

Trustee's Standing in Estate Distribution: A Legal Analysis of Estate of Barry Tarlow

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In a groundbreaking decision that could reshape the landscape of California estate law, the Court of Appeal in the Second District Division Four has ruled in favor of trustee David Henry Simon, affirming his right to seek a judicial determination of trust assets under Probate Code section 11700.

The court's ruling clarifies the legal framework under which trustees can seek judicial determination of their rights to trust assets, emphasizing the application of Probate Code section 11700. This pivotal ruling is a must-read for estate law practitioners, trustees, and beneficiaries as it navigates the complexities of estate administration with unprecedented clarity and precision.

Factual Background

Barry Tarlow, a prominent criminal law attorney, executed a will in 2005, with minor modifications in 2006, which held terms for a testamentary trust. The will divided his estate between his siblings, Barbara and Gerald. Gerald was to receive his share outright, while Barbara's share was to be placed in the "Barbara Tarlow Trust," with David Henry Simon named as trustee. Following Barry's death in April 2021, Barbara and Gerald became executors of the estate, and Simon retained his role as trustee.

The Barbara Tarlow Trust was a spendthrift trust, which provided that upon Barbara's passing, the residue would go entirely to Gerald, if living, or otherwise, to a donor-advised fund at Fidelity Charitable Gift Fund. The estate administration process revealed that Barbara's share, intended for the trust, was valued at over \$20 million.

Barbara disagreed with the use of the spendthrift trust and purchased from the contingent remaining beneficiary, donor-advised fund at Fidelity Charitable Gift Fund, the interest that might go to them to have a power of appointment.

Further, to gain control over the trust assets, Barbara and Gerald filed an ex parte petition to replace Simon as trustee and modify the trust terms. After a denial of the ex parte petition, Barbara then disclaimed her entire interest in testamentary trust and Gerald disclaimed his interest in the estate's personal property.

As the joint executors, Barbara and Gerald filed a petition for final distribution, which would remove any distribution to the testamentary trust based on the disclaimers. This led to a series of legal disputes over the final distribution of the estate, including Simon filing a petition to determine beneficiaries of the estate under Probate Code section 11700.

Legal Issues and Court's Analysis

The central legal issue was whether Simon, as the named trustee, had standing to file a petition under Probate Code section

11700. This section allows any person claiming to be entitled to a share of the estate to seek a court determination of their rights. Simon argued that his role as trustee entitled him to such standing, while Barbara held that her disclaimer prevented such an interest to Simon as there was, therefore, no testamentary trust for him to administer.

The court first analyzed the language of the code section as far as standing, providing that "any person claiming to be a beneficiary or otherwise entitled to distribution." In rendering their ruling, the court stated that this phrase, as included by the legislature, was broad and inclusive, allowing a wide range of individuals to file a petition for court determination. As such, it encompasses not only direct beneficiaries but also trustees and others who may have a claim to the estate assets.

The Court of Appeals held that trustees are indeed "persons claiming to be entitled to distribution of a share of the estate" under Probate Code section 11700, reasoning that trustees are "persons entitled to distribution" because they are responsible for managing and distributing trust assets according to the terms of the will. This decision underscores the trustee's legal title to trust property, which vests as of the decedent's death, giving them a legitimate claim to the estate's distribution. The court's interpretation of section 11700 provides a clear precedent for future cases involving trustee standing in probate matters.

Although Barbara argued that her disclaimer presumptive prevented Simon's standing, the court highlighted that the presumption of the validity of disclaimers is not conclusive and can be challenged, which was contrary to the trial court's assumption in these proceedings. This aspect of the ruling emphasized the need for a thorough judicial review of disclaimers and other estate-related documents. Ultimately, the Court of Appeals remanded the case for further proceedings to determine the validity of Simon's claims and Barbara's disclaimer, indicating that factual disputes should be resolved through evidentiary hearings.

Conclusion and Implications

The Estate of Barry Tarlow marks a pivotal moment in estate law, reinforcing the vital role of trustees and the necessity of procedural rigor in probate proceedings. By affirming the trustee's standing and emphasizing the importance of judicial review, this ruling ensures that the administration of estates is conducted with fairness and transparency. Legal practitioners, trustees, and beneficiaries can look to this case as a guiding beacon, illuminating the path to equitable and just estate distribution.

This ruling has significant implications for drafting attorneys, trustees and beneficiaries alike. For drafting attorneys, the decision underscores the need for precise and detailed trust provisions to account for potential court involvement, which could complicate the estate planning process and necessitate more extensive legal advice. Trustees gain enhanced authority to manage and distribute trust assets, but they must be vigilant against potential misuse of their standing and be prepared for increased litigation risks. Beneficiaries benefit from greater protection, as trustees can now more confidently seek court intervention to safeguard their interests.

However, this ruling may also lead to more frequent challenges to trustee actions, potentially straining relationships and increasing disputes. Overall, while the ruling strengthens the legal framework for trustees, it introduces complexities that all parties must navigate carefully.

As the legal community absorbs the implications of this landmark decision, it is clear that the principles established here will resonate through future probate and trust law cases, shaping the landscape of estate administration for years to come.