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Employee not entitled to make further claim after signing full and final release

Release included claims for stock options; worker couldn't sue for vested stock following termination



By Jackson Lund

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When employers negotiate a settlement agreement in an employment dispute, they often experience apprehension whether the settlement will really be effective to prevent an employee from bringing a future claim.

In *Preston v. Cervus Equipment Corporation*, 2024 ONCA 804, the Ontario Court of Appeal has provided reassurance that employees will be held to their bargains and courts are not permitted to rewrite settlements based on an employee's claim the settlement was unfair.

Matthew Preston was employed with Cervus Equipment Corporation from 2014 until his employment was terminated without cause in January 2018. At the time of his dismissal, Preston had 4,964 vested stock options worth approximately \$75,900. The Cervus stock plan stipulated that upon termination of employment, all vested stock would automatically be redeemed.

Preston rejected Cervus's severance offer and commenced a court action for wrongful dismissal against Cervus. In his lawsuit, Preston made no claim for his vested stock options, even though he had received no payment for the stock.

The parties settled the wrongful dismissal action for just over \$100,000. With the benefit of independent legal advice, both parties executed settlement documents consisting of minutes of settlement and a full and final release discharging Cervus from all further liability. The settlement documents contained expansive language which provided as follows:

"Cervus and Mr. Preston have agreed to fully and finally settle all matters and entitlements (earned or claimed) arising from or relating to Mr. Preston's employment (or the cessation thereof), including all matters and entitlements (earned or claimed) that were raised (or could have been raised) in the Action...inclusive of any and all entitlements that Cervus may owe, or which may have accrued, to Mr. Preston pursuant to statute, contract, common law or otherwise.

I further declare that I have no entitlement under or from, or any claim of any nature or kind against the Releasees in respect of, any bonus, share award, stock option, deferred share or similar incentive plan offered by or on behalf of the Releasees..."

Stock options with settlement

The day before Cervus signed the settlement documents, Preston emailed Cervus requesting payout for his vested stock. Cervus did not respond and signed the settlement documents the following day.

After the settlement documents had been executed, Cervus refused Preston's request for the stock payment on the basis the settlement precluded any such claim. In response, Preston brought a motion for summary judgment before the Ontario Superior Court of Justice, seeking damages of \$75,900 (the value of the stock). He submitted that the settlement documents did not address the vested stock because they were not part of the wrongful dismissal action. He claimed the stock had automatically become his property upon his dismissal.

The motion judge relied on a rule of contractual interpretation that requires the words used in a settlement agreement to be interpreted in the context of surrounding circumstances. The judge considered the fact the stock options vested automatically upon termination, and that the interpretation argued by Cervus would make "little economic sense" for Preston:

"[Preston] states that the settlement of the wrongful dismissal action would yield little benefit if he gave up the \$75,949.81. Indeed, the entire net benefit of the wrongful dismissal action from the initial proposal by [Cervus] would be less than \$7,000. I accept that the wrongful dismissal action makes little sense if [Preston] forgoes the redeemed vested share units."

The motion judge found that the meaning of the language in the settlement documents releasing claims to stock awards should be confined to "stock [...] awards which have either not been awarded or not been redeemed and which were still subject to the terms of the Plan. The Plan, by its very wording, no longer had any application to the redeemed vested stock units."

Full and final release included stock options claim

Cervus appealed to the Court of Appeal, which [reversed the motion judge's decision](#) on the basis that the judge:

- Incorrectly allowed factual circumstances to overwhelm the actual wording of the settlement and release, effectively re-writing the contract between the parties. Said the court: “In this regard, we do not accept [the judge’s] conclusion that the release of stock units applied only to stock awards which have either not been awarded or not been redeemed. The parties could have specified this result but chose not to do so.”
- Failed to acknowledge that the release specifically referred to the release of any claim for stock options.
- Ought not to have considered the economic benefits of a settlement except when a party is under disability.

This is consistent with the principle that [settlements that say they are final](#) should be regarded as such, and no party should be able to run roughshod over the agreement once signed.

The decision is a good reminder of the importance of [clear, precise, and inclusive language](#) in any settlement documentation, particularly (but not exclusively) when the intention is to fully and finally bring an end to all disputes between parties. Settlement documents should include language that generally releases the employer from [all employment-related claims](#) and specifically releases the employer from any claim that could still be outstanding.

Note: Preston has sought leave to appeal to the Supreme Court of Canada.

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