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SUPREME COURT OF ALABAMA

OCTOBER TERM, 2018-2019

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Shoals Extrusion, LLC

v.

Lonnie Beal

Appeal from Lauderdale Circuit Court
(CV-15-900394)

MITCHELL, Justice.

Lonnie Beal sued his former employer, Shoals Extrusion, LLC, an aluminum-extrusion business in Florence, after his employment there was terminated in November 2015. Beal alleged that Shoals Extrusion breached the terms of his

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employment agreement by refusing to give him severance compensation and benefits to which he claims he was entitled. The Lauderdale Circuit Court entered a summary judgment in favor of Beal and awarded him \$80,800. This appeal followed. We reverse the summary judgment and remand the cause for further proceedings.

Facts and Procedural History

In late 2014, Beal was working at an extrusion business in Florence when his supervisor, Wilbur Craven, asked him if he would be interested in becoming the plant manager for Shoals Extrusion, a new business Craven and other individuals were starting.¹ Beal responded in the affirmative, and, in early 2015, he began formal discussions with Craven and Wade Gilchrist, another owner of Shoals Extrusion, about the new business and what the terms of his employment would be. After an agreement was reached in principle, Beal requested that

¹The United States Court of International Trade has described extrusion as a process by which raw material in the form of "billets" is pushed "through a precision die that produces a raw shape usually called a 'blank' that is then further machined, finished, or coated as required for its future manufacturing or consumer use." Aluminum Extrusions Fair Trade Committee v. United States, 968 F. Supp. 2d 1244, 1247 n. 6 (Ct. Int'l Trade 2014).

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Shoals Extrusion prepare a written employment agreement memorializing the agreed-upon terms.

On March 27, 2015, Beal and Craven executed a five-year employment agreement that obligated Shoals Extrusion to pay Beal a \$20,000 signing bonus and a first-year salary of \$70,000. Shoals Extrusion also agreed to pay Beal's health-insurance premiums. In return, Beal agreed that "[t]he work week shall be [a] 40 plus hour work week and the days and the time shall be as set by [Shoals Extrusion]." The agreement further provided that, if Shoals Extrusion terminated Beal's employment during the five-year term of the agreement, it would pay Beal his "wages and benefits for the term of [one] year." For his part, Beal agreed that, if he chose to leave Shoals Extrusion before the five-year term of the agreement expired, he would pay back the \$20,000 signing bonus within 30 days of leaving the employ.

On April 1, 2015, Beal began working for Shoals Extrusion. In July 2015, Shoals Extrusion opened its facility and started production with one shift beginning at 7:00 a.m. and continuing for approximately 8 to 10 hours, depending on the volume of orders. In August 2015, Shoals Extrusion began

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operating a second shift. According to Craven, the employees voted to move the start time of the first shift up to 6:00 a.m. so the second shift did not have to work as late. Beal, however, refused to change his schedule and continued to arrive at the facility at 7:00 a.m. or later.

Craven and Gilchrist spoke with Beal on multiple occasions about Beal working additional hours to increase production at the facility. Craven and Gilchrist stated, however, that Beal repeatedly indicated that he was not willing to work more hours than he was working unless he received an ownership interest in Shoals Extrusion. They stated that Beal further told them that he would, in fact, reduce the hours he was working unless he received the ownership interest he was seeking. Craven stated that he eventually learned that Beal was also telling certain individuals in the industry that Shoals Extrusion was having financial problems. Shoals Extrusion subsequently decided to terminate Beal's employment.

On November 23, 2015, Craven and Gilchrist met with Beal and terminated his employment with Shoals Extrusion. During the meeting, they asked Beal to execute a "severance and

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general release agreement" that would, by its terms, obligate Shoals Extrusion to pay Beal's salary through December 31, 2015, in return for Beal's releasing any claims he might have against Shoals Extrusion. Beal declined to sign the proposed severance agreement. Shoals Extrusion thereafter made no further payments to Beal, despite his demand that it owed him one year's salary plus benefits under the terms of the severance-pay provision in his employment agreement.

On December 18, 2015, Beal sued Shoals Extrusion, asserting a breach-of-contract claim based on Shoals Extrusion's failure to pay him severance benefits following the termination of his employment. On February 17, 2016, Beal moved for a summary judgment on his claim. Shoals Extrusion filed a response opposing the motion, and the trial court conducted a hearing to consider the parties' arguments.

On April 7, 2016, the trial court granted Beal's summary-judgment motion, reasoning that Shoals Extrusion was effectively arguing that it had terminated Beal's employment for cause despite the absence of a provision in the employment agreement authorizing termination for cause. The trial court noted Shoals Extrusion's defense that Beal had breached the

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implied duty of good faith by threatening to reduce his working hours unless he was given an ownership interest in the company, but the trial court found there was no evidence indicating that Beal had actually followed through on that threat. Although the trial court granted Beal's summary-judgment motion and held that Shoals Extrusion had breached the severance-pay provision in the employment agreement, the court did not assess damages, and no final judgment was entered at that time.

On July 20, 2016, Beal amended his complaint to add Gilchrist as a defendant and to assert additional claims. The parties subsequently engaged in discovery related to those claims. On January 5, 2018, the trial court dismissed all the claims Beal had added in his amended complaint, leaving the amount of damages to be assessed on Beal's breach-of-contract claim against Shoals Extrusion as the only remaining issue before the court. On March 23, 2018, the trial court entered a final judgment reaffirming its April 7, 2016, order in which it held Shoals Extrusion liable for breaching the severance-pay provision in Beal's employment agreement and assessing damages in the amount of \$80,800 -- \$70,000 for one

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year of salary and \$10,800 for one year of health-insurance premiums. Shoals Extrusion thereafter filed a timely notice of appeal to this Court.

Standard of Review

Shoals Extrusion seeks the reversal of the summary judgment awarding Beal \$80,800 on his breach-of-contract claim. We review a summary judgment under the following standard:

"This Court's review of a summary judgment is de novo. Williams v. State Farm Mut. Auto. Ins. Co., 886 So. 2d 72, 74 (Ala. 2003). We apply the same standard of review as the trial court applied. Specifically, we must determine whether the movant has made a prima facie showing that no genuine issue of material fact exists and that the movant is entitled to a judgment as a matter of law. Rule 56(c), Ala. R. Civ. P.; Blue Cross & Blue Shield of Alabama v. Hodurski, 899 So. 2d 949, 952-53 (Ala. 2004). In making such a determination, we must review the evidence in the light most favorable to the nonmovant. Wilson v. Brown, 496 So. 2d 756, 758 (Ala. 1986). Once the movant makes a prima facie showing that there is no genuine issue of material fact, the burden then shifts to the nonmovant to produce 'substantial evidence' as to the existence of a genuine issue of material fact. Bass v. SouthTrust Bank of Baldwin County, 538 So. 2d 794, 797-98 (Ala. 1989); Ala. Code 1975, § 12-21-12."

Dow v. Alabama Democratic Party, 897 So. 2d 1035, 1038-39 (Ala. 2004).

Discussion

"In order to recover on a breach-of-contract claim, a party must establish: (1) the existence of a valid contract binding the parties; (2) the plaintiff's performance under the contract; (3) the defendant's nonperformance; and (4) damages." Capmark Bank v. RGR, LLC, 81 So. 3d 1258, 1267 (Ala. 2011). In the trial court, Beal made a prima facie showing that those elements were established by submitting the following: the employment agreement containing the severance-pay provision; Shoals Extrusion's admission that it terminated Beal's employment on November 23, 2015; and Beal's affidavit describing the execution of the employment agreement, the start and termination of his employment, the wages and benefits he was receiving at the time of termination, and Shoals Extrusion's failure to pay him any moneys subsequent to that termination. This evidence was sufficient to shift the burden to Shoals Extrusion to show by substantial evidence that there is a genuine issue of material fact on at least one of the required elements.

Shoals Extrusion argues to this Court, as it did to the trial court, that there is a genuine issue of material fact

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about whether Beal performed his obligations under the employment agreement. Shoals Extrusion asserts that Beal did not perform his duties under the employment agreement and, for that reason, he cannot seek to enforce that agreement. See Nationwide Mut. Ins. Co. v. Clay, 525 So. 2d 1339, 1343 (Ala. 1987) ("Under general principles of contract law, a substantial breach by one party excuses further performance by the other."); Smith v. Clark, 341 So. 2d 720, 721 (Ala. 1977) ("[T]his Court should not enforce an agreement where the party seeking to enforce the agreement has failed to perform his part of the bargain.").

Beal contends that Shoals Extrusion had no right under the terms of the employment agreement to terminate his employment for cause. As support, Beal relies on Southern Medical Health System, Inc. v. Vaughn, 669 So. 2d 98, 100-01 (Ala. 1995), in which this Court rejected an employer's argument that it could terminate a contract employee's employment for cause despite there being no "provisions authorizing termination for 'cause'" in the employment agreement. But Shoals Extrusion does not argue that it had a right to terminate Beal for cause. Instead, it argues that

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Beal breached the employment agreement, thereby excusing Shoals Extrusion from its obligations under that agreement.

Shoals Extrusion supported its argument in the trial court by submitting affidavits from Craven and Gilchrist in which one or both of them swore: (1) that Beal refused to arrive for work as directed at 6:00 a.m.; (2) that Beal stated that he would not work the additional hours Shoals Extrusion requested him to work unless he received an ownership interest in the business; (3) that Beal threatened to begin working reduced hours; and (4) that Beal began telling other individuals in the industry that Shoals Extrusion was having financial problems. Shoals Extrusion argued that, by these acts, Beal breached both the express terms of the employment agreement and the implied duty of good faith and fair dealing inherent in any contract. See generally American Cast Iron Pipe Co. v. Williams, 591 So. 2d 854, 857 (Ala. 1991) (explaining that all contracts, including the employment contract at issue in that appeal, "impose an obligation to act in good faith and to deal fairly").

Craven's and Gilchrist's affidavits constitute substantial evidence that Beal breached the express terms of

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the employment agreement -- which required Beal to work a "40 plus hour work week [with] the days and the time ... set by [Shoals Extrusion]" -- by refusing to begin work as directed at 6:00 a.m., and by refusing to work the additional hours he was requested to work. This evidence created a genuine issue of material fact regarding Beal's performance under the contract, thereby making a summary judgment on the breach-of-contract claim inappropriate. Whether Beal breached the employment agreement and whether that breach was material to the contract are ultimately questions for the fact-finder that cannot be resolved at the summary-judgment stage. See Karl-Storz Endoscopy-America, Inc. v. Integrated Med. Sys., Inc., 808 So. 2d 999, 1013 (Ala. 2001) ("Whether a breach is material is ordinarily a question for the trier of fact.").

Conclusion

Beal sued his former employer Shoals Extrusion after his employment was terminated in November 2015, only eight months into the five-year term contemplated by the employment agreement he had executed. Beal alleged that, under the severance-pay provision in his employment agreement, he was entitled to one year's salary and benefits if his employment

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was terminated within that five-year term. The trial court agreed, entering a summary judgment against Shoals Extrusion and awarding Beal damages of \$80,800. There is, however, a genuine issue of material fact about whether Beal first breached the terms of the employment agreement and whether such breach excused further performance by Shoals Extrusion under that agreement. Accordingly, the summary judgment is reversed and the cause is remanded for further proceedings consistent with this opinion.

REVERSED AND REMANDED.

Parker, C.J., and Shaw, Bryan, and Mendheim, JJ., concur.