

SUPREME COURT OF SOUTH DAKOTA

Pauley v. Simonson

2006 SD 73 · No. No. 23791 · Decided August 9, 2006

SUMMARY

The Supreme Court of South Dakota held that an option to purchase agricultural land was not severable from the underlying lease after the lease was terminated for nonpayment. Because the option lacked separate consideration and the parties' performances were not agreed equivalents, the option did not survive termination of the lease. The court affirmed the circuit court's summary judgment.

CASE DETAILS

COURT	Supreme Court of South Dakota
WRITING FOR THE COURT	Zinter, Justice; Gilbertson, Chief Justice; Konenkamp, Justice; Meierhenry, Justice; Sabers, Justice
JURISDICTION	South Dakota
DECIDED	August 9, 2006
DOCKET	No. 23791
DISPOSITION	affirmed
PROCEDURAL POSTURE	Defendants appealed from summary judgment determining that an option to purchase agricultural property was not severable from a terminated lease and therefore did not survive termination.
STANDARD OF REVIEW	The court reviewed summary judgment de novo after determining that the material facts were undisputed, and reviewed contract interpretation and other questions of law de novo.
PRECEDENTIAL VALUE	Published opinion; precedential and binding authority in South Dakota.
PARTIES	Mark J. Simonson, Mira M. Simonson v. Ezra Pauley, Elizabeth J. Pauley, Gregory Allen Pauley, Amy Hughes Pauley

TOPICS

- contract interpretation
- contracts
- summary judgment
- landlord tenant
- real estate

PRACTICE AREAS

QUESTIONS PRESENTED

1. Whether the option to purchase agricultural property was severable from the lease after the lease was terminated for nonpayment.
2. Whether the \$4,000 option payment constituted separate and equivalent consideration supporting the option independently of the lease.

HOLDINGS

1. The option to purchase was not severable from the lease and therefore did not survive termination of the lease.
2. The agreement was ambiguous on whether termination of 'this Lease' referred only to the leasehold interest or to the entire agreement including the purchase option, so extrinsic evidence could be considered.
3. Summary judgment was proper because the material facts were undisputed and the dispute concerned the legal interpretation and severability of the parties' agreement.

KEY QUOTATIONS

“Because there was no separate consideration for the option, there were no agreed equivalents for the parts of each pair of part performances.” (¶ 15)

“Affirmed.” (¶ 16)

FACTUAL BACKGROUND

The parties entered into a long-term agricultural lease that included an option for Simonson to purchase the property upon the death of the last surviving lessor. The lease required \$36,000 in first-year rent, including a \$6,000 payment at execution and three \$10,000 quarterly payments; after the first year, annual rent was \$40,000. Simonson paid \$6,000 toward the lease and a separate \$4,000 option payment, but failed to make the required second-year payment, resulting in termination of the lease. The parties' earlier drafts and Simonson's accompanying note showed that the \$4,000 option payment had been carved out of the first quarterly rental payment rather than supplied as separate consideration.

PROCEDURAL HISTORY

The circuit court first determined in a forcible entry and detainer proceeding that Simonson had failed to make a required lease payment and that the lease was terminated. The parties then cross-moved for summary judgment on whether the purchase option survived termination. The circuit court held that the option was not severable from the lease, and Simonson appealed. The Supreme Court of South Dakota affirmed.

DISPOSITION

affirmed

CASES CITED

- Krier v. Dell Rapids Township, 2006 SD 10, 709 N.W.2d 841
- Wagner v. Brownlee, 2006 SD 38, 713 N.W.2d 592
- Blenner v. City of Rapid City, 2003 SD 121, 670 N.W.2d 508
- Ziegler Furniture and Funeral Home, Inc. v. Cicmanec, 2006 SD 6, 709 N.W.2d 350
- Jensen v. Pure Plant Food Intern., Ltd., 274 N.W.2d 261 (S.D. 1979)
- Christiansen v. Strand, 81 S.D. 187, 132 N.W.2d 386 (1965)
- Commercial Trust & Sav. Bank v. Christensen, 535 N.W.2d 853 (S.D. 1995)
- Mattson v. Rachetto, 1999 SD 51, 591 N.W.2d 814