fees and to reimburse the Trustee for such expenses and advances on demand; said payment to be made pro rata based upon each Beneficiary's respective interest; however, as to the Trustee, said payments shall be a joint and several obligation of the Beneficiaries hereunder. If said amounts as provided herein and as provided in paragraph (7) are not paid within sixty (60) days after demand therefor, the Trustee is authorized and directed, without further notice, to sell from time to time at public or private sale and to transfer and convey sufficient property of the Trust to pay for said fees, expenses, and advances, including any additional charges and Trustee Compensation which may arise as a result of the sale contemplated herein; and after such sale, to pay the balance thereof to the Beneficiaries in proportion to their respective interests hereunder. Notwithstanding any other provision of this Agreement, the Trustee shall be under no obligation to make any assignment or hypothecation of a note, mortgage, land installment contract, deed of trust, option, or other financial instrument, or any deed, mortgage, lease, or conveyance of real estate, or to enter into any contractual obligation with respect to real estate or any other Trust property, until its fees are paid and its expenses reimbursed, or until such fees and expenses are secured to its satisfaction.

**17. Binding Effect on Successors**. The terms and conditions of this Agreement shall inure to the benefit of and be binding on any Successor Trustee hereunder and on all assigns and successors in interest of the Beneficiaries.

**18. Governing Law**. This Agreement shall be construed and regulated and its validity and effect shall be determined by the laws and regulations of the State of _____ as such laws may from time to time exist.

**19. Valid Notice Requirements**. Any notice in writing required or permitted to be given to the grantors or the Beneficiaries by the Trustee or by another Beneficiary will be deemed to have been sufficiently given if personally delivered or sent by first-class US Mail in an envelope addressed to such person at the address shown for that person in this Agreement or at such other address as such person may hereafter specify by written notice to the Trustee. Any notice in writing required or permitted to be given to the Trustee will be sufficiently given if delivered to the Trustee at its principal office or at such other address as the Trustee may hereafter specify.

**20. Restrictions of Transfers of Beneficial Interests**. Any holder of a beneficial interest hereunder desiring to sell or dispose of said beneficial interest, or any portion thereof, at any time, must first offer to sell said interest to the other beneficial interest holders, first according to their respective proportionate beneficial interests, and then to any remaining beneficial interest holders. The beneficial interest must be offered at the same price as the highest written good faith offer by a third party to purchase such interest, or at another price mutually agreed upon by the parties. An option for the purchase of said interest shall

be given to the remaining beneficial interest holders for a period of thirty (30 days). If said option is accepted, the purchasing beneficial interest holders shall have the right to purchase said interest for a lump-sum payment in cash within ten (10) days after the exercise of the option, or payment may be made upon terms agreeable to both the purchasing and selling beneficial interest holders. If said option is not exercised within the thirty-day period provided above, the beneficial interest may then be offered to any third party; provided, however, that the other beneficial interest holders hereunder are given an option for an additional period of ten (10) days to meet the price and terms at which it is proposed to sell said interest to the third party. If the beneficial interest holders meet said price, the sale shall be made to them, for a lump-sum payment in cash or upon other mutually agreeable terms, within ten (10) days after the exercise of the subsequent option. This shall not interfere with the right of any beneficial interest holder to transfer a beneficial interest by will or gift. The beneficial interest, however, shall be subject to this provision in the hands of all future beneficial interest holders, including heirs, executors, administrators, personal representatives, donees, successors, and assigns, the terms of this provision respecting the transferability of beneficial interests hereunder may be modified by agreement of all of the beneficial interest holders, in writing.

**21. Amendment, Modification, or Termination of Agreement**. This Trust Agreement contains the entire understanding between the parties hereto, and may be amended, revoked, or terminated only by a written agreement signed by the Trustee and all of the Beneficiaries or their designees, except that termination may result from the operation of Paragraphs 14 or 25 of this Agreement.

**22. Nonliability of Trustee**. All obligations incurred by the Trustee hereunder shall be the obligations of the Trust only, and shall not under any circumstances be the individual obligation of the Trustee unless said Trustee specifically consents in writing to such liability. No Beneficiary hereunder shall have any authority to contract for or in the name of the Trustee, or to bind the Trustee personally, unless its consent thereto is first obtained in writing.

**23. Beneficiary Cannot Bind other Beneficiary**. No beneficiary shall have the authority to contract for or in the name of any other Beneficiary or to bind any other Beneficiary personally, except pursuant to Paragraphs 7, 12 or 13.

**24. Addition of Other Property to Trust**. Additional property may at any time be conveyed to the Trustee under this Trust, and such property and the proceeds thereof shall be held, dealt with, and disposed of under the terms of this Agreement and in the same manner as the property specifically described herein. The terms and conditions of the assignment, deed, mortgage, deed of trust, option, land contract or other manner of transaction by which such property is conveyed to the Trustee hereunder shall constitute and be construed as a part of this Agreement. The Trustee shall maintain a Schedule "A" attached hereto and made a part of this Agreement, which Schedule shall identify all property held by this Trust.

**25. Perpetuities Saving Clause**. Notwithstanding any other provisions of this Agreement, if any portion of the Trust estate is in any contingency capable of being held in trust for a longer period than is permitted by the laws of the State of governing law, or if in any such contingency the vesting of any interest hereunder may occur after the expiration such permissive period, then upon the happening of such contingency all of the Trust estate shall not be held in further trust, and the Trust estate assets shall thereupon be divided, transferred, conveyed, and delivered to the Beneficiary or Beneficiaries in accordance with their respective beneficial interests hereunder. The Trust shall then terminate by operation of law.

**26. Capitalization.** The undersigned persons (or his successors in interest as may herein be provided for) are the Grantors and Beneficiaries of this Trust, and as such shall be entitled to the proceeds, profits, and avails of said Trust property according to their respective interests and on the terms and conditions stated.

The portion of total funding by each Beneficiary will determine percentage ownership of beneficial interest in this Trust. For example, should one beneficiary contribute $40,000 of the $250,000 needed for funding, such beneficiary shall be considered owning 40,000/250,000 = 40% of the beneficial interest in the Trust. Thus, such example beneficiary will receive 40% of all distributions. Likewise they shall be responsible for 40% of any capital calls.

All Beneficiaries agree that such proportional contributions and distributions shall be made at substantially the same time, thus avoiding any Beneficiary gaining, or even the appearance of gaining, any benefit over any other Beneficiary potentially causing a prohibited transaction for any tax advantaged retirement plans involved.

Prorata factor for the contribution of each Beneficiary are as follows:

| **Beneficiary** | Capital Funding each | / | Total Funding | | % Ownership |
|---|---|---|---|---|---|
| _____ | ..... _____ | / | _____ | = | _____% |
| _____ | ..... _____ | / | _____ | = | _____% |
| _____ | ..... _____ | / | _____ | = | _____% |
| _____ | ..... _____ | / | _____ | = | _____% |
| Totals..... | _____ | / | _____ | = | 100.000% |

IN WITNESS WHEREOF, The undersigned have caused this Trust Agreement to be executed on their behalf on the day, month, and year first above written.

TRUSTEE: _____
Address: _____

_____
_____(seal)
Signature

GRANTOR & BENEFICIARY: _____
Address: _____

_____
_____(seal)
Signature

GRANTOR & BENEFICIARY: _____
Address: _____

_____
_____(seal)
Signature

GRANTOR & BENEFICIARY: _____
Address: _____

_____
_____(seal)
Signature

GRANTOR & BENEFICIARY: _____
Address: _____

_____
_____(seal)
Signature

# Schedule A

(List of Trust Property)

1.

2.

3.