

(C) AFTER A TRUST IS CONVERTED TO A UNITRUST, ALL OF THE FOLLOWING APPLY:

(1) THE INCOME OF THE TRUST THAT THE INCOME BENEFICIARY IS ENTITLED TO RECEIVE UNDER THE GOVERNING INSTRUMENT SHALL BE AN ANNUAL UNITRUST DISTRIBUTION EQUAL TO A PAYOUT PERCENTAGE OF 4% OF THE NET FAIR MARKET VALUE OF THE TRUST'S ASSETS, WHETHER THOSE ASSETS WOULD BE CONSIDERED INCOME OR PRINCIPAL UNDER ANY OTHER PROVISION OF THIS SUBTITLE, AVERAGED OVER THE LESSER OF:

(I) THE 3 PRECEDING YEARS; OR

(II) THE PERIOD DURING WHICH THE TRUST HAS BEEN IN EXISTENCE;

(2) EXPENSES THAT WOULD BE DEDUCTED FROM INCOME IF THE TRUST WERE NOT A UNITRUST MAY NOT BE DEDUCTED FROM THE UNITRUST DISTRIBUTION;

(3) ANY PROVISION IN THE GOVERNING INSTRUMENT DIRECTING OR AUTHORIZING THE TRUSTEE TO DISTRIBUTE PRINCIPAL OR AUTHORIZING A BENEFICIARY TO WITHDRAW A PORTION OR ALL OF THE PRINCIPAL MAY NOT BE AFFECTED BY THE CONVERSION TO A UNITRUST;

(4) UNLESS OTHERWISE PROVIDED BY THE GOVERNING INSTRUMENT, THE UNITRUST DISTRIBUTION SHALL BE PAID FIRST FROM NET INCOME OF THE TRUST, AS NET INCOME WOULD BE DETERMINED IF THE TRUST WERE NOT A UNITRUST, AND THEN FROM PRINCIPAL; AND

(5) THE TRUSTEE MAY DETERMINE TO ACCOUNT FOR THE UNITRUST DISTRIBUTION IN ACCORDANCE WITH THE FOLLOWING RULES:

(I) TO THE EXTENT NET INCOME IS INSUFFICIENT, THE UNITRUST DISTRIBUTION SHALL BE PAID FROM NET REALIZED SHORT-TERM CAPITAL GAINS;

(II) TO THE EXTENT INCOME AND NET REALIZED SHORT-TERM CAPITAL GAINS ARE INSUFFICIENT, THE UNITRUST DISTRIBUTION SHALL BE PAID FROM NET REALIZED LONG-TERM CAPITAL GAINS; AND

(III) TO THE EXTENT INCOME AND NET REALIZED SHORT-TERM AND LONG-TERM CAPITAL GAINS ARE INSUFFICIENT, THE UNITRUST DISTRIBUTION SHALL BE PAID FROM THE PRINCIPAL OF THE TRUST.

(D) THE TRUSTEE SHALL DETERMINE:

(1) THE EFFECT OF OTHER PAYMENTS FROM OR CONTRIBUTIONS TO THE TRUST ON THE TRUST'S VALUATION;

(2) HOW FREQUENTLY TO VALUE NONLIQUID ASSETS AND WHETHER TO ESTIMATE THEIR VALUE; AND

(3) WHETHER TO OMIT FROM THE CALCULATIONS TRUST PROPERTY OCCUPIED OR POSSESSED BY A BENEFICIARY.