STATE OF MINNESOTA
IN COURT OF APPEALS
A11-216

Karl F. Solum, et al.,
Respondents,

vs.

Thomas Tollefsrud, et al.,
Appellants.

Filed December 19, 2011
Affirmed in part, reversed in part, and remanded
Kalitowski, Judge

Houston County District Court
File No. 28-CV-09-618

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Eric J. Magnuson, Diane B. Bratvold, Briggs and Morgan, P.A., Minneapolis, Minnesota; and

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Considered and decided by Kalitowski, Presiding Judge; Minge, Judge; and Ross, Judge.

U N P U B L I S H E D O P I N I O N

KALITOWSKI, Judge

Appellants Thomas and Katherine Tollefsrud and other individuals are members of a group informally known as Maranatha. Appellants challenge the district court's

grant of summary judgment to respondents, former members of Maranatha, Karl and Suzanne Solum, arguing that the district court erred by (1) concluding that respondents have a right to a statutory buyout of a partnership interest in Maranatha's logging business; (2) ruling that respondents own a parcel of real property and do not hold title to the property under a resulting trust; and (3) declining to grant equitable relief to appellants by imposing a constructive trust on the real property. We affirm in part, reverse in part, and remand.

FACTS

Appellants, Thomas Tollefsrud, Katherine Tollefsrud, and other individuals are "like-minded Christians" informally known as Maranatha, who live and work together according to scripture and their shared religious beliefs in and around Spring Grove, Minnesota. Respondents, Karl and Suzanne Solum, joined Maranatha in 1974, fully participated in the religious community for over 30 years, and raised their five sons in the community. Respondents ended their association with Maranatha in 2008.

This appeal arises out of an action respondents initiated in 2009. Respondents alleged several property-related claims, including claims to quiet title to two parcels of land, trespass, conversion, and slander of title; claims related to logging and farming businesses, including a partnership buyout; and several other claims. Appellants filed counterclaims asserting ownership of the two parcels of land and the logging and farming businesses and common-law tort claims. Appellants also claimed the real properties at issue were held in either a resulting or a constructive trust.

Maranatha was formed almost 40 years ago by appellant Thomas Tollefsrud and John Solum, respondent Karl Solum's brother. Maranatha does not have a formal organizational structure or official membership policy. There are no formal titles or leadership positions; decisions are made collectively. There is no separate corporation or other legal entity, and few documents detail the principles by which the group lives and works. There are no church charters or bylaws detailing the ownership of property held by members of the group.

When Karl Solum was associated with Maranatha, he was involved in the group's logging and farming businesses. Only the logging business is at issue on appeal. While involved in the logging business, Karl Solum signed an agreement that describes aspects of the logging business and addresses a partner's rights when departing from the business.

This litigation also involves disputes over the ownership of two real properties. Only the ownership to property 1 is at issue on appeal. Property 1 is a homestead that Thomas and Katherine Tollefsrud purchased in 1975; they paid a purchase price, deed tax, and obtained title in their names. In the early 1980s, respondents and their children began living in the home without signing a contract or paying rent. In 1993, the Tollefsruds executed a deed for the property, which was delivered and recorded, in favor of respondents. The face of the deed states that respondents paid "valuable consideration" in an amount "less than $500" for the property.

After respondents stopped associating with Maranatha in 2008, members of the group requested that respondents transfer property titled in their names to members of the

group. This request led to respondents commencing a lawsuit in 2009. In September 2010, both parties moved for summary judgment.

At the summary-judgment hearing, respondents argued that the district court could resolve the property issues without violating the First Amendment by applying neutral principles of law. Appellants asserted that the claims should be dismissed because the district court could not decide the issues without excessive entanglement with religion.

Respondents argued that they were entitled to a buyout of Karl Solum's partnership interest in the logging business under Minnesota partnership law. Appellants contended that the terms of the partnership agreement establish that Karl Solum had no rights to any business assets. With regard to the real property, respondents argued that the Tollefsruds gifted property 1 to them and that the deed is sufficient to establish their ownership. Appellants argued that respondents held title to the real property in trust for the group and that the district court should grant summary judgment in their favor on their claims of either a resulting or constructive trust.

The district court concluded that it could resolve the property disputes at issue without violating the First Amendment's restriction on excessive entanglement with religion by applying neutral principles of law. *See Jones v. Wolf*, 443 U.S. 595, 602-04, 99 S. Ct. 3020, 3025-26 (1979) (holding that courts can avoid excessive entanglement with religion if they resolve disputes over church property by applying neutral law and interpreting relevant documents in "purely secular terms"); *see also Piletich v. Deretich*, 328 N.W.2d 696, 701 (Minn. 1982) (adopting neutral-principles-of-law approach as explained in *Jones* for Minnesota courts to resolve church property and membership

disputes). The court granted respondents' motion for summary judgment regarding the logging business, concluding that the term "blessing" in the partnership agreement is equivalent to a statutory buyout and ordering a hearing to determine the buyout amount. The court also granted respondents' motion for summary judgment on ownership of property 1.

Appellants do not challenge the district court's conclusion that the property claims at issue can be resolved without excessive entanglement by applying neutral principles of law. But appellants argue that the district court infringed on their constitutional right to freely exercise their religious beliefs by failing to "give effect" to their religious beliefs in applying neutral law. Appellants challenge the district court's grant of summary judgment to respondents on respondents' claims for a buyout of Karl Solum's partnership interest in the logging business and to ownership of property 1.

D E C I S I O N

On appeal from summary judgment, we review de novo whether a genuine issue of material fact exists and whether the district court erred in its application of the law. *STAR Ctrs., Inc. v. Faegre & Benson, L.L.P.*, 644 N.W.2d 72, 77 (Minn. 2002). A genuine issue of material fact exists if a rational trier of fact, considering the record as a whole, could find for the party against whom summary judgment was granted. *Frieler v. Carlson Mktg. Grp., Inc.*, 751 N.W.2d 558, 564 (Minn. 2008). We view the evidence in the light most favorable to the party against whom judgment was granted. *Fabio v. Bellomo*, 504 N.W.2d 758, 761 (Minn. 1993).

I.

Appellants argue that the district court erred in concluding that Karl Solum has a right to a buyout of his partnership interest in the logging business by interpreting the term "blessing" in the partnership agreement as requiring a statutory buyout under Minn. Stat. § 323A.0701(a) (2010). We agree.

The interpretation of a contract is a legal question, which is reviewed de novo. *Lee v. Fresenius Med. Care, Inc.*, 741 N.W.2d 117, 122 (Minn. 2007). A reviewing court's primary goal in interpreting a contract is to determine the intent of the parties from a document's plain language and enforce that intent. *Travertine Corp. v. Lexington-Silverwood*, 683 N.W.2d 267, 271 (Minn. 2004). We construe a contract as a whole and avoid a construction that would render one or more provisions meaningless. *Chergosky v. Crosstown Bell, Inc.*, 463 N.W.2d 522, 525-26 (Minn. 1990).

The written partnership agreement states that the logging business is an "informal partnership"; that there are no employees, but only "several like-minded individuals who choose to work together"; each individual is "self-employed"; each worker is responsible for his own insurance and payment of taxes; and although tools, machinery, and supplies may be placed in an individual's name for tax purposes, they belong to the business. The agreement also states:

> The most important goal of the business operation is to be guided by God and His Word as much as possible and to grow in understanding of what it means to love God and to love and serve each other. In light of these principles, if an individual decides to leave the business, he may freely do so. It is understood he can claim no further rights to property or finances. He understands all "assets" of the business belong

> to the business and so then to God as God's way of supporting His people in this manner of living out our faith. It is the responsibility of the remaining individuals to bless the individual who is leaving as they see fit. The expectation is then to see God's blessing in the future as it has been in the past.

It is not disputed that Karl Solum is bound by the partnership agreement.

Under Minnesota law, the terms of a partnership agreement govern the partnership. Minn. Stat. § 323A.0103(a) (2010). Partners are free to govern many aspects of their partnership, with the exception of limited aspects not at issue in this appeal. Minn. Stat. § 323A.0103(b) (2010); *In re L-tryptophan Cases*, 518 N.W.2d 616, 620 (Minn. App. 1994). When a partnership agreement addresses certain duties and obligations, the agreement renders the statutes concerning those duties and obligations inapplicable. *See L-tryptophan Cases*, 518 N.W.2d at 620 (holding that statutory provisions addressing dissolution of partnership were not applicable because partnership agreement prevents dissolution). But, to the extent that a partnership agreement is silent, Minnesota law governs a partnership. Minn. Stat. § 323A.0103(a).

Based on the agreement's plain language, the district court stated that (1) "the partnership will continue" if a partner dissociates, (2) it is "clear that upon the departure of a partner the business will not be wound up," (3) "the departing partner has no rights to the assets of the partnership," and (4) "the departing partner is entitled to a 'blessing.'" The court further stated that "the agreement does not provide guidance as to how a 'blessing' is to be determined for each departing partner." The court concluded "that a blessing as described in the parties partnership agreement is a buyout for purposes of

Minnesota law and as such, Minn. Stat. § 323A.0701 must apply to assist the parties in determining what an appropriate blessing would be."

Minnesota Statutes section 323A.0701(a) provides that if a partner dissociates from a partnership without resulting in a dissolution and winding up, the dissociating partner is entitled to a buyout of their interest in the partnership. But this section is only applicable to the extent that a partnership agreement is silent. Minn. Stat. § 323A.0103(a). And the partnership agreement at issue in this case is not silent on a partner's rights when leaving the partnership. Accordingly, the terms of the contract control. *Id.*

Here, the plain language of the agreement addresses a partner's rights when leaving the partnership and establishes that a departing partner has no rights to partnership property, assets, or finances. The language of the agreement precludes a departing partner from claiming any rights over the "'assets' of the business." Because the agreement establishes that a departing partner has no financial interest in the business, the agreement is not silent on a departing partner's rights and precludes application of Minn. Stat. § 323A.0701. Accordingly, in ordering a buyout, the district court improperly applied statutory law that conflicts with the plain language of the partnership agreement.

In addition, the district court erred by interpreting "blessing." In addressing respondents' claim for a statutory buyout, the court did not need to interpret "blessing" because the plain language of the agreement precludes a departing partner from claiming any right to a financial interest in the business. Thus, a blessing is something other than a

right to claim compensation for a financial interest in the business. The plain language of the agreement provides that remaining partners will "bless" the departing partner "as they see fit." This language indicates that the partners decide what a blessing will be. We conclude that on this record, defining "blessing" is both unnecessary and deviates from a court's duty to apply neutral principles of law without relying on "religious precepts" or resolving "a religious controversy" in interpreting a document. *Jones*, 443 U.S. at 604, 99 S. Ct. at 3026.

On appeal, respondents argue in the alternative that under the agreement, they are the persons to determine what a blessing is, and they ask for a buyout as their blessing. But we do not reach this argument, which is based on a strained reading of the plain language of the agreement, because respondents did not make it to the district court. *See Thiele v. Stich*, 425 N.W.2d 580, 582 (Minn. 1988) (stating that appellate court will not consider issues not raised in district court).

We reverse summary judgment in favor of respondents on their claim for a buyout of partnership interest in the logging business and grant summary judgment to appellants.

II.

Appellants challenge the district court's grant of summary judgment to respondents on their claim of ownership to property 1.

A deed is prima facie evidence that it has been properly executed and delivered. *Hedding v. Schauble*, 146 Minn. 95, 96, 177 N.W. 1019, 1020 (1920). Generally, a "deed is conclusively presumed to express the final agreement of the parties in the absence of fraud or mistake." *B-E Const., Inc. v. Hustad Dev. Corp.*, 415 N.W.2d 330,

331 (Minn. App. 1987), *review denied* (Minn. Jan. 20, 1988). Because the rules for construing contracts apply to deeds, "only if a deed is ambiguous can evidence other than its language be considered to determine its meaning." *Danielson v. Danielson*, 721 N.W.2d 335, 338 (Minn. App. 2006). "A party challenging a deed must present clear and convincing evidence to overcome the presumption that a deed is an absolute conveyance." *Peterson v. Holiday Recreational Indus., Inc.*, 726 N.W.2d 499, 506 (Minn. App. 2007), *review denied* (Minn. Feb. 28, 2007). To satisfy the clear-and-convincing standard on summary judgment, a party must provide evidence that a reasonable jury might find clear and convincing. *Williams v. Curtis*, 501 N.W.2d 653, 655-56 (Minn. App. 1993), *review denied* (Minn. Aug. 6, 1993).

It is undisputed that the deed for property 1 states that Thomas and Katherine Tollefsrud, husband and wife, grantors, hereby convey and warrant to Karl and Suzanne Solum, grantees as joint tenants, property 1. The district court concluded that the deed was prima facie evidence of an absolute conveyance and of respondents' ownership of property 1. But appellants assert that they are entitled to summary judgment on the issue of ownership of the property because although respondents hold title to the property, they do so under either a resulting or a constructive trust. Alternatively, appellants argue that disputed issues of material fact preclude granting summary judgment on their trust claims.

Resulting Trust

Appellants argue that the district court erred by rejecting their claim that a resulting trust on property 1 exists in favor of the Tollefsruds. They assert that as a

matter of law the Tollefsruds' transfer of title to property 1 to respondents in 1993 created a presumption of a resulting trust under Minn. Stat. § 501B.07 (2010). We disagree.

We review issues of statutory interpretation de novo. *Am. Family Ins. Grp. v. Schroedl*, 616 N.W.2d 273, 277 (Minn. 2000). Our goal in interpreting a statute is to ascertain and effectuate legislative intent. Minn. Stat. § 645.16 (2010). If a statute's words are clear and unambiguous as applied to an existing situation, we construe the words according to their common and approved usage. Minn. Stat. § 645.08(1) (2010).

Section 501B.07, which creates a presumption of the creation of a resulting trust under certain circumstances, became effective in 1990. 1989 Minn. Laws ch. 340, art. I, § 7, at 3022 (enactment of section 501B.07), § 76, at 3061 (stating law effective January 1, 1990); *see Freundschuh v. Freundschuh*, 559 N.W.2d 706, 709 (Minn. App. 1997), *review denied* (Minn. Apr. 24, 1997). Section 501B.07 replaced Minn. Stat. § 501.07 (1988), which prohibited the common-law remedy of a resulting trust. 1989 Minn. Laws ch. 340, art. I, § 77, at 3061 (repealing section 501.07); *Bastian v. Brink*, 233 Minn. 25, 28-29, 45 N.W.2d 712, 714 (1951) (discussing section 501.07).

The resulting-trust statute provides that, "If a transfer of property is made to one person and the purchase price is paid by another, a resulting trust is presumed to arise in favor of the person by whom the purchase price is paid . . . ." Minn. Stat. § 501B.07 (2010). The statute contains three exceptions under which a resulting trust is not presumed to arise, none of which apply here.

The district court concluded, based on the facts in the record presented at summary judgment, that Minn. Stat. § 501B.07 is inapplicable and, therefore, a resulting trust does not exist in favor of the Tollefsruds with respect to property 1. We agree.

In arguing that the resulting trust statute applies, appellants rely on two separate transactions. In 1975, the Tollefsruds paid the purchase price for property 1 to a seller, and the seller transferred title to the property to the Tollefsruds. In 1993, the Tollefsruds transferred title to property 1 to respondents. The deed from this transfer states that the property was purchased for "valuable consideration" and that total consideration was less than $500.

We reject appellants' contention that Minn. Stat. § 501B.07 applies to the 1993 transaction based on the Tollefsruds' purchase of the property in 1975. This argument fails because it requires isolating parts of two separate transactions to satisfy the elements of a resulting trust: the payment from the 1975 conveyance and the transfer of title from the 1993 conveyance. But the plain language of the statute refers to "*a* transfer of property" in identifying the elements that must be present for a presumption of a resulting trust to arise: (1) "a transfer of property is made to one person" and (2) "the purchase price is paid by another." Minn. Stat. § 501B.07. We do not read this language to reasonably provide that the legislature intended that a resulting trust could be created by piecing together parts of separate transactions separated by almost 20 years. *See Wegener v. Comm'r of Revenue*, 505 N.W.2d 612, 617 (Minn. 1993) (stating that while courts must following a statute's plain meaning when the words "are sufficient in and of themselves to determine the purpose of the legislation, we are equally obliged to reject a

construction that leads to absurd results or unreasonable results which utterly depart from the purpose of the statute" (quotation omitted)). Thus, we conclude as a matter of law that on these facts the resulting trust statute is inapplicable.

Moreover, even if the statute could be satisfied by combining two transactions, the Tollefsruds' 1975 payment of the purchase price occurred before the statute was in effect and at a time when the creation of resulting trusts was expressly prohibited by the legislature. *See* Minn. Stat. § 645.21 (2010) ("No law shall be construed to be retroactive unless clearly and manifestly so intended by the legislature.").

We conclude that the district court did not err in granting summary judgment to respondents on appellants' resulting-trust claim.

Constructive Trust

Appellants argue that the district court erred in failing to impose a constructive trust concerning property 1 in favor of Maranatha and that they are entitled to summary judgment on this claim. Alternatively, appellants contend that genuine issues of material fact preclude summary judgment. We agree that there are disputed fact issues material to whether a constructive trust should be imposed. *See Peterson*, 726 N.W.2d at 506 (stating that "[w]hether a constructive trust should be imposed is a question of fact"); *Freundschuh*, 559 N.W.2d at 711 (holding that this court may not rule on whether a constructive trust should be imposed as a matter of law because the existence of a constructive trust is a question of fact for the district court and remanding for consideration of constructive-trust question).

A constructive trust is "an equitable remedy intended to prevent the unjust enrichment of a person holding property under a duty to convey it or use it for a specific purpose." *Gethsemane Lutheran Church v. Zacho*, 253 Minn. 469, 477, 92 N.W.2d 905, 911-12 (1958). Granting or denying equitable relief lies within the discretion of the district court, and we will not reverse absent a clear abuse of that discretion. *Nadeau v. Co. of Ramsey*, 277 N.W.2d 520, 524 (Minn. 1979). "The establishment of a constructive trust does not set aside the title to the property but instead proceeds on the theory that, even though legal title rests in the grantee of the deed, equity will declare that such title is held in trust for someone else to whom it rightfully belongs." *In re Estate of Vittorio*, 546 N.W.2d 751, 755 (Minn. App. 1996) (quotation omitted).

Here, whether respondents paid any consideration in 1993 when the Tollefsruds transferred title to them is disputed. *See In re Estate of Eriksen*, 337 N.W.2d 671, 674 (Minn. 1983) (affirming imposition of constructive trust because party whose name was not on deed had contributed financially to acquisition of property). Although the face of the deed demonstrates that respondents paid "valuable consideration" in an amount "less than $500," appellants assert that respondents paid no consideration at the time of the 1993 transfer. Appellants submitted affidavits stating that the Tollefsruds transferred the property to respondents for no consideration with the intention that the property would be held in trust for the group.

In addition, whether the Tollefsruds transferred title to property 1 with an understanding between the parties that respondents were to hold the property in trust for the group and were not obtaining actual ownership of the property is disputed. *Spiess v.*

Schumm, 448 N.W.2d 106, 108 (Minn. App. 1989) (affirming district court's imposition of constructive trust where court made findings concerning parties' intent at time of transfer of property rights). Appellants submitted affidavits stating that the Tollefsruds and respondents understood at the time of transfer of title that respondents held the property in trust for the group. And appellants submitted affidavits from respondents' sons, who lived with respondents in property 1 after the 1993 transfer of title, stating that respondents repeatedly told their sons that they did not own the home, but held it in trust for the group. In contrast, respondents assert that property 1 was never held in trust for the group. Respondent Karl Solum's affidavit states that he and his wife own property 1 because title to the property is in their name and that other members who left the group retained ownership of property titled in their name when they left the group.

Because appellants, as the nonmoving party in this summary judgment proceeding are entitled to the benefit of reasonable inferences from the evidence, material fact questions preclude summary judgment. *See Wagner v. Schwegmann's S. Town Liquor, Inc.*, 485 N.W.2d 730, 733 (Minn. App. 1992), *review denied* (Minn. July 16, 1992). We therefore reverse and remand on the issue of whether a constructive trust in favor of the group should be imposed to avoid unjust enrichment.

Appellants also argue that the district court misapplied constructive-trust law. We agree. The record shows that the district court failed to consider a circumstance in which a constructive trust can be imposed: when the holder of a property assumes a duty to hold the property in trust. *Spiess*, 448 N.W.2d at 108. Thus, the district court's error omitted consideration of a possible basis for granting equitable relief to appellants.

The district court also erroneously applied the legal standard that requires the court to make a finding as to whether "it would be morally wrong" for respondents to retain property 1. *Spiess*, 448 N.W.2d at 108. Instead, the court concluded that the evidence in the record was clear and convincing that "it would be morally wrong to find that a constructive trust exists," which is not the applicable legal standard.

III.

In conclusion, we (1) reverse the district court's grant of summary judgment on respondents' claim for a statutory buyout of their partnership interest in the logging business and grant summary judgment to appellants on this issue; (2) affirm the district court's grant of summary judgment on appellants' resulting-trust claim; and (3) reverse and remand for trial the district court's grant of summary judgment on appellants' constructive-trust claim.

Affirmed in part, reversed in part, and remanded.