

**IN THE COURT OF APPEALS OF THE STATE OF WASHINGTON**

IN RE THE MARRIAGE OF:	)	No. 66124-8-I
	)	
RONALD A. KARLSTEN,	)	
	)	DIVISION ONE
Petitioner,	)	
and	)	UNPUBLISHED OPINION
	)	
NANSI O. KARLSTEN,	)	
	)	
Respondent.	)	FILED: <u>March 5, 2012</u>

Spearman, J. — Ronald Karlsten appeals from trial court orders relating to the dissolution of his marriage. The trial court did not err in interpreting an agreement in which Karlsten’s spouse agreed to relinquish her interest in a community asset and in exchange, he agreed to make monthly payments to her. Accordingly, we affirm the trial court’s orders in all respects.

**FACTS**

Nansi and Ronald Karlsten were married for twenty years.<sup>1</sup> The couple separated in 1985. Ronald was the owner of a company called Production Plating, Inc., that was formed during the marriage. After the couple separated, Ronald made bi-weekly payments of \$864 to Nansi. This amount was determined

---

<sup>1</sup> We refer to the parties by their first names for clarity.

by Ronald and never varied over the years.

In 2006, more than twenty years after the parties' separation, Ronald was in the process of selling Production Plating. His attorney drafted a "Property Status Agreement" for the purpose of effectuating the sale. Nansi and Ronald agreed to transfer the marital community's interest in the company to Ronald and provided that all proceeds he received from the sale of the company would constitute his separate property. Ronald and Nansi further agreed that "until such time as the parties otherwise mutually agree in writing, Ronald shall continue to make support payments to Nansi in the amount of \$864 every two weeks (26 times per year)." In a separate paragraph, the parties again confirmed that the agreement "may be amended or terminated only upon the mutual agreement of the parties in writing." The agreement also contained a provision on the "Binding Effect" providing that the agreement would be "binding upon and inure to the benefit of the parties and their respective heirs, executors, personal representatives, successors and assigns" and would survive in the event that the parties' marriage was dissolved. According to Ronald, the sale of the business could not proceed without Nansi's agreement to relinquish her interest in the company.

Ronald sold the business in 2007 for approximately 1.3 million dollars. He received a payment of \$500,000, and agreed to receive the balance of \$825,000 in monthly installments of approximately \$10,000 over ten years.

In December 2008, Ronald filed for dissolution. At that point, most assets possessed by the parties had been acquired post-separation and they largely agreed on the distribution of those assets. The primary issue the court was asked to resolve was the duration of payments to Nansi under the 2006 “Property Status Agreement.”<sup>2</sup>

Nansi argued that the agreement provided for the payments to continue until her death and that the obligation would survive Ronald’s death if the estate had sufficient assets to meet the obligation. Ronald, on the other hand, claimed that the parties had orally agreed that the payments would end once the former family residence in Edmonds was sold. Alternatively, Ronald argued that the parties’ intended for the payments to continue only until he was paid in full for the sale of Production Plating.

The court concluded that the payments were made pursuant to a property settlement, rather than as maintenance, because they were tied to Nansi’s relinquishment of her interest in the business. The court ruled that contrary to Ronald’s testimony about an oral agreement to terminate payments, the agreement itself provided that it could only be amended or terminated by mutual agreement in writing. The court observed that while it considered the context of the agreement, it could not rely on extrinsic evidence to directly contradict an

---

<sup>2</sup> The parties also disputed whether Ronald retained some interest in the Edmonds family home. The trial court determined that the residence was Nansi’s separate property and Ronald does not challenge the court’s ruling on that issue.

No. 66124-8-1/4

unambiguous term in the written contract. The court concluded that under the plain language of the agreement, Ronald's obligation to make the payments

continued unless and until the parties otherwise agreed in writing<sup>3</sup> The court entered a decree of dissolution and findings of fact and conclusions of law.

Ronald appeals.

### ANALYSIS

Courts interpret agreements between spouses as they do other types of contracts. See Higgins v. Stafford, 123 Wn.2d 160, 165, 866 P.2d 31 (1994). As with any contract, the court's role is to ascertain the objectively manifested intention of the parties. Berg v. Hudesman, 115 Wn.2d 657, 663, 801 P.2d 222 (1990). The parties' subjective intentions are not relevant. City of Everett v. Estate of Sumstad, 95 Wn.2d 853, 855, 631 P.2d 366 (1981).

We also apply the context rule. Berg, 115 Wn.2d at 667. As such, intent may be discerned from the actual language of the agreement, the subject matter and objective of the contract, all the circumstances surrounding the making of the

---

<sup>3</sup> In reaching this conclusion, the court also relied on language in the "Binding Effect" provision which provides:

This Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, executors, personal representatives, successors and assigns. Further, this Agreement shall survive and be binding upon the parties without regard to the fact that their marriage may be terminated, annulled or found to be invalid for any reason.

Ronald contends that the court erred in relying on this provision because it does not explicitly address the length of time that the payments were to continue. But Ronald offers no persuasive reason why, in light of all the other evidence, the inference drawn by the court was unreasonable. Moreover, even if it was error, the court's conclusion that under the agreement, the payments continued unless and until the parties agreed otherwise was well supported by other unambiguous language in the contract.

contract, the subsequent acts and conduct of the parties to the contract, and the reasonableness of respective interpretations advocated by the parties. Tanner Elec. Co-op. v. Puget Sound Power & Light Co., 128 Wn.2d 656, 674, 911 P.2d 1301 (1996). Extrinsic evidence may be consulted to elucidate the meaning of the contract's terms, but not to contradict the objective manifestations of intent. Hollis v. Garwall, Inc., 137 Wn.2d 683, 695, 974 P.2d 836 (1999). We review a trial court's interpretation de novo. Berg, 115 Wn.2d at 668 (contract interpretation is a question of law which we review de novo); In re Marriage of Chavez, 80 Wn. App. 432, 435, 909 P.2d 314 (1996) (interpretation of a dissolution decree is a question of law subject to de novo review).

Ronald contends the court erred in characterizing the payments as property settlement, thereby altering the tax consequences of the payments. He argues that the agreement unambiguously provides that the payments are spousal maintenance because it refers to "monthly support payments." But the agreement does not use the term "maintenance", nor does the statute governing maintenance use the term "support payments." See RCW 26.09.090. The parties supplied various terms to describe the payments. And although Ronald now asserts that the payments were intended as spousal maintenance, he did not clearly take this position below. At trial, Ronald argued that spousal maintenance should not be awarded because the payments under the Property Status Agreement were a source of income for Nansi. Ronald also specifically admitted

that whatever name was attached to the payments, the amounts paid to Nansi were for her interest in Production Plating. In view of these circumstances, and considering that the purpose of the agreement was to provide consideration for Nansi to disavow her interest in a community asset, the court did not err in characterizing the agreement as a property settlement.

Ronald also argues that the court erred in applying the context rule and should have reached a different conclusion based on the available extrinsic evidence. According to Ronald, the duration of the payments was an essential term missing from the contract and the court should have derived from the circumstances of the agreement that the payments to Nansi were tied to the 10-year amortization of the balance of the sale price for Production Plating and could not extend beyond that point.<sup>4</sup> But the contract does not refer to the note nor provide for the payments to expire at any specific point. Instead, the agreement provides for the payments to continue “until such time as the parties otherwise mutually agree in writing.” Moreover, since the note for the \$825,000 balance was not issued until several weeks after the Property Status Agreement was signed, it is not clear from the evidence that the parties were aware of the exact terms of the sale at the time of the agreement. The court did not err in concluding that neither the actual language nor the circumstances surrounding the agreement lead to the conclusion that the parties intended the payments to

---

<sup>4</sup> Ronald apparently no longer takes the position that the parties intended the payments to cease upon the sale of the Edmonds residence.

No. 66124-8-1/8

discontinue upon satisfaction of the promissory note.

The contractual language supports the trial court's interpretation. We affirm.

Spears, J.

WE CONCUR:

Grosse, J.

Cox, J.