

IN THE COURT OF APPEALS OF IOWA

No. 7-576 / 06-0607
Filed November 29, 2007

**IN THE MATTER OF THE CORDELIA
STEFFES TRUST,**
Plaintiff-Appellee,

vs.

**JUSTIN A. HOFFMAN and
JOHN F. FOUST, Trustee and/or
FRANKLIN TRUST INTEREST,**
Defendants-Appellants,

ALDEN STEFFES, and/or
M. LIFE FOUNDATION, and
WHITFIELD FINANCIAL CORPORATION,
Defendants.

Appeal from the Iowa District Court for Audubon County, Jeffery Larson,
Judge.

Justin Hoffman and John Foust, trustee of the Franklin Trust, appeal from
a ruling declaring null and void the deeds to certain property. **AFFIRMED.**

John Martens of Terrill, Martens & Richardson Law Office, Ames, for appellant Justin Hoffman.

John Foust, Des Moines, pro se.

Jeffrey Minnich and Frank J. Comito of Neu, Minnich, Comito, & Neu, P.C., Carroll, for appellee Cordelia Steffes Trust.

Robert W. Peters of Robert W. Peters, P.C., Carroll, for appellee James Daniels, beneficiary of the Steffes Trust.

Heard by Sackett, C.J., and Vaitheswaran and Baker, JJ.

BAKER, J.

Justin Hoffman, individually, and John Foust, as trustee of the Franklin Trust, appeal from a ruling declaring null and void the deeds to certain property. We affirm.

Background Facts and Proceedings.

We briefly detail the extensive procedural and factual background of this dispute. Alden Steffes is the youngest son of Frank and Cordelia Steffes. Frank died in 1982. Alden has two sisters and one brother: Leona Frazer, Diana Fischer, and Blane Steffes. Frank and Cordelia owned several plots of land in Iowa that they farmed. Alden was the only child that carried on in the family farming operation. Frank and Cordelia began making substantial transfers of their land to Alden at some point.

Alden married Sharon in 1972. They farmed the land and raised their children on it. In 1997, Alden and Sharon dissolved their marriage. As part of the property settlement in that case, Alden was awarded two farms, which are the subject matter of this action, and Sharon was awarded two farms, neither of which are the subject of this action.

In 1998, after other members of the family apparently became concerned that Sharon was taking former family property, Cordelia filed an action against Alden seeking the creation of a trust over the property she and Frank had transferred to him. The district court subsequently determined that the transfers of the Audubon and Carroll County farms to Alden were merely to him as a trustee with Cordelia holding the beneficial ownership to the real estate. The

court entered a decree ordering the properties be titled in trust as “Alden Steffes, trustee of the Cordelia Steffes Trust.” No appeal was taken from this ruling.

While the above case was pending, Alden transferred a farm in Carroll County and an Audubon County farm by quitclaim deed to a revocable trust called M Life Foundation, a trust for which Alden served as trustee. Later, in 1999, M Life transferred the Audubon farm by real estate contract to Franklin Trust Interests. John Foust is the trustee of Franklin Trust. On March 25, 2000, M Life, with Alden signing as trustee, executed a quitclaim deed of the Carroll County farm to Justin Hoffman.

On January 16, 2001, Cordelia filed the current action to recover the Carroll County and Audubon County farms, arguing that the transfers from Alden to M Life, and then from M Life to Franklin Trust and Justin Hoffman, were fraudulent. Cordelia obtained default judgments against Alden and M Life and was subsequently granted a summary judgment in her favor against Franklin Trust and Hoffman. However, upon appeal this court reversed the grant of summary judgment, concluding there remained genuine issues of material fact with regard to the adequacy of consideration. *In re Estate of Steffes*, No. 4-284 (Iowa Ct. App. Aug. 26, 2004). We therefore remanded for further consideration.

Upon remand, the court held a trial. It held that the transactions between Alden and Foust and between Alden and Justin Hoffman were fraudulent. It therefore deemed null and void the quitclaim deed from Alden to Hoffman and set aside the real estate contract between Alden and Foust. It is from this ruling that the present appeal was taken by Foust and Hoffman.

We must further note that, meanwhile, in September of 2002, in a separate proceeding Alden's three siblings sued Sharon contending that Alden and Sharon were farming under an oral constructive trust created by Frank and Cordelia for plaintiffs' benefit. They claimed that two Carroll County farms that Sharon received in the 1997 dissolution decree were held in trust and should be conveyed to plaintiff Lance Levis as trustee of the Cordelia Steffes Trust. The district court found for plaintiffs and ordered Sharon to convey to the trust the two farms and certain proceeds and rents therefore. This court reversed, finding there was "no equity in imposing a trust on the property Sharon took from the marriage." *Levis v. Steffes*, No. 04-1117 (Iowa Ct. App. Jan. 19, 2006). We therefore determined there was no constructive trust over the Carroll County land.

The decision on this prior appeal came down days after the trial in this matter, but before the trial court had issued a decision. Arguing that *Levis* constituted "new evidence" that rendered the plaintiff trust nonexistent, the defendants sought to reopen the record to have the court take into account our decision that no constructive trust was created. The court summarily denied this request, stating simply the opinion was "not relevant" to the current proceedings.

Appeal.

Now on appeal, Foust and Hoffman both re-assert that the court erred in failing to determine *Levis* to be issue preclusive or res judicata on the instant matter. They assert that *Levis*, in effect, extinguished the Trust that now purports to be the plaintiff in this action and therefore places into question the court's jurisdiction in this case because the Trust never had standing to bring a lawsuit.

The doctrine of issue preclusion prevents a party to a prior action in which a judgment has been rendered from re-litigating in a subsequent action issues raised and resolved in the previous action. *Hunter v. City of Des Moines*, 300 N.W.2d 121, 123 (Iowa 1981). Before issue preclusion applies, four prerequisites must be established:

- (1) The issue concluded must be identical;
- (2) The issue must have been raised and litigated in the prior action;
- (3) The issue must have been material and relevant to the disposition of the prior action; and
- (4) The determination made of the issue in the prior action must have been necessary and essential to the resulting judgment.

Upon consideration of these factors, we conclude our opinion in *Levis* is not preclusive of the issue of the viability or existence of the plaintiff trust in this case. First, the issues are not identical in the two cases. At its root, *Levis* involved the question of whether equity required the court to invalidate a transfer of land made to Sharon Steffes in her dissolution decree. This case involves the fraudulent nature of certain transfers of land from Alden to Foust and Hoffman. Moreover, the specific farms at issue in *Levis* are not at issue in the present case. Further, the December 2000 decree entered in Cordelia's action against Alden determined that the transfers of the Audubon and Carroll County farms to Alden were merely to him as a trustee with Cordelia holding the beneficial ownership to the real estate. Thus, a Cordelia Steffes Trust was established, and this ruling was not appealed. This December 2000 decree which involved the same land as is involved in this action, and which involved Alden as a party, would appear to be more on all fours with this case than *Levis*.

Having rejected the claim that the Steffes Trust is either an improper party or lacks standing, we thus proceed to address the merits of this case. Upon our de novo review of the district court's ruling, see *In re Estate of Clark*, 357 N.W.2d 34, 37 (Iowa Ct. App. 1984), we affirm. The evidence establishes that Alden was attempting to dispose of and hide property from his family, and that he did so after learning that his family would be attempting to recover the farms. He received substantially less than market value for the farms. Hoffman and Foust were aware of Alden's intentions and participated willingly and knowingly in these sham transactions. The district court's order setting aside the transfers was proper and is therefore affirmed.

AFFIRMED.