

(2) *in the absence of any contrary terms of the trust instrument, in accordance with the provisions of this Article; or*

(3) *if neither of the preceding rules of administration is applicable, in accordance with what is reasonable and equitable in view of the interests of those entitled to income as well as of those entitled to principal, and in view of the manner in which men of ordinary prudence, discretion and judgment would act in the management of their own affairs.*

(b) *If the trust instrument gives the trustee discretion in crediting a receipt or charging an expenditure to income or principal or partly to each, no inference of imprudence or partiality arises from the fact that the trustee has made an allocation contrary to a provision of this Article.*

3.

(a) *Income is the return in money or property derived from the use of principal, including return received as:*

(1) *rent of real or personal property, including ground rents as well as sums received for cancellation or renewal of a lease;*

(2) *interest on money lent, including sums received as consideration for the privilege of prepayment of principal except as provided in §7;*

(3) *income earned during administration of a decedent's estate as provided in §5;*

(4) *corporate distributions as provided in §6;*

(5) *accrued increment on bonds or other obligations issued at discount as provided in §7;*

(6) *receipts from business and farming operations as provided in §8;*

(7) *receipts from disposition of natural resources as provided in §9;*

(8) *receipts from other principal subject to depletion as provided in §10;*

(9) *amounts representing that portion of dividends, interest, rents or other income payable to the trustee which, for income tax purposes, is required by any law of the United States, or of any State thereof or other governmental unit, to be withheld by the person paying the same; and the amount so withheld shall be deemed to have been collected by the trustee and paid to the person entitled to the benefit of the tax so withheld.*

(b) *Principal is the property which has been set aside by the owner or the person legally empowered so that it is held in trust eventually to be delivered to a remainderman while the return or use of the principal is in the meantime taken or received by or held for accumulation for an income beneficiary. Principal includes:*

(1) *consideration received by the trustee on the sale or other transfer of principal or on repayment of a loan or as a refund or replacement or change in the form of principal;*