

SUPREME COURT OF MINNESOTA

SCI Minnesota Funeral Services, Inc. v. Washburn-McReavy Funeral Corp.

795 N.W.2d 855 (Minn. 2011) · Decided March 30, 2011

SUMMARY

The Minnesota Supreme Court considered whether parties to a stock sale could obtain rescission or reformation after discovering that the corporation owned two vacant lots that were transferred with the stock. The court held that rescission was unavailable under Minnesota precedent governing stock sales and that there was mutual assent to transfer all of the corporation's stock, including its assets. The court also held that the parties failed to establish the elements required for reformation and affirmed summary judgment for Washburn-McReavy.

CASE DETAILS

COURT	Supreme Court of Minnesota
WRITING FOR THE COURT	Gildea, Chief Justice
JURISDICTION	Minnesota
DECIDED	March 30, 2011
DISPOSITION	affirmed
PROCEDURAL POSTURE	Appeal from summary judgment denying equitable relief in a stock-sale dispute; the Minnesota Supreme Court granted review after the court of appeals affirmed.
STANDARD OF REVIEW	De novo review applies to legal determinations made on cross-motions for summary judgment when the material facts are undisputed, even when the claims seek equitable relief.
PRECEDENTIAL VALUE	Published precedential opinion of the Supreme Court of Minnesota.
PARTIES	SCI Minnesota Funeral Services, Inc., Corinthian Enterprises, LLC v. Washburn-McReavy Funeral Corporation

TOPICS

[rescission](#)[reformation](#)[mutual assent](#)[contracts](#)[remedies](#)

PRACTICE AREAS

QUESTIONS PRESENTED

1. What standard of review applies to a grant of summary judgment determining equitable claims for rescission and reformation when the material facts are undisputed?
2. Whether appellants were entitled to rescission based on mutual mistake concerning the assets transferred in a stock sale.
3. Whether appellants were entitled to rescission based on lack of mutual assent.
4. Whether appellants established the elements required for reformation based on mutual mistake.

HOLDINGS

1. When a district court decides on cross-motions for summary judgment that the legal requirements for rescission or reformation are not met based on undisputed facts, the appellate court reviews those legal determinations de novo.
2. Rescission is unavailable where parties to a stock sale are mistaken about the nature, extent, or value of the corporation's assets, absent fraud, inequitable conduct, or a mistake concerning the actual existence or identity of the stock.
3. The parties objectively assented to the sale and transfer of all of Crystal Lake's issued and outstanding stock, and that stock transfer included the corporation's assets, including the vacant lots; rescission was therefore unavailable for lack of mutual assent.
4. Appellants were not entitled to reformation because they could not prove that the agreements failed to express the parties' true intentions due to a mutual mistake; SCI had the contractual ability to exclude the lots, and any failure to do so was at most a unilateral mistake without fraud or inequitable conduct.

KEY QUOTATIONS

“That standard of review does not change simply because the claims at issue are for equitable relief.” (861)

“A mistake relating merely to the attributes, quality, or value of the subject of a sale does not warrant rescission.” (862)

“When viewed under an objective standard, there was mutual assent to sell the Crystal Lake stock.” (864)

“In reformation, a contract is modified to reflect the parties’ true intent, whereas in rescission, the entire contract is voidable.” (865)

“A court cannot reform a contract based on a unilateral mistake unless there was some evidence of fraud or inequitable conduct.” (867)

FACTUAL BACKGROUND

SCI sold all of its shares in Crystal Lake Cemetery Association to Corinthian, which contemporaneously agreed to sell the shares to Washburn. Crystal Lake's assets included two vacant lots in Colorado and Burnsville, worth

approximately \$2 million, but the parties did not know of the lots when the transactions were negotiated. The stock sale agreement allowed SCI to remove assets not used in or related to the cemetery business, but SCI did not remove the lots. After discovering the lots, SCI and Corinthian sought rescission and reformation to exclude them from the transaction.

PROCEDURAL HISTORY

SCI and Corinthian sued Washburn seeking reformation and rescission of the stock sale and share purchase agreements, contending that the parties did not intend to transfer two vacant lots held by Crystal Lake. The district court granted Washburn summary judgment, concluding that appellants were not entitled to reformation or rescission based on mutual mistake, and dismissed SCI's unjust-enrichment claim. A divided court of appeals affirmed, and the Minnesota Supreme Court granted review and affirmed.

DISPOSITION

affirmed

CASES CITED

- SCI Minnesota Funeral Services, Inc. v. Washburn-McReavy Funeral Corp., 779 N.W.2d 865 (Minn. App. 2010)
- Costello v. Sykes, 143 Minn. 109, 172 N.W. 907 (1919)
- Citizens State Bank v. Raven Trading Partners, Inc., 786 N.W.2d 274, 277 n.2 (Minn. 2010)
- Medica, Inc. v. Atlantic Mutual Insurance Co., 566 N.W.2d 74, 76, 79 (Minn. 1997)
- Metro Office Parks Co. v. Control Data Corp., 295 Minn. 348, 353, 205 N.W.2d 121, 124 (1973)
- Golden Valley Shopping Center, Inc. v. Super Valu Realty, Inc., 256 Minn. 324, 329, 98 N.W.2d 55, 58 (1959)
- Nadeau v. County of Ramsey, 277 N.W.2d 520, 523-24 (Minn. 1979)
- Carlson v. Allstate Insurance Co., 749 N.W.2d 41, 45 (Minn. 2008)
- Dieden v. Schmidt, 104 Cal. App. 4th 645, 128 Cal. Rptr. 2d 365, 372 (2002)
- Pietrowski v. Dufrane, 247 Wis. 2d 232, 634 N.W.2d 109, 112 (Wis. Ct. App. 2001)
- Gartner v. Eikill, 319 N.W.2d 397, 398 (Minn. 1982)
- Zutz v. Nelson, 788 N.W.2d 58, 63 (Minn. 2010)
- State v. Martin, 773 N.W.2d 89, 98 (Minn. 2009)
- Clayburg v. Whitt, 171 N.W.2d 623, 626 (Iowa 1969)
- Oanes v. Allstate Insurance Co., 617 N.W.2d 401, 406 (Minn. 2000)
- Winter v. Skoglund, 404 N.W.2d 786, 793 (Minn. 1987)
- HyVee Food Stores, Inc. v. Minnesota Department of Health, 705 N.W.2d 181, 185 (Minn. 2005)
- Minneapolis Cablesystems v. City of Minneapolis, 299 N.W.2d 121, 122 (Minn. 1980)
- Cederstrand v. Lutheran Brotherhood, 263 Minn. 520, 532, 117 N.W.2d 213, 221 (1962)
- Specialized Tours, Inc. v. Hagen, 392 N.W.2d 520, 536 (Minn. 1986)

- Jablonski v. Mutual Service Casualty Co., 408 N.W.2d 854, 857 (Minn. 1987)
- Beck v. Spindler, 256 Minn. 565, 566, 99 N.W.2d 684, 686 (1959)
- Nichols v. Shelard National Bank, 294 N.W.2d 730, 734 (Minn. 1980)
- Leamington Co. v. Nonprofits' Insurance Association, 615 N.W.2d 349, 354-55 & n.4 (Minn. 2000)
- Travelers Indemnity Co. v. Bloomington Steel & Supply Co., 718 N.W.2d 888, 895-96 (Minn. 2006)
- Brooks Upholstering Co. v. Aetna Insurance Co., 276 Minn. 257, 262, 149 N.W.2d 502, 506 (1967)
- Cargill Inc. v. Ace American Insurance Co., 784 N.W.2d 341, 352-54 (Minn. 2010)

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