KING'S BENCH FOR SASKATCHEWAN

Citation: **2025 SKKB 78**

Date: **2025 06 11**
File No.: KBG-SA-01474-2023
Judicial Centre: Saskatoon

BETWEEN:

LLOYD GOOD and WEST CENTRAL AIR HOLDINGS LTD.

APPLICANTS

- and -

PRECISION WEST AG CORP., operating as PROVINCIAL AIRWAYS and operating as WEST CENTRAL AIR (2013), and JAMES RUSSELL WOOD and JAMES POTTAGE

RESPONDENTS

Counsel:

Nicole V. Payne	for the applicants
William G. Lane and Mackinley M. Sim	for the respondents

JUDGMENT
June 11, 2025

R.S. SMITH J.

Introduction

[1] The applicants and the respondents are all experienced operators in the aerial spraying business. The applicants have brought an originating notice against the respondents seeking an interpretation of clause 1.01 of the agreement between them dated April 15, 2013 [Services Agreement]. The Services Agreement was part of a larger Asset Purchase Agreement [APA].

[2] The respondents are in the business of aerial application of crop care products, as well as aircraft maintenance. As part of expanding their business, the respondents entered the APA with the applicants. They contracted for the applicants' operations under the Services Agreement to conduct aerial spraying of cropland in the Rosetown area.

[3] The applicants characterize the dispute as relating to an interpretation of the amount payable under the Services Agreement.

[4] Clause 3.01 of the Services Agreement mandates the applicants' compensation to be calculated on a per-acre basis: $1.50 per acre for the first 165,000 acres sprayed annually and $2.00 per acre for any additional acres, with aggregate payments subject to the "Maximum Contract Amount" defined in clause 1.01.

[5] The definition found at 1.01 of the Services Agreement reads:

> **"Maximum Contract Amount"** means the sum of $2,000,000.00, or such other amount between the sum of $2,000,000.00 and $2,100,000.00, as may be agreed upon by the parties …

[6] The parties both acknowledge the amount paid to date is $1,475,505.54, exclusive of GST. However, the applicants rely on the definition for "Maximum Contract Amount" in the Services Agreement as central to their claim and seek further payment to the total sum of $2,000,000.00.

[7] The applicants contend that, upon the expiry of the 10-year contract term, they are entitled to the full $2,000,000.00 regardless of the actual number of acres sprayed. They assert that this figure represents an absolute minimum entitlement rather than a ceiling on payment, notwithstanding the clause is titled "Maximum Contract Amount".

[8] The respondents dispute this interpretation, maintaining that the

"Maximum Contract Amount" operates strictly as an aggregate cap and that compensation remains performance-driven, tied directly to the acreage actually sprayed.

[9] The respondents further submit that the ancillary provisions relied upon by the applicants, such as clause 3.03 (addressing final year cap adjustments) and clause 3.04 (providing for payment of any remaining balance to the applicants' estate in the event of Lloyd Good's death), serve to safeguard earned entitlements, not to convert the "Maximum Contract Amount" into a guaranteed minimum.

[10] The central question for the Court is therefore the proper construction of the Services Agreement's "Maximum Contract Amount": whether the $2,000,000.00 figure constitutes a payment ceiling or an assured minimum payable to the applicants at the conclusion of the contract term.

Analysis

[11] The issue in dispute is one of contractual interpretation.

[12] The leading approach on the interpretation of contracts comes from *Sattva Capital Corp. v Creston Moly Corp.*, 2014 SCC 53, [2014] 2 SCR 633 [*Sattva*], where at para. 47 the Court instructs that the main task "is to determine 'the intent of the parties and the scope of their understanding'". To do so requires that a Court "must read the contract as a whole, giving the words used their ordinary and grammatical meaning, consistent with the surrounding circumstances known to the parties at the time of formation of the contract".

[13] Further, the Saskatchewan Court of Appeal has recently indicated in *Mosten Investments LP v The Manufacturers Life Insurance Company (Manulife Financial)*, 2021 SKCA 36 at para 73, [2021] 9 WWR 1 [*Mosten*], that "the first principle of contract interpretation is that the parties to a contract are presumed to have

intended what the text of the contract actually says". The decision in *Mosten* at para 75 then goes on to say that the Court may look "outside the text of the contract to objective evidence of the mutual intention of the parties to assist with the interpretation of the text".

[14] The Court was clear in *Mosten* that any reliance on extrinsic evidence was not to be used to overwhelm the words of the contract itself, but rather to deepen the understanding of the words for the decisionmaker. Any interpretation must still be grounded in the text.

The Applicants' Position

[15] The applicants' core contention is that clause 1.01's definition of "Maximum Contract Amount" created an absolute entitlement to that sum at the end of the 10-year term, irrespective of the acreage actually sprayed. In short, it really means "Minimum Amount Payable".

[16] The applicants rely on clause 3.04, which provides that, in the event of Lloyd Good's death, the respondents would pay his estate the remaining balance of the Maximum Contract Amount, as confirming the parties' intent to guarantee full payment of $2,000,000.00. As noted, the respondents say the insurance is a backstop to ensure payment of monies owed.

[17] The applicants further emphasize clause 3.03, which reads (emphasis added):

> **3.03 Final Year of Contract**
>
> The Manager hereby covenants and agrees that he shall maintain accurate records of the total number of acres sprayed pursuant to this Agreement. The Manager further covenants and agrees that if and when the total compensation paid and owing (assuming that an amount becomes owing as soon as it is sprayed) to [the applicants] pursuant to this Agreement is equal

> to at least 95% of the Maximum Contract Amount he will promptly notify the Corporation, at which point the Corporation and Manager shall determine if the total amount payable under this Agreement shall be increased to accommodate existing and/or planned work orders. In no circumstances shall the total amount payable under this Agreement be decreased below the Maximum Contract Amounts or increased above 1.05 times the Maximum Contract Amount.

[18] The applicants argue this protective mechanism shows the "Maximum Contract Amount" could not be diminished and therefore functioned as a minimum payable.

[19] To support their interpretation, the applicants tendered extrinsic documents, including a non-binding proposal and loan instruments referring to a $2,000,000.00 figure. They submit that these materials form part of the factual matrix evidencing a mutual intention to secure the full sum to the applicants regardless of performance metrics.

[20] Additionally, the applicants contend that the payment structure of a per-acre basis per year served a dual purpose. Quoting from paragraph 34 of the applicants' April 2, 2025 brief of law, "Paying [the applicants] for acres sprayed would have helped [the respondents] better budget the $2,000,000.00, while also providing assurances to [the applicants] that [the applicants] … would ultimately obtain the sum of $2,000,000.00 that they agreed upon, though they may have to wait 10 years before being paid in full."

The Respondents' Position

[21] The respondents' position rests primarily on the plain meaning of the words employed in the Services Agreement. The respondents also focus on the compensation provisions for the per-acre payment scheme set out at clause 3.01.

[22] Clause 3.01 provides that the applicants were to be paid $1.50 per acre

for the first 165,000 acres sprayed each year and $2.00 per acre for any additional acres. The amount paid, totalling $1,475,505.55, reflects this precise calculation. The respondents submit that the attention to detail on the number of acres sprayed is absolutely inconsistent with the applicants' contention that there is a $2,000,000.00 minimum.

[23] At no time during the 10-year term did the applicants spray a sufficient number of acres to earn compensation equal to the "Maximum Contract Amount".

[24] The respondents submit that the "Maximum Contract Amount" defined in clause 1.01 operates strictly as that, a maximum, not as a guaranteed minimum payment. The amount decided upon was based on projections from historic spray volumes.

[25] They suggest that clause 3.03 was included to address the contingency of reaching, or nearly reaching, the "Maximum Contract Amount" mid-season. It requires the applicants to notify the respondents upon achieving at least 95 percent of the cap, at which point the parties could agree to increase the cap up to $2,100,000.00. Having never met that threshold or provided the requisite notice, clause 3.03 was not engaged.

[26] The provision in clause 3.03 that, "In no circumstances shall the total amount payable under this Agreement be decreased below the Maximum Contract Amount or increased above 1.05 times the Maximum Contract Amount" serves solely to protect earned entitlements once the cap is reached; it does not convert the cap into a guaranteed floor.

[27] The respondents therefore contend that the compensation scheme must be construed as performance-based pursuant to clause 3.01, subject only to the "Maximum Contract Amount" as a ceiling on total owing.

[28] No other clause in the Services Agreement obliges the respondents to pay

beyond amounts earned through actual acreage sprayed.

Conclusion

[29] *Prima facie*, the interpretation advanced by the applicants brings to mind the exchange between Alice and Humpty Dumpty in Lewis Carroll's *Through the Looking-Glass* (Chapter 6).

[30] Alice and Humpty Dumpty are discussing what the word "glory" means:

> "I don't know what you mean by 'glory,'" Alice said.
>
> Humpty Dumpty smiled contemptuously. "Of course you don't --- till I tell you. I meant 'there's a nice knock-down argument for you!'"
>
> "But 'glory' doesn't mean 'a nice knock-down argument'," Alice objected.
>
> "When I use a word," Humpty Dumpty said, in rather a scornful tone, "it means just what I choose it to mean – neither more nor less."

Respectfully, I must side with Alice.

[31] Applying the established principles of contractual interpretation, I find that the definition of "Maximum Contract Amount" in clause 1.01 was intended as a cap on aggregate compensation, not as a guaranteed minimum. In accordance with *Sattva*, the Court's task is to give effect to the plain and grammatical meaning of the contract, read as a whole in its commercial context.

[32] The extrinsic materials relied upon by the applicants, including the proposal and loan documents, were neither incorporated into the Services Agreement nor necessary to interpret its clear terms. Those documents cannot be used to vary or contradict the parties' written agreement and accordingly do not assist the applicants' claim.

[33] The applicants' reliance on clause 3.03 is similarly misplaced. That provision was designed solely to address a mid-season cap adjustment upon notice and to protect any earned entitlement from reduction; it does not create a contractual obligation to pay the full $2,000,000.00 irrespective of performance metrics.

[34] The per-acre compensation structure set out in clause 3.01, confirmed by the actual payments made to date, is particularly persuasive evidence of the parties' intention to tie compensation strictly to performance. Had the parties intended a guaranteed payment of $2,000,000.00, they could have easily drafted a fixed-sum payment mechanism rather than a graduated per-acre scheme.

[35] The applicants' submission that the payment structure served merely to reassure them of eventual receipt of $2,000,000.00 is unpersuasive in light of the contract's express terms and commercial logic.

[36] The interpretive approach propounded by the applicants cannot prevail in the face of the precise language used by the parties in creating the contract. For the above reasons, the applicants' originating notice is dismissed and the respondents shall have costs under column 1.

_____J.
R.S. SMITH