#### IN THE SUPREME COURT OF THE STATE OF NEVADA 1 2 CHRISTOPHER D. DAVIS, Case No: 68542 3 Eighth Judway 117 2016 03:31 p.m. Appellant, 4 Tracie K. Lindeman Court 5 Case No. PCISCOS SUPTRIME Court Vs. 6 re: the Beatrice B. Davis CAROLINE DAVIS, Family Heritage Trust, dated 7 July 28, 2000) 8 Respondent. 9 10 11 APPEAL 12 13 14 APPELLANT'S REPLY BRIEF 15 16 17 18 19 MICHAEL A. OLSEN 20 Nevada Bar No. 6076 THOMAS R. GROVER 21 Nevada Bar No. 12387 22 GOODSELL & OLSEN, LLP 23 10155 West Twain, Suite 100 Las Vegas, Nevada 89147 24 (702) 869-6261 25 26 Attorneys for Appellant 27 28

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## NRAP 26.1 DISCLOSURE

The undersigned counsel of record certifies that the following are persons and entities described in NRAP 26.1(a) and must be disclosed.

These representations are made in order that the Judges of this Court may evaluate possible disqualification or recusal:

- 1) Beatrice B. Davis Family Heritage Trust
  - a. Trustees: Alaska Trust Company, Alaska USA Trust Company
  - b. Purported Trustee: Dunham Trust Company
  - c. Trust Protector: Stephen K. Lehnardt
  - d. Purported Investment Trust Advisor: Christopher D. Davis
  - e. Beneficiaries: Christopher D. Davis, Caroline Davis, Winfield Davis, Ace Davis, Tarja Davis
- 2) FHT Holdings, LLC
  - a. Managing Member: Beatrice B. Davis Family Heritage Trust
  - b. Registered Agent: Registered Agent Solutions, Inc.
  - c. Officer: Christopher D. Davis

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2	IABLE OF AUTHORITIES
3 4	Cases
5	Dallinger v. Abel, 199 Ill. App. 3d 1057, 1059 (Ill. App. Ct. 3d Dist. 1990) 3
6	<u>Dickerson v. Eighth Judicial Dist. Court</u> , 82 Nev. 234, 236 (Nev. 1966)
7 8	Fink v. Markowitz (In re Estate of Black), 367 P.3d 416, 418 (Nev. 2016) 14
9	Lewis v. Hanson, 128 A.2d 819, 828 (Del. 1957)
10	World-Wide Volkswagen Corp. v. Woodson, 444 U.S. 286, 292 (U.S. 1980) 14
12	Statutes
13	AS 13.16.360
15	NRS 155.190(1)(h)
16	NRS 163.555512-14
17 18	NRS 164.010
19	Rules
21	NRAP 3(a)
22	Other Authorities
24	95 C.J.S. Wills § 578 (2011)
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Article 14, Section 6 of the Trust, APPELL000110.

I. The District Court Erred in Issuing the Amended Order Because the First Amendment is Invalid And Therefore Denies This Court Jurisdiction Over the Trust

The Amended Order does not, in fact, reflect the record or the evidence. Without holding any kind of evidentiary hearing, the DC's Amended Order accepts the validity of the First Amendment, particularly as to change of situs of the Trust.

Under the terms of the Trust,

the situs of this agreement or any sub trust established hereunder may be changed by the unanimous consent of all of the beneficiaries then eligible to receive mandatory or discretionary distributions of net income under this agreement or such sub trust, with the consent of any then-acting Protector and the Trustee thereof, which shall be given only after Trustee has obtained advice from counsel as to the tax and other consequences of a change in situs.<sup>1</sup>

To that end, the Amended Order rests entirely on three critical errors: (1) that AUTC had authority to change the situs of the Trust even though it had resigned as Trustee; (2) the Trustee never obtained advise of independent counsel as to moving the situs of the Trust, as required by the terms of the Trust; and (3) in direct contradiction of the terms of that Trust that the consent of Mr. Davis' wife, Tarja, was not required in order to change the situs.

# a. AUTC lacked authority as Trustee to consent to moving the 1 situs 2 The resignation of AUTC as Trustee of the Trust became "effective as 3 of December 5, 2013 or upon the acceptance of trusteeship by a successor 4 trustee, whichever occur[red] earlier." The First Amendment, which 5 changed the situs and named Dunham trustee, was executed on February 6 24, 2014, some three months after AUTC's resignation became effective on 7 **December 5, 2013.**<sup>3</sup> 8 Nonetheless, Caroline argues "...the Resignation, Release, 9 Acknowledgment, Consent and Indemnification Agreement...expressly 10 provides that AUTC was the then-serving Trustee of the Trust on February 11 24, 2014, the date which the situs was transferred, and that AUTC, as 12 Trustee, expressly consented to the same."4 13 Under Alaska law, an irrevocable trust may not be modified or 14 terminated without court approval.<sup>5</sup> Under the original terms of the Trust, 15 16 17 APPELL000747:23-25. 18

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<sup>&</sup>lt;sup>3</sup> APPELL000748.

<sup>&</sup>lt;sup>4</sup> See, Respondent's Answering Brief at pg. 9:5-10.

<sup>&</sup>lt;sup>5</sup> AS 13.16.360.

the situs of the Trust is Alaska.<sup>6</sup> Thus, in order to change (or modify) the situs, the First Amendment would have needed to have been approved by an Alaskan court. "Any proceedings to seek judicial instructions or a judicial determination shall be initiated by my Trustee in the appropriate state court having original jurisdiction of those matters relating to the construction and administration of trusts." "It is elementary that if the method of exercising a power of modification is described in the trust instrument, the power can be asserted only in that manner." The Trustee never sought approval from an Alaskan court as to the First Amendment. Therefore, the First Amendment is void as a matter of law because it failed to conform with the Article One Section 2 of the Trust.

To the extent that the DC relied upon NRS 47.240(2) to conclude AUTC was still Trustee on February 24, 2014, it did so in error. Under NRS 47.240(2), a presumption as to the "The truth of **the fact** recited, from the recital in a written instrument between the parties thereto…" (Emphasis added). Whether or not AUTC was trustee on February 24, 2014 is a **question of law**, not a question of fact. However, arguendo, if it were a Article One, Section 22 of the Beatrice B. Davis Family Heritage Trust, APPELL000017.

<sup>19 || &</sup>lt;sup>7</sup> APPELL000069.

<sup>&</sup>lt;sup>8</sup> *Dallinger v. Abel*, 199 III. App. 3d 1057, 1059 (III. App. Ct. 3d Dist. 1990).

question of fact, that question of fact could only be resolved through an evidentiary hearing, the presumption notwithstanding.

Further, to the extent that AUTC may have been acting as trustee on February 24, 2014, it did so only in an extremely limited capacity. Under Article Eleven, Section 1 of the Trust,

[a]ny Trustee may resign by giving thirty days' written notice to roe or to my legal representative. If I am not living, the notice shall be delivered to my Trustees, if any, and to all of the beneficiaries then eligible to receive mandatory or discretionary distributions of net income from any trust created under this agreement.<sup>9</sup>

There is no evidence that anyone, or any entity, assumed the office of Trustee and was in authority to act and provide consent of the Trustee during the period between the resignation of Alaska USA in December 2013, and the purported first amendment attempting to change the situs and appointing Dunham almost three months later. Counsel for Mr. Davis argued as follows before the DC on April 22, 2015 while arguing Mr. Davis' Motion to Dismiss:

Now, Your Honor, that begs the question: How could a Nevada Trustee based in Nevada who could only operate within that situs be the Trustee that referred to in the trust but had to receive counsel before they made the change in situs that would also make the amendment operative as a condition precedent and then go ahead and sign on an amendment where they were only appointed in that same amendment? It's impossible, Your Honor.

<sup>&</sup>lt;sup>9</sup> APPELL000061.

Clearly, the trust envisioned that it was the Alaska Trustee that would obtain advice and understanding from counsel before they agreed to transfer the situs. Dunham Trust couldn't even agree to have it transferred and administered under a situs other than Nevada because they're only licensed in Nevada to administer this trust and clearly it wasn't them. 10

Caroline has previously argued, "As Mr. Barney is aware, a trustee's duties as such do not terminate upon the submission of a resignation when no successor trustee has been appointed and accepted."11 However, under Alaska law, in the interim between the resignation and appointment of the successor trustee, the power of the resigned trustee is limited to "the powers necessary to protect the trust property." Clearly, executing an Amendment which changes the situs of the Trust from Alaska to Nevada is not necessary for the protection of Trust property. To the extent that Caroline maintains otherwise, such a question must be resolved by an Alaskan court, as discussed above. Further, if AUTC had intended to retain all trustee powers until appointment of the successor trustee, their resignation wouldn't have been the earlier of December 5, 2013, or appointment of the successor trustee. Those terms clearly contemplate and accept the possibility of acting as Trustee with limited capacity between December 5, 2013 and

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<sup>&</sup>lt;sup>10</sup> APPELL000384:20- APPELL000385:9.

<sup>&</sup>lt;sup>11</sup> APPELL000704:4-6.

<sup>&</sup>lt;sup>12</sup> AS 13.36.077(1) (2015).

appointment of the successor trustee. The Trust Protector's own counsel has conceded that a new Alaska successor Trustee should have been appointed before Dunham:

So technically what should have happened, it appears now in retrospect, is a new Alaska-based Trustee should have been appointed in the interim for the purpose of consenting to the change of situs to Nevada so that that Trustee could get the advice of counsel that was called for in that paragraph to make sure that there were no adverse consequences. So that appears to be the step that was missing and Mr. Lehnardt's going to have to go back to the drawing board to determine whether he needs to go now go appoint an Alaska Trustee and whether it's then advisable to then move it down here to Nevada if all beneficiaries consent to do so. <sup>13</sup>

Clearly, the First Amendment is void because it was executed in contravention of both the terms of the Trust and Alaska law. Therefore, the DC erred when it took jurisdiction of the Trust and confirmed the Trustee and took personal jurisdiction over Mr. Davis.

## b. The Trustee never obtained advice of independent counsel

There is no dispute between the parties that Dennis Brislawn was counsel for the Trust Protector, not the Trustee. Rather, the parties dispute whether the terms of the Trust allow the Trustee to rely on the advice of a third party's counsel when consenting to a change of situs. Caroline argues for a contorted interpretation of the terms of the Trust: "Article Fourteen,

<sup>&</sup>lt;sup>13</sup> APPELL000391:18- APPELL000392:4.

Section 6, however, does **not** require AUTC to obtain an opinion from 'independent counsel' retained by AUTC."

The obvious purpose of this provision is to fully advise the Trustee of the effect of a change of situs upon the Trust, particularly as it relates to the intent of the settlor, Beatrice Davis. However, according to Mr. Brislawn, he only acted on behalf of the Trust Protector, not the Trustee: "I was retained by Mr. Lehnardt, acting **in his capacity as Trust Protector**, to provide **limited support** in changing trust situs from Alaska (where I am also licensed to practice) to Nevada."

[Emphasis added]. Clearly, Mr. Brislawn didn't represent the Trustee, and, as such, could not fill the role of counsel to the Trustee as to the prudence of changing the situs. For this reason, among others, the First Amendment is invalid and therefore the DC was in error in taking jurisdiction of the Trust.

# c. Tarja never gave her consent to moving situs of the Trust

Caroline incorrectly argues that, "...the DC properly found that, Tarja was not a beneficiary of the Trust because she did not qualify as a "spouse" under Article 14, Section 1(j) thereof (i.e. she has not been married to

<sup>&</sup>lt;sup>14</sup> See, Respondent's Answering Brief at pg. 10:4-5

<sup>&</sup>lt;sup>20</sup> || 15</sup> APPELL000758.

Christopher for the required 10 consecutive years), and, therefore, her consent was not required."<sup>16</sup>

While the Trust Agreement is a document of more than one hundred pages, it is important that the terms of the Trust be interpreted in conjunction with the entirety of all one hundred plus pages in order to avoid an absurd result in its interpretation.

In the Trust, there are clearly three operational definitions for the term "spouse" as it applies to a beneficiaries rights under the terms of the Trust. Two of these definitions refer to the process by which a spouse may become a qualified primary beneficiary, while the third definition refers to the spousal ability to receive current discretionary distributions of a limited nature (i.e. for health, education, maintenance and support) until that spouse as a secondary or other beneficiary later qualifies as a vested primary beneficiary (hereinafter "primary beneficiary"). The first definition of a spouse is one that exists at the time the Trust was created. This definition applies to Chris Davis' first wife, Cheryl Davis (hereafter "Cheryl"). The next definition is one that applies to a spouse that marries after the signing of the Trust, and who may become a primary beneficiary after ten years or sooner upon involuntary separation. The third definition refers to a spouse

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<sup>&</sup>lt;sup>16</sup> See, Respondent's Answering Brief at pg. 8:12-19.

that is in the process of qualifying as a primary beneficiary and is entitled to discretionary distributions soley from the share of the primary beneficiary for health, education, maintenance and support only after the trustee meets the needs of the beneficiary. This definition applies to Tarja. Article Eight, Section 3(d) reads, "My Trustee may make distributions from the trust share of the Primary Beneficiary to or for the health, education, maintenance and support of the spouse of the Primary Beneficiary if the spouse is living with the Primary Beneficiary." [Emphasis added]. In simpler terms, in order to become eligible for these discretionary distributions, the spouse only needs to live with the Primary Beneficiary. Because Tarja lives with Mr. Davis, she is a beneficiary of the Trust. Because Tarja is a beneficiary of the Trust, her consent would have been required before executing the First Amendment. Tarja did not execute the First Amendment and therefore, it is invalid.

Caroline's Answering Brief summarily dismisses these errors: "The Amended Order does nothing more than to accurately reflect the record, and properly assume jurisdiction over the Trust and confirm the fiduciaries thereto." As shown above, that simply isn't true. The First Amendment fails to follow the terms of the Trust or the laws of Alaska. The DC

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<sup>&</sup>lt;sup>17</sup> See, Respondent's Answering Brief at pg. 44:5-7.

therefore erred when it confirmed the Trustee and took jurisdiction of the trust in the Amended Order.

# II. As a party to the proceeding, Christopher clearly has standing under NRS 155.190(1) to appeal the DC's Order

Caroline argues that, "Christopher lacks standing to appeal under NRS 155. 190(1)(h)" because he is "not the Trustee." This argument mis-states the class of persons entitled to appeal an order under NRS 155.190(1)(h), which allows for appeal of any order "[i]nstructing or appointing a trustee." In NRS 155.190(h), reference to appointment of the trustee limits the subject of the type of order that may be appealed, not the class of persons with standing to appeal it. There is no provision in NRS 155.190(1)(h) specifically or NRS 155.190 generally which would limit the class of persons entitled to appeal the DC's order to only Trustees. In fact, NRS 155.190 itself indicates that any party to the action has standing to appeal any order which falls within the scope of NRS 155.190(1). Under NRS 155.190(2), "[i]f a party timely files," certain motions under the Nevada Rules of Civil Procedure," the time for filing an appeal is stayed pending entry of the NRCP motion. The use of "a party" explicitly contemplates that any party has the right to appeal under NRS 155.190(1).

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<sup>&</sup>lt;sup>18</sup> See, Respondent's Answering Brief at pg. 18:1-2; 17:16.

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<sup>&</sup>lt;sup>19</sup> <u>Dickerson v. Eighth Judicial Dist. Court</u>, 82 Nev. 234, 236 (Nev. 1966).

<sup>22</sup> APPELL001799-001807, Order Granting Motion to Amend May 19, 2015

Order and Denying Petition for Reconsideration, at pg. 7:2-3.

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sometimes described as a quasi-trustee."<sup>23</sup> As such, NRS 163.5555 must be read in conjunction with NRS 164.010. Jurisdiction based on acceptance of the role of an investment trust advisor is limited by NRS 163.5555 as that role is strictly limited to the *res* which arises out of a decision made by a trust advisor.

NRS 163.5555 does not authorize personal jurisdiction – it is derived from in rem jurisdiction over the property which is under a trust advisors control based on decisions made by the advisor in that role. For this reason, "a trust protector or a trust adviser may be made a party to an action or proceeding arising out of a decision or action of the trust protector or trust adviser."<sup>24</sup>

Conversely, a trust advisor may not be made a party to an action which does not arise out of a decision made by the advisor in that role. Without establishing in personam jurisdiction over the trust advisor by personal service of process, NRS 163.5555 grants only in rem jurisdiction over the property affected by the trust advisor's decisions or actions.

Caroline has argued that NRS 163.5555 grants in personam jurisdiction allegedly based on the language that "the person submits to the

<sup>&</sup>lt;sup>23</sup> *Lewis v. Hanson*, 128 A.2d 819, 828 (Del. 1957).

<sup>&</sup>lt;sup>24</sup> NRS 163.5555

jurisdiction of the courts of this State," by accepting an appointment as Trust advisor. However, even if a trust advisor submits to the jurisdiction of the court, the court may not exercise in personam jurisdiction without proper service of process. To find in personam jurisdiction based on NRS 163.5555 where there has been no personal service would be clearly unconstitutional.<sup>25</sup>

Caroline argues that, "Christopher has failed to cite any applicable statutory authority or case law requiring any other type of service [other than by mail]." However, personal jurisdiction is more than a question of whether a party has been made aware of the proceedings. For example, in *Fink v. Markowitz (In re Estate of Black)*, 367 P.3d 416 (Nev. 2016) this Court ruled that, "A court acquires personal jurisdiction over an adverse party to a will contest by issuance of a citation. A will contestant's failure to issue a citation on the decedent's personal representative deprives the court of personal jurisdiction over the personal representative." Similarly, in this matter, while the Court took *in rem* jurisdiction of the trust in the Amended

<sup>&</sup>lt;sup>25</sup> <u>World-Wide Volkswagen Corp. v. Woodson</u>, 444 U.S. 286, 292 (U.S. 1980).

<sup>&</sup>lt;sup>26</sup> See, Respondent's Answering Brief at pg. 31:19-20.

<sup>&</sup>lt;sup>27</sup> *Fink v. Markowitz (In re Estate of Black)*, 367 P.3d 416, 418 (Nev. 2016) quoting 95 C.J.S. Wills § 578 (2011).

Order, the mere fact that Mr. Davis was aware of the proceedings does not 1 constitution service or establish personal jurisdiction.<sup>28</sup> 2 /// 3 /// 4 /// 5 /// 6 /// 7 8 CONCLUSION The DC was in error in taking jurisdiction of the Trust because the 9 First Amendment is not valid. There was no Alaskan Trustee which 10 consented to the First Amendment and change of situs as required by both 11 Alaska law and the terms of the Trust. The Trustee was never advised by 12 it's own counsel, as required by the Trust, as to the proposed change of situs. 13 Finally, Tarja Davis, entitled to discretionary distributions from Chris Davis' 14 interest in the Trust, never provided her consent. Each of these deficiencies 15 16 17 <sup>28</sup> Mr. Davis recognizes that NRS 164.010 has been amended, effective 18 October 1, 2015 to grant personal jurisdiction over certain individuals upon granting certain petitions under NRS 164.010. However, because the 19 Amended Order clarifies the earlier order, only the older version of NRS 164.010 is applicable. Under that statute, the DC could only take in rem 20 jurisdiction over a trust.

1	are independently fatal, collectively they decisively show the error of the DC
2	in taking jurisdiction of the Trust.
3	
4	DATED this day of May, 2016.
5	Respectfully Submitted,  GOODSELL & OLSEN, LLP
6	MO DUCATO PON
7	Michael A. Olsen, Esq. Nevada Bar No. 6076
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21	Page 16 of 18

## CERTIFICATE OF COMPLIANCE

2 1. I hereby certify that this brief complies with the formatting 3 requirements of NRAP 32(a)(4), the typeface requirements of NRAP 4 32(a)(5) and the type style requirements of NRAP 32(a)(6) because: 5 [x] It has been prepared in a proportionally spaced typeface using 6 Microsoft Word 2010 in font-size 14 of Times New Roman; or 7 [ ] It has been prepared in a monospaced typeface using Microsoft 8 Word 2010 with 10 1/2 characters per inch of Courier New. 9 2. I further certify that this brief complies with the page- or type-10 volume limitations of NRAP 32(a)(7) because, excluding the parts of the 11 brief exempted by NRAP(a)(7)(c), it is either: 12 [X] Proportionately spaced, has a typeface of 14 points or more, and 13 contains less than 7,000 words; or 14 Monospaced, has 10.5 or fewer characters per inch, and contains 15 2,922 words; or 16 Does not exceed 15 pages. 17 3. 18 19

Further, I hereby certify that I have read this appellate brief, and to the best of my knowledge, and belief, it is not frivolous or interposed for any improper purpose. I further certify that this Brief complies with all applicable Nevada Rules of Appellate Procedure, in particular NRAP

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1	28(e)(1), which requires every assertion in the <i>Brief</i> regarding matters in the
2	record to be supported by a reference to the page and volume number, if any,
3	of the transcript or appendix where the matter relied on is to be found. I
4	understand that I may be subject to sanctions in the event that the
5	accompanying Brief is not in conformity with the requirements of the
6	Nevada Rules of Appellate Procedure.
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