

CASE LAW UPDATE

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CHAPTER 1

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The case selection for this episode of Case Law Update, like all of them in the past, is very arbitrary. If a case is not mentioned, it is completely the author's fault. Cases are included through 478 S.W.3d and Supreme Court opinions released through May 20, 2016.

The Texas Property Code and the other various Texas Codes are referred to by their respective names. The references to various statutes and codes used throughout this presentation are based upon the cases in which they arise. You should refer to the case, rather than to my summary, and to the statute or code in question, to determine whether there have been any amendments that might affect the outcome of any issue.

A number of other terms, such as Bankruptcy Code, UCC, DTPA, and the like, should have a meaning that is intuitively understood by the reader, but, in any case, again refer to the statutes or cases as presented in the cases in which they arise.

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CASE LAW UPDATE

PART I MORTGAGES AND FORECLOSURES

Marhaba Partners Limited Partnership v. Kindron Holdings, LLC, 457 S.W.3d 208 (Tex.App.-Houston [14th Dist.] 2015, pet. denied). Marhaba borrowed a loan from City Bank. It gave City Bank a deed of trust covering real property and also gave City Bank an assignment of its right to a reimbursement from the MUD district. After Marhaba defaulted, City Bank foreclosed on the real property for less than balance due, then sold the loan to Kindron, assigning it the notes and other loan documents, including the assignment of the MUD reimbursement.

Kindron notified Marhaba that it was going to conduct a UCC sale of the MUD reimbursement assignment and would apply the proceeds to the deficiency. Marhaba responded by claiming that the indebtedness had been discharged by the foreclosure sale. Kindron proceeded anyway and, at the UCC sale, sold the MUD reimbursement assignment to itself. It then brought a declaratory judgment action to have the court determine that it was entitled to foreclose on the MUD assignment.

Marhaba claimed that Property Code § 51.003 applied to the real property foreclosure sale, that the real property had a fair market value in excess of the debt, and that the debt was discharged, extinguishing the security interest in the MUD receivable.

Section 51.003 provides borrowers and guarantors with a mechanism to adjust foreclosure sales prices upward. The legislature created this mechanism in recognition that post-foreclosure deficiencies artificially can be inflated because the nonjudicial foreclosure sale often does not directly represent what a buyer might pay in the market. When the lender is the sole bidder, it has little incentive to bid high. Section 51.003 applies to any action brought to recover the deficiency.

Marhaba argues that section 51.003(a) applies here because Kindron's declaratory judgment is an action brought to recover the deficiency. Marhaba argues that a deficiency resulted from the property foreclosure sale because the sale proceeds did not fully pay the loan balance. Marhaba further asserts that, because a deficiency resulted, section 51.003 applies to Kindron's subsequent suit to collect the deficiency via the declaratory judgment action.

Section 51.003 does not explicitly address how courts should address deficiencies when multiple sources of collateral secure the same loan. The statute does not state whether the existence of a deficiency within the meaning of § 51.003 should be determined

after each foreclosure sale or after all sales. Additionally, the statute does not state whether § 51.003 applies to situations involving mixed collateral encompassing real estate and personal property.

When a loan is secured by a single piece of real estate collateral, a deficiency judgment will impose personal liability upon the debtor for the unpaid amount of a debt after the foreclosure sale. In cases involving multiple sources of collateral, personal liability may not be at issue; the lender may be able to collect through a series of non-judicial foreclosure sales. In cases where multiple pieces of collateral are foreclosed upon in a series of non-judicial proceedings, the foreclosure sale price for each piece of collateral, not the collateral's fair market value, is applied to the loan balance after each sale. Moreover, § 51.003 does not apply to prevent the sales or to require the lender to offset the debt in the manner stated in § 51.003 before proceeding with additional sales.

The inapplicability of the fair market value offset mechanism in cases involving serial foreclosure on multiple sources of collateral suggests that a deficiency under § 51.003 should be calculated (1) after all collateral has been sold; or (2) when the lender seeks to impose personal liability against the debtor through judicial action.

Landers v. Nationstar Mortgage, LLC, 461 S.W.3d 923 (Tex.App.-Tyler 2015, pet. pending). Aurora accelerated the Landerses' mortgage loan in November 2009. The Landerses then sued Aurora alleging fraud. They first obtained a TRO and later an agreed temporary injunction which enjoined Aurora from "conducting a foreclosure sale" while the fraud action was pending. In the meantime, Nationstar obtained the loan from Aurora. Judgment in the fraud suit was entered in Nationstar's favor and in December 2013, Nationstar filed suit for a judicial foreclosure.

The Landerses claimed that Nationstar's suit for judicial foreclosure was barred by limitations. Nationstar asserted that its suit was timely because limitations was tolled by the temporary restraining order and the temporary injunction. The trial court rendered summary judgment in favor of Nationstar.

Generally, if a note payable in installments is secured by a lien on real property, limitations for enforcement of the lien does not begin to run until the maturity date of the last installment. Civil Practice & Remedies Code § 16.035(e). If a note or deed of trust secured by real property contains an optional acceleration clause, the cause of action for enforcement accrues when the holder exercises its option to accelerate. When the four year limitations period expires, the real property lien and the power of sale to enforce the lien become void.

The court held that neither of the statutory tolling events has occurred here. Nationstar argued there is a

general equitable rule that, where a person is prevented from exercising his legal remedy by the pendency of legal proceedings, the time in which he is thus prevented should not be counted against him in determining whether limitations have barred his right. Under this rule, it has been held that the statute of limitations for nonjudicial foreclosure was tolled during the time the lender was restrained by the trial court's injunction from exercising the power of sale in the deeds of trust. However, in those earlier cases, the courts held that an injunction restraining a sale under the deed of trust did not prevent a suit to recover on the debt and to foreclose the liens through the court.

In this case, the injunctions prevented Nationstar from "conducting a foreclosure sale or otherwise dispossessing [the Landerses] of their interest" in the subject property and then from "conducting a foreclosure sale" of the subject property. Neither injunction restrained Nationstar from filing suit for judicial foreclosure of its lien. Therefore, the limitations period for such a suit was not tolled, and it expired prior to the filing of Nationstar's suit.

Nationstar contends that even if the limitations period expired prior to the filing of its suit, quasi-estoppel prevents the Landerses from asserting their statute of limitations defense. Quasi-estoppel precludes a party, with knowledge of the facts, from taking a position inconsistent with its former position to the disadvantage or injury of another. Nationstar argues that the Landerses' current position that Nationstar could have filed its suit for judicial foreclosure during the periods of injunction is inconsistent with their previous position that the Landerses were entitled to injunctions against nonjudicial foreclosure. However, judicial foreclosure and nonjudicial foreclosure are distinct procedures, and injunction against one does not preclude proceeding under the other. . Therefore, the Landerses' positions are not inconsistent, and, further, did not disadvantage or injure Nationstar. Consequently, quasi-estoppel does not apply.

In re Nguyen, 456 S.W.3d 673 (Tex.App.-Houston [14th Dist.] 2015, no pet.). Pursuant to Texas Government Code § 51.903, a person who is the purported debtor or obligor who owns real property and who has reason to believe that the document purporting to create a lien or a claim against the real property previously filed is fraudulent file a motion, verified by affidavit that contains, at a minimum the information in the suggested form. A district judge may rule upon the motion ex parte after reviewing only the documentation or instrument attached to the motion, without testimonial evidence and without notice of any kind.

A document is presumed to be fraudulent if it purport to create a lien or assert a claim against real property and (i) is not a document or instrument

provided for by the constitution or laws of Texas or the United States, (ii) is not created with the express or implied consent of the property owner or obligor, and (iii) is not an equitable, constructive, or other lien created by a court. Under this statutory scheme, the court may presume the document is fraudulent under this section if the court makes one positive and three negative findings about the subject document.

In other words, under this statute, the court first must affirmatively find that the document purports to create a lien or claim against real or personal property. Additionally, to find the subject document fraudulent, the court must determine that it is not (i) a document or instrument provided for by state or federal law or constitutional provision; (ii) a document or instrument created by implied or express consent or agreement of the obligor, debtor, or the owner of the real or personal property; or (iii) a document or instrument imposed by a court as an equitable, constructive, or other lien.

Nguyen's issue on appeal was that the deed of trust in question was not created by his consent or agreement, thus he claimed he had properly challenged the legitimacy of the document. What this amounted to was merely an allegation of forgery, which is inappropriate in a § 51.903 challenge. The limited nature of the court's section 51.903 review makes sense because, as explained above, such proceedings are conducted ex parte, without any testimonial evidence, and without notice of any kind.

PART II HOME EQUITY LENDING

Wells Fargo Bank, N.A. v. Murphy, 458 S.W.3d 912 (Tex. 2014). In a lengthy dispute between the Bank and the Murphys regarding a home equity loan each party sought a declaratory judgment as to the terms of the loan. The Bank prevailed and sought its attorneys' fees under the Declaratory Judgment Act. The Murphys argued that the non-recourse requirements of the Constitutional provisions for home equity loans meant that the Bank could not have a personal judgment for attorneys' fees.

Here, the note and security instrument both mirror the constitutional provision's language by stating the "Note is given without personal liability against each owner." No one disputes that "without personal liability against each owner" limits the sources of funds from which Wells Fargo may seek payment of the loan. Courts have traditionally described nonrecourse loans with such language. Given this historical context and the parties' own definition, in the event of default, Wells Fargo could seek payment of the home equity loan only from the collateral, and could not seek a deficiency judgment against the Murphys personally.

The parties propose differing interpretations of the meaning of “extension of credit.” The Bank argues that a lender can recover fees or costs for defending against a borrower’s separate and original proceeding challenging the foreclosure because those fees were not incurred pursuing a judgment against the borrower based upon the “extension of credit” as that term is used in the Constitution. Ultimately, according to the Bank, the Constitution does not prohibit the recovery of attorney’s fees in such a separate and original proceeding if that recovery is otherwise authorized by law.

The Murphys contend that their separate and original lawsuit merely contested their alleged default, and they implicitly argue for a more expansive definition of “extension of credit.”

The court has defined “extension of credit,” to consist of “all the terms of the loan transaction.” The parties’ loan agreement contains several terms regarding the Bank’s recovery of its attorney’s fees and other costs. If the attorney’s fee award falls within one of these terms, it necessarily falls within the extension of credit’s scope and must be without recourse for personal liability. The note states that “the Note Holder will have the right to be paid back by [the Borrowers] for all of its costs and expenses in enforcing this Note to the extent not prohibited by applicable law”

Here, the Bank was awarded its attorney’s fees for defending against the Murphys’ separate and original declaratory judgment action. The Bank might have incurred costs and expenses in enforcing the Note, which would be subject to the non-recourse rules. However, the Bank is not enforcing the note but is rather defending against the Murphys’ separate and original declaratory judgment action. Further, the Bank might have incurred its attorney’s fees because the Murphys failed to perform the covenants and agreements contained in the Security Instrument, again, subject to the non-recourse rules. However, the Bank is defending against the Murphys’ separate and original declaratory judgment action, rather than protecting itself against the Murphys’ breach of covenants or agreements contained in the security instrument. Finally, the Bank might have incurred its attorney’s fees because there is a legal proceeding that might significantly affect its interest in the Property. While there was a legal proceeding, it was not a legal proceeding of the kind contemplated by the security instrument, which addresses those proceedings in bankruptcy, probate, for condemnation or forfeiture, for enforcement of a lien which may attain priority over the security instrument or to enforce laws or regulations. These enumerated legal proceedings have two primary similarities: none of the covered proceedings are brought by the borrower directly against the lender, and none of the covered proceedings

contest the merits of the underlying loan. The Murphys’ separate and original declaratory judgment action does both, and therefore falls outside of this term’s scope.

Having initiated a separate and original proceeding, and having provided a mechanism for the Bank to both incur and recover its attorney’s fees, there is no basis for the Murphys to hide behind the nonrecourse status of their home-equity loan.

Garofolo v. Ocwen Loan Servicing, L.L.C., No. 15-0437 (Tex. May 20, 2016). Garofolo borrowed a home equity loan. After Ocwen became the holder, Garofolo paid off the loan. A release of lien was recorded by Ocwen, but Garofolo did not receive a release of lien in recordable form as required by her loan documents. She notified Ocwen, but still didn’t get the release. After sixty days, Garofolo sued for violations of the home equity lending provisions of the Texas Constitution, seeking forfeiture of all principal and interest paid on the loan.

Both the release-of-lien and forfeiture provisions of Garofolo’s loan are among the terms and conditions the Texas Constitution requires of foreclosure-eligible home-equity loans. Garofolo therefore argues that Ocwen’s failure to deliver the release of lien amounted to a constitutional violation for which a constitutional forfeiture remedy is appropriate. And because the release-of-lien and forfeiture provisions were incorporated into Garofolo’s loan, she alternatively argues forfeiture is a remedy available through her breach-of-contract action. Because her constitutional claim “raises an important issue of Texas constitutional law as to which there is no controlling Texas Supreme Court authority, and the authority from the intermediate state appellate courts provides insufficient guidance,” the Supreme Court accepted the following two certified questions from the Fifth Circuit:

“(1) Does a lender or holder violate Article XVI, Section 50(a)(6)(Q)(vii) of the Texas Constitution, becoming liable for forfeiture of principal and interest, when the loan agreement incorporates the protections of Section 50(a)(6)(Q)(vii), but the lender or holder fails to return the cancelled note and release of lien upon full payment of the note and within 60 days after the borrower informs the lender or holder of the failure to comply?

“(2) If the answer to Question 1 is “no,” then, in the absence of actual damages, does a lender or holder become liable for forfeiture of principal and interest under a breach of contract theory when the loan agreement incorporates the protections of

Section 50(a)(6)(Q)(vii), but the lender or holder, although filing a release of lien in the deed records, fails to return the cancelled note and release of lien upon full payment of the note and within 60 days after the borrower informs the lender or holder of the failure to comply?"

Section 50(a) does not constitutionally guarantee a lender's post-origination performance of a loan's terms and conditions. From a constitutional perspective, compliance is measured by the loan as it exists at origination and whether it includes the terms and conditions required to be foreclosure-eligible. Nothing in Section 50 suggests that a loan's compliance is to be determined at any time other than when it is made.

A lender that includes the terms and conditions in the loan at origination but subsequently fails to honor them might have broken its word, but it has not violated the constitution. This is not to say the constitution is unconcerned with a lender's post-origination performance of the loan's terms and conditions. On the contrary, the constitution prescribes a harsh remedy through forfeiture, a remedy previously called "Draconian."

If Ocwen sought to foreclose on Garofolo's homestead after she became delinquent in her payments, she could stand on the constitutional right to freedom from forced sale if her loan failed to include the release-of-lien requirement or forfeiture remedy. But that did not happen. Garofolo made timely payments and satisfied the balance in full. Ocwen never sought to foreclose, and there is no constitutional violation or remedy for failure to deliver a release of lien. Section 50(a) simply has no applicability outside foreclosure.

In bringing a breach-of-contract claim, Garofolo has pleaded an appropriate cause of action for relief from a lender's post-origination failure to honor the terms and conditions, constitutionally mandated or not, of a home-equity loan. Her loan incorporates both constitutional provisions at issue in this case: the requirement to deliver a release of lien and the forfeiture remedy. Garofolo acknowledges she has not suffered any damages from Ocwen's failure to deliver the release but argues she need not suffer any to access a contracted-for forfeiture remedy that is not contingent on proof of actual damages.

Section 50(a)(6)(Q)(x) provides for forfeiture of principal and interest if the lender fails to comply with its obligations under the extension of credit and fails to correct the failure within 60 days after notice from the borrower and provides six corrective measures the lender can undertake. Ocwen forfeiture is simply inapplicable here because none of the six corrective measures addresses the failure to deliver a release of lien. Garofolo, though, argues that this sixth and final

of the measures could have been done. That would be to refund her \$1,000 and offer to refinance her loan. But, noted the court, there was nothing to refinance—Garofolo had already paid off her loan—and a \$1,000 payment would not buy her a document only Ocwen can provide.

The terms and conditions required to be included in a foreclosure-eligible home-equity loan are not substantive constitutional rights, nor does a constitutional forfeiture remedy exist to enforce them. The constitution guarantees freedom from forced sale of a homestead to satisfy the debt on a home-equity loan that does not include the required terms and provisions—nothing more. Ocwen therefore did not violate the constitution through its post-origination failure to deliver a release of lien to Garofolo. A borrower may seek forfeiture through a breach-of-contract claim when the constitutional forfeiture provision is incorporated into the terms of a home-equity loan, but forfeiture is available only if one of the six specific constitutional corrective measures would actually correct the lender's failure to comply with its obligations under the terms of the loan, and the lender nonetheless fails to timely perform the corrective measure following proper notice from the borrower. If performance of none of the corrective measures would actually correct the underlying deficiency, forfeiture is unavailable to remedy a lender's failure to comply with the loan obligation at issue. Accordingly, the court answered "no" to both certified questions.

The Texas Constitution allows a home-equity lender to foreclose on a homestead only if the underlying loan includes specific terms and conditions. Among them is a requirement that a lender deliver a release of lien to the borrower after a loan is paid off. Another is that lenders that fail to meet their loan obligations may forfeit all principal and interest payments received from the borrower.

Wood v. HBC Bank USA, N.A., No.14-0714 (Tex. May 20, 2016). The Woods borrowed a home equity loan. Nearly 8 years later, the Woods notified the note holder that the loan did not comply with the Texas constitution in several respects, including that the closing fees exceeded 3% of the loan amount. The Woods sued the lender, seeking to quiet title and asserting claims for constitutional violations, breach of contract, fraud, and a declaratory judgment that the lien securing the home-equity loan is void, that all principal and interest paid must be forfeited, and that the Woods have no further obligation to pay.

The Woods moved for summary judgment, arguing that the lien is void because the evidence shows as a matter of law that the closing fees exceeded 3% and the Lenders did not cure after proper notice. The Lenders also moved for summary judgment on traditional and no-evidence grounds, asserting in

pertinent part that the lien is voidable, not void, and that the statute of limitations barred all claims. The trial court granted summary judgment in favor of the lender.

On appeal, the only issue raised by the Woods was whether their claims based on constitutional noncompliance, including claims to quiet title and for forfeiture, are subject to a statute of limitations. The court of appeals affirmed, holding that liens securing constitutionally noncompliant home-equity loans are voidable and that the residual four-year statute of limitations applied to the Woods' claims, accruing from the date of closing.

A lien securing a constitutionally noncompliant home-equity loan is not valid before the defect is cured. The Supreme Court therefore conclude that no statute of limitations applies to an action to quiet title on an invalid home-equity lien.

Under the common law, a void act is one which is entirely null, not binding on either party, and not susceptible of ratification. When an instrument is void, a quiet-title action can be brought at any time to set it aside. However, when an instrument is voidable, a four-year statute of limitations applies to actions to cancel it.

A plain reading of the Constitution necessitates a finding that liens securing noncompliant home-equity loans are not valid before the defect is cured. Holding otherwise would contravene section 50(c)'s plain language. Section 50(c) dictates that no lien on a homestead "shall ever be valid" unless it secures a debt that meets section 50(a)(6)'s requirements. Such a lien is made valid by the lender's compliance with a Section 50(a)(6)'s cure provisions. Here, the lender chose not to cure after being given notice, but the starting point is the same: the lien is not valid until the defect in the underlying noncompliant loan is cured.

In any event, the text of the Constitution and our decision in *Doody* do not support a holding that liens securing constitutionally noncompliant home-equity loans are merely voidable. A voidable lien is presumed valid unless later invalidated, while Section 50 contemplates the exact opposite: noncompliant liens are invalid until made valid. Holding otherwise would essentially permit lenders to ignore the Constitution and foreclose on the homesteads of unwitting borrowers who do not realize that their home-equity loans violate the Constitution.

The Woods did not fare as well in their claim for forfeiture. Relying on *Garofolo*, which held that section 50(a) does not create substantive rights beyond a defense to a foreclosure action on a home-equity lien securing a constitutionally noncompliant loan and that forfeiture is not a constitutional remedy.

Bank of New York Mellon v. Daryapayma, 457 S.W.3d 618 (Tex.App.-Dallas 2015, no pet.). On June

29, 2004, the Daryapaymas bought the house at 4561 Royal Lane and designated it their homestead. To finance the purchase, they took out two loans: a first lien in the amount of \$650,000 and a second lien of \$85,000. Two years later, the Daryapaymas borrowed a home equity loan to pay off the earlier two loans. BONY acquired the loan from the original lender.

When the Daryapaymas defaulted on the home equity loan, BONY filed an application for a home equity loan foreclosure. In May 2011, the trial court granted the order and authorized foreclosure of the lien. The property was purchased at a nonjudicial foreclosure sale, and BONY filed a petition for forcible detainer. While the forcible detainer was pending the Daryapaymas file this suit, claiming that BONY had violated the Constitutional provisions regarding home equity loans, namely that the amount of the loan was greater than 80% of the value of the home. The Daryapaymas got to their determination by adding together the amount of the first and second lien loans and the amount of the home equity loan. The trial court granted summary judgment. When BONY filed a counterclaim for equitable subrogation, the Daryapaymas filed another motion for summary judgment, which the trial court granted.

The Court of Appeals reversed the trial court. Because the parties agreed the home equity loan was made, in large part, to pay off the existing mortgages, the loan documents reflect this agreement, and the existing mortgages were paid off, the balances of those existing mortgages should not be included when determining whether the amount of the home equity loan exceeds eighty percent of the fair market value of the homestead. In other words, in this case the "aggregate total of the outstanding principal balances of all other indebtedness secured by valid encumbrances" against the Daryapaymas' homestead was zero because the home equity loan paid those debts in full. Because the \$937,500 home equity loan did not exceed eighty percent of the fair market value of the Daryapaymas' homestead, the loan did not violate the Texas Constitution.

Step toe v. JPMorgan Chase Bank, N.A., 464 S.W.3d 429 (Tex.App.-Houston [1st Dist.] 2015, no pet.). *Step toe* defaulted on his home equity loan. The Bank filed suit seeking an expedited non-judicial foreclosure of its lien. The suit was dismissed by the Bank when it determined its notice of default was deficient. *Step toe* then filed suit alleging that the home equity loan violated the constitution. The action was removed to federal court, which entered a take-nothing judgment in favor of the Bank.

The Bank then filed another suit for an expedited foreclosure. *Step toe* claimed that the Bank had waived its right to foreclose because it had failed to

counterclaim for foreclosure in the federal suit. The court ruled in favor of the Bank.

On appeal, Steptoe continues to assert that the compulsory counterclaim rule bars the Bank's foreclosure claim in this suit because Bank failed to pursue foreclosure as a counterclaim.

When, as in this case, the security instrument in a home-equity loan contains a power of sale provision, the lender has a choice of remedies. Under these circumstances, the lender may choose to file a claim for judicial foreclosure, but Rule of Civil Procedure 736 furnishes another remedy to the lender. This Rule provides the procedure for obtaining a court order to allow foreclosure of a lien containing a power of sale in the security instrument, including a lien securing a home equity loan. Thus, a home-equity lender, who has contracted for the right of non-judicial foreclosure under a power of sale provision, may choose to pursue the special procedure found in Rule 736 to obtain an order allowing it to proceed with a non-judicial foreclosure under the Property Code.

Rule 736 does not contemplate an ordinary lawsuit. As its name suggests, Rule 736 provides a faster, more streamlined alternative to judicial foreclosure. A lender initiates the "proceeding" by filing an "application," not an original petition, and the borrower may file a "response," not an original answer. Only one issue may be decided under rule 736: i.e., the right of the applicant to obtain an order to proceed with foreclosure under the security instrument and the Property Code. The rule contemplates a single hearing at which the district court must determine whether the applicant has satisfied its burden to prove the grounds for the granting of the order sought in the application; there is no provision for any other determination to be made by a factfinder. Although not expressly addressed by Rule 736, it is evident that a Rule 736 proceeding cannot be brought as a counterclaim in a borrower's suit against the lender.

Were the court to hold otherwise, it would necessarily be requiring a lender to assert a counterclaim to preserve its foreclosure rights. This would result in the impairment of the lender's right to pursue one its remedies, namely a Rule 736 proceeding. To abridge a creditor's remedy, particularly one specifically crafted to provide a remedy under a special set of circumstances, would curtail a debtor's ability to control what remedy a creditor may pursue.

**PART III
PROMISSORY NOTES,
LOAN COMMITMENTS,
LOAN AGREEMENTS**

Charles R. Tips Family Trust v. PB Commercial LLC, 459 S.W.3d 147 (Tex.App.-Houston [1st Dist.]

2015, no pet.). The loan amount shown in all of the loan documents contained a very unfortunate typo. It was shown as: "ONE MILLION SEVEN THOUSAND AND NO/100 (\$1,700,000.00) DOLLARS." Before the note matured, the Trust made payments of \$595,586. After the Trust quit paying, the lender foreclosed, bidding \$874,125. In ensuing litigation, the Trust argued that the words describing the loan amount controlled and that, after the application of the foreclosure bid, the note was paid in full. The trial court ruled in favor of the lender, granting it judgment for the deficiency.

This appeal presents one issue: whether the amount of the loan must be determined from the printed words in the note or from the entire context of the transaction, including evidence of the amount of money that Patriot Bank actually made available to the borrowers.

If a written instrument is worded in such a way that it can be given a definite or certain legal meaning, then the contract may be construed as a matter of law. An unambiguous contract will be enforced as written, and parol evidence will not be received for the purpose of creating an ambiguity or to give the contract a meaning different from that which its language imports. Whether a contract is ambiguous is a question of law, which the court reviewed de novo.

A simple lack of clarity or disagreement between parties does not render a term ambiguous. An ambiguity arises only after the application of established rules of construction leaves an agreement susceptible to more than one meaning.

Texas law anticipates internal contradictions in both negotiable and non-negotiable instruments and provides for the resolution of such contradictions. Under UCC § 3.114, which governs negotiable instruments such as the Note, if an instrument contains contradictory terms, typewritten terms prevail over printed terms, handwritten terms prevail over both, and words prevail over numbers.

The note, guaranty, and other loan documents each describe the original amount of the loan obligation as "ONE MILLION SEVEN THOUSAND AND NO/100 (\$1,700,000.00) DOLLARS." The phrase "one million seven thousand and no/100 dollars" has a plain, unambiguous meaning, namely the sum of \$1,007,000.00. Thus, the words and the numerals in the loan agreements are in conflict, differing by \$693,000. This impact is magnified by the fact that the actual amount of the loan affects the application of payments, resulting in different sums of interest due in each scenario.

The rule that the written words control over numerals applies to all of the documents at issue in this dispute, both negotiable and non-negotiable instruments. It does not matter that the discrepancy between the words and numbers here is a large one.

Neither § 3.114 nor Texas case law makes a distinction on the basis of the size of the obligation or the significance of the conflict in terms.

The lender argues that this case presents a unique circumstance in that the omission of a single word transforms "one million seven hundred thousand" into "one million seven thousand." If the former phrase were modified in any other way, according to the lender, the court would be faced with either an ambiguous term or an unambiguous but absurd one. For example, the lender claims, a scenario in which a scrivener's error rendered the phrase as "one seven hundred thousand," omitting the word "million." The lender argues that such an amount would be ambiguous, and the court would have to refer to the numerals and extrinsic evidence to resolve the ambiguity. But this hypothetical scenario has no bearing on this case because there is no ambiguity in the text here. Indeed, one could not even say that the terms contradict each other within the meaning of § 3.114, as the meaning of one of the potentially conflicting terms would be ambiguous.

Alternatively, the lender suggests a scenario in which another scrivener's error replaced "million" with "billion," resulting in "one billion seven hundred thousand." This, claims the lender, would result in the borrowers clamoring for relief and asking this court to consider evidence extrinsic to the contract. That may be, and the possibility of such an error demands careful review of proposed written agreements. But that is no basis upon which the court may disregard well-settled and binding statutory and case law. On the appellate record, the only issue is what the terms of the written agreements mean as a matter of law. Neither party sought an equitable reformation of the loan in the trial court, so no issue of equitable relief has been presented in this appeal. The scenario proposed by the lender thus has no bearing on how the court must apply the law to the record before it.

Here, the words "one million seven thousand" control over the numerals "\$1,700,000" to set the amount of the promissory note and guaranty obligations.

Schuhardt Consulting Profit Sharing Plan v. Double Knobs Mountain Ranch, Inc., 468 S.W.3d 557 (Tex.App.-San Antonio 2014, pet. pending). Chacon sold a ranch to Double Knobs, taking back a note and deed of trust. A few years later, Schuhardt bought the note and lien. Payments on the note were due on the first of the month. Double Knobs typically paid before the late payment charge was due, on the 10th of the month. Schuhardt sent Double Knobs a letter telling it that, although Chacon had been accepting late payments, Schuhardt wasn't going to.

When the October payment was not received on the first, Schuhardt sent a default notice to Double

Knobs and notified it that it was accelerating the balance of the note. Double Knobs tendered the October payment only, which was rejected by Schuhardt. The property was posted for foreclosure. Double Knobs sought a TRO, temporary injunction, and declaratory judgment. Double Knobs also brought claims of inequitable conduct, breach of contract, and tort.

Double Knobs's primary complaint was that the note had been wrongfully accelerated. Schuhardt argues the note clearly provides payment is due on or before the first of the month. Because Double Knobs did not pay on October 1, it was in default. Double Knobs contends the note provided payment was due on the first of the month, but was not late until the tenth of the month. Therefore, by tendering payment before the payment was late under the note, Double Knobs could not have been in default.

Here, the term default is not defined in the note. So, the court looked to its generally accepted meaning. "Default" is defined by Black's Law Dictionary as "the omission or failure to perform a legal or contractual duty." Default may consist of the failure to make a payment on the loan within a specified period or may be the breach of a covenant, representation, or warranty or the occurrence or nonoccurrence of some event.

The Business and Commerce Code, however, does not define the events constituting default on a loan. Instead, a determination of the circumstances giving rise to a default is generally left to the agreement of the parties. If no agreement exists, the parties' course of conduct must be analyzed to determine if an implied agreement exists before a default is declared or payment is demanded.

An implied agreement may arise from the regular course of conduct between the parties and the facts show that the minds of the parties met on the terms of the contract without any legally expressed agreement thereto. An implied agreement may also arise from the acts and conduct of the parties, it being implied from the facts and circumstances that there was a mutual intention to contract.

Here, the parties agree that Double Knobs did not tender payment by the first of the month. Double Knobs, however, argues that because the terms of the Note specifically provided that payments made after the first of the month, but before the tenth of the month, were not subject to a late payment, Double Knobs's payment on the fifth of the month was not late and Double Knobs was not in default. In support of its argument, Double Knobs points to its history of payments to Chacon. For almost two years, Chacon accepted twenty-two out of twenty-four payments made after the first, but before the tenth of the month. Double Knobs argues this course of conduct established its payment was not late if paid before the

tenth of the month. Double Knobs thus argues that its September 2012 and October 2012 payments were timely and did not constitute a breach.

Double Knobs and Chacon's conduct created an implied agreement, or at least an understanding, that the terms of the Note provided for payment by Double Knobs prior to the tenth day of the month. Although a party who previously allowed late payments can demand strict compliance in the future, the secured party must allow the debtor a reasonable time to comply with the new demands after actual receipt of notice from the secured party.

Schuhardt, on the other hand, claims any course of conduct between Double Knobs and Chacon is irrelevant; as the owner of the note, the only relevant parties and relationships are Schuhardt and Double Knobs. As such, Schuhardt contends there was no course of dealing between Schuhardt and Double Knobs. Moreover, even if a prior relationship existed, Schuhardt contends its letter to Double Knobs repudiated any previous conduct authorizing later payments.

Schuhardt's contention it provided Double Knobs with notice of its intent to demand strict compliance with the Note is disingenuous at best. The record shows Schuhardt took affirmative steps to mislead Double Knobs as to the true owner of the property. It acted in such a way to preclude Double Knobs from discovering the note had been sold. Prior to Schuhardt's October 3rd letter, Double Knobs had no basis to question the identity of the holder of the Note or any changes to the parties' accepted payment practices.

Based on the information available, Double Knobs reasonably relied on its previous relationship with Chacon. The court concluded Double Knobs's October 5th payment was timely based on its previous course of conduct with Chacon.

Schuhardt argues Double Knobs's own actions resulted in foreclosure. When Double Knobs did not timely pay, Schuhardt informed Double Knobs that no late payments would be accepted. Schuhardt, therefore, avers that, when Double Knobs failed to make its October payment on October 1st, Schuhardt was entitled to accelerate.

Texas courts disfavor acceleration because it imposes a severe burden on the mortgagor. Acceleration is a harsh remedy with draconian consequences for the debtor and Texas courts look with disfavor upon the exercise of this power because great inequity may result. Because acceleration is viewed as such a harsh remedy, any ambiguous clause providing for acceleration is construed against acceleration.

The holder of a note must ordinarily give notice to the maker of the holder's intent to accelerate the time for payment as well as notice of acceleration. The

maker, however, may waive his right to notice of intent to accelerate and notice of acceleration. Unless the right to notice of intent to accelerate is waived by the debtor, the mortgagee must give the mortgagor clear and unequivocal notice of its intent to accelerate. Here, the note expressly waived notice of intent to accelerate, but the deed of trust did not. When read together, the note and the deed of trust at issue create a reasonable doubt as to whether the parties clearly and unequivocally intended to waive notice of default and time to cure, which amounts to notice of intent to accelerate. Accordingly, the court concluded that Schuhardt was required to provide Double Knobs with notice of intent to accelerate and an opportunity to cure.

In re Estate of Curtis, 465 S.W.3d 357 (Tex.App.-Texarkana 2015, no pet.). Although a debt is barred by limitations, limitations can be avoided if the party to be charged acknowledges the debt in writing. Civil Practice and Remedies Code § 16.065 of the Texas provides that an acknowledgment of the justness of a claim that appears to be barred by limitations is not admissible in evidence to defeat the law of limitations if made after the time that the claim is due unless the acknowledgment is in writing and is signed by the party to be charged. An acknowledgement of a debt under this statute creates a new obligation. If an agreement meets these acknowledgment requirements, a party may sue for breach of that agreement.

PART IV GUARANTIES

Abel v. Alexander Oil Company, 474 S.W.3d 795 (Tex.App.-Houston [14th Dist.] 2014, no pet.). The Steele's operated a sole proprietor trucking business. They bought fuel from Alexander Oil on an open account. The credit application named the company as "John Steele" and noted its entity form as "sole proprietorship." Abel signed a personal guaranty of the trucking company's account. The guaranty guaranteed "full and prompt payment to Alexander Oil Company of all amounts due by Company to Alexander Oil Company."

A few years later, Shannon Steele formed an LLC and did what she could to have all of John Steele Trucking's assets transferred to the LLC. From that point on, the LLC bought fuel from Alexander Oil, without informing Alexander. After formation of the LLC, John Steele Trucking owed nothing on its account with Alexander Oil.

The LLC then began having financial problems. It ended up owing Alexander Oil a bunch of money that the LLC couldn't pay. The Steele's were asked to sign a guaranty of the LLC's account, and did so, but

Abel was not asked to do so. Eventually, Alexander Oil sought payment of the debt from Abel. Abel refused to pay and Alexander Oil sued her. Rena claims that a legal principle bars recovery against her because she cannot be held liable under her guaranty of John's sole proprietorship for any debts actually incurred by another legal entity.

A guaranty agreement creates a secondary obligation whereby the guarantor promises to be responsible for the debt of another and may be called upon to perform if the primary obligor fails to perform. To recover under a guaranty contract, a party must show proof of (1) the existence and ownership of the guaranty contract; (2) the terms of the underlying contract by the holder; (3) the occurrence of the conditions upon which liability is based; and (4) the failure or refusal to perform the promise by the guarantor.

According to the rule of *strictissimi juris*, a guarantor may require that the terms of his guaranty be strictly followed, and that the agreement not be extended beyond its precise terms by construction or implication.

The trial court had instructed the jury that a representative of a limited liability company is personally liable for the obligations of the limited liability company unless the representative satisfies his duty to disclose both (1) he is acting in a representative capacity; and (2) the true identity of the company. Thus, in buying fuel under the John Steele Trucking account could impose liability on the Steeles because they didn't disclose their capacities as representatives of the LLC.

Here Abel did not guaranty the obligations of the Steeles personally. The trial court's judgment established that the judgment against John Steele included only amounts for which he was liable as an agent for the LLC. Abel's guaranty made her liable only for the obligations of John Steele, sole proprietorship.

PART V LEASES

Philadelphia Indemnity Insurance Company v. White, No. 14-0086 (Tex. May 13, 2016). White's clothes dryer in her apartment caught fire and destroyed her apartment and belongings as well as several adjacent apartments. She had signed the TAA lease which said the tenant was obligated to pay for any damage for any cause not due to the landlord's negligence or fault. Despite a jury finding that White was not negligent, the landlord took the position that she was still contractually liable pursuant to the TAA lease provision. White argued that the provision violated public policy because it makes a tenant liable for damage to the entire apartment project for

accidental losses, acts of God, criminal acts of another or something unassociated with the tenant or the apartment complex. The court of appeals agreed, holding that the broad imposition of liability on a tenant for damage not caused by the landlord is void because it violates public policy as expressed in the Property Code.

As a general rule, parties in Texas may contract as they wish so long as the agreement reached does not violate positive law or offend public policy. In the residential-leasing context, the Legislature has limited the freedom of landlord and tenant to contractually allocate responsibility for repairs materially affecting health and safety but, importantly, has decided as a matter of public policy not to impose a categorical prohibition on such contracts.

The court's initial inquiry is whether the lease provision clearly and unambiguously shifts responsibility to White for the damages at issue. A contract is ambiguous if it is subject to two or more reasonable interpretations. But when a contract provision is worded so that it can be assigned a definite meaning, no ambiguity exists, and the court will construe the contract as a matter of law.

Although the language in the reimbursement provision is clear and definite, White points to an apparent redundancy she contends creates ambiguity as to the provision's actual scope. White finds equivocality in the juxtaposition of a clause imposing broad, nonspecific liability with a clause that identifies specific categories of losses for which the tenant is liable without regard to fault or causation. On one hand, the Reimbursement Provision distinctly imposes responsibility for (1) damage to doors, windows, or screens, (2) damage from windows or doors left open, and (3) damage from wastewater stoppages caused by improper objects, unless the damage or wastewater stoppage is due to the landlord's negligence. On the other hand, the provision includes "catchall" language capturing losses resulting from any cause not due to the landlord's negligence or fault. White thus questions why the contract singles out specific losses for reimbursement absent landlord fault if the catchall language makes the tenant responsible for all loss in the same circumstances. White also points out that specific losses are emphasized by language that is both bolded and underlined, while the ostensibly broader catchall language—which would subsume the specific losses—is less conspicuously presented. White discerns ambiguity in the catchall language's meaning, arguing it potentially imposes significant liability on tenants while receiving relatively obscure treatment in relation to a more specific subclass of repairs.

The court was unable to discern the conflict White proposed, and held that White is contractually obligated to reimburse the landlord for all damage not due to the landlord's negligence or fault. It therefore

agreed with the court of appeals that the Reimbursement Provision is unambiguous. It then turned to the real issue: whether the Property Code precludes judicial enforcement of the reimbursement provision.

The court held that a contract capable of being performed in harmony with the laws and statutes of this State is not per se void as against public policy. Unless an agreement cannot be performed without violating the law or public policy, the party seeking to avoid enforcement must establish its invalidity under the particular circumstances. White failed to do so in this case.

The Property Code's restrictions on contractually shifting the landlord's repair obligations do not apply if a landlord has no duty to repair in the first instance. Landlords have no obligation to repair premises conditions that are tenant-caused and therefore are not restrained from contracting with tenants for reimbursement of associated repair costs. White failed to obtain a finding that she did not cause the damages at issue; the jury's failure to find in response to a negligence submission is not a substitute for the essential fact finding; and the record does not conclusively establish that fact. Accordingly, White failed to establish the factual predicate to contractual invalidity in this case. Thus, the court reversed the court of appeals' judgment to the extent it invalidates the reimbursement provision on public policy grounds.

Pointe West Center, LLC v. It's Alive, Inc., 476 S.W.3d 141 (Tex.App.-Houston [1st Dist.] 2015, pet. pending). It's Alive lease space in the landlord's shopping center and opened a restaurant called Frank-N-Stein. The lease term expired. The lease contained a holdover provision that said the tenant would be a tenant at will and that rent would increase to 150% of the original rent. It's alive stayed a month after the expiration. It claimed to have the landlord's permission.

When vacating the premises, It's Alive did some damage. The landlord discovered the damage after It's Alive vacated. The landlord repaired the damage and filed suit against It's Alive.

At trial, photographs admitted into evidence showed, among other things, mold on a wall from a water leak, multiple holes in the drywall, damaged ceiling tiles, damage to the bar on the premises, damage to booth platforms, and exposed wires hanging from the ceiling. There was also evidence that It's Alive left drains to both the bar and sink clogged, and ripped A/C thermostats out of the walls.

The landlord's representative at trial testified that he did not know the details of the purchases made, how the items were applied, or the specific work done by the people who did repairs. He testified that much of the work done on the premises was done by in-house

contractors that didn't necessarily even work for just the shopping center. He acknowledged that some of the time reported in the timesheets could not have included work for repairs on the premises in question. No testimony was presented, however, to show what amount of the time reported on each of the timesheets was attributable to It's Alive's space. He also admitted that the entire amount paid would not be attributable to work performed to repair It's Alive's space.

Another matter in dispute during trial concerned whether the landlord had agreed to let It's Alive remain on the premises after the expiration of the lease at the original monthly-rent rate. It's Alive claimed that the landlord had agreed to this, waiving the application of the hold-over penalties under the lease. The landlord's representative testified he could not recall whether he agreed to allow It's Alive to stay in the space.

The jury determined that It's Alive had breached the lease agreement. It awarded \$15,000 for the cost to repair the premises and \$0 for the holdover penalty.

The landlord sought \$57,373 in damages. The jury awarded \$15,000. It's Alive argues that the evidence is legally insufficient to support the jury's award. Specifically, It's Alive argues that the evidence is insufficient to establish how much the landlord actually spent on repairing the damage caused by It's Alive or to show that those expenditures were actually reasonable and necessary.

To recover costs incurred for remedial damages flowing from a breach of contract, the plaintiff must establish that the repairs were reasonable and necessary. To establish that, the plaintiff must show more than simply the nature of the injuries, the character of and need for the services rendered, and the amounts charged therefor. Likewise, proof of amounts charged or paid does not prove that the amounts were reasonable.

The landlord presented ample evidence of the injury caused as It's Alive vacated the premises. The same cannot be said for the landlord's proof of damages. Its only witness for damages admitted that the checks, receipts, and timesheets included costs that were not incurred in repairing It's Alive's space. The landlord's evidence failed to establish the actual costs of repair. While the record indicates that at least some of the costs admitted into evidence were related to the repair of It's Alive's premises, the jury could only speculate about what portion of the damages evidence actually pertained to that space. Because there was no proof of the actual amount of damages, there was no proof that the damages presented were reasonable or necessary.

When liability is contested, courts may not grant a new trial on unliquidated damages solely. Instead, it must remand for a new trial on both liability and damages. Because It's Alive disputes liability, and the cost of repairs constitute unliquidated damages, the

court remanded for a new trial on both liability and damages.

The second issue involved the application of the holdover provision. It's Alive had remained on the premises after the lease term ended. It's Alive argues that it did not breach the holdover provision because the parties agreed to modify it. Specifically, It's Alive argues that the parties agreed that it could remain on the premises after the lease expired at its original monthly base-rent rate. The landlord responds that the lease contained a provision requiring all amendments to the lease to be in writing. It is undisputed that there was no written agreement to allow It's Alive to alter the hold-over provision of the lease or in any other way allow It's Alive to remain on the premises at the monthly base-rent rate after the lease expired. This was not dispositive, however.

A written contract not required by law to be in writing, may be modified by a subsequent oral agreement even though it provides it can be modified only by a written agreement. Proof that a contract provision requires modifications to be in writing does not establish as a matter of law that the parties did not modify the contract orally. A lease of real estate for a term longer than one year is subject to the statute of frauds and is required by law to be in writing. Once the main lease expired, the agreement--either under the holdover provision of the lease or the oral agreement--was on an agreed month-to-month basis for an indefinite period. This is referred to as a tenancy at will.

Because the agreement to stay beyond the duration of the main lease is a tenancy at will--and, accordingly, not subject to the statute of frauds--any oral agreement by the parties concerning the tenancy at will was not a contract required by law to be in writing. There is some evidence in the record to support an implied determination by the jury that the landlord agreed to allow It's Alive to remain on the premises at the monthly base-rent rate in exchange for It's Alive looking for prospective tenants to take over the existing business and presenting them to the landlord. Because there is some evidence to support an oral modification of the contract, the lease provision requiring all modifications to be in writing is not an absolute bar to recovery.

Wood v. Kennedy, 473 S.W.3d 329 (Tex.App.-Houston [14th Dist.] 2014, no pet.). Wood rented space from the father under an oral agreement. He agreed to pay \$250 a month and said that he had been given an option to purchase the property. The father died, and his daughter Marti became the guardian of the estate. She hadn't known about the rental agreement.

Marti was driving by the premises and notices people moving things in and out of it. She asked

Wood about it and he confirmed that he was using the premises. She asked if he had any paperwork and he answered no. She then told him he had 10 days to move out. She later sent a certified letter instructing him to vacate within 30 days. The letter was returned. After the 30 days expired Marti brought a forcible detainer action. Wood did not appear and a default judgment was rendered, ordering him to leave the premises and awarding \$7,700 in damages.

Turns out the justice court lacked jurisdiction and the case was sent to the probate court. There, the probate court issued a writ of possession and awarded \$6,250 in unpaid rent, plus costs and attorneys' fees.

Wood asserts that regardless of whether a contract or quantum meruit measure of damages applies, the probate court had no evidentiary basis to support the damages it awarded. Because the proper measure of damages in an action for unpaid rent depends on the nature of an individual's tenancy, the court began by examining Wood's tenancy as a foundation for its review of the probate court's award.

A tenant who continues to occupy leased premises after expiration or termination of the lease is a holdover tenant. The status and rights of a holdover tenant differ depending on whether the tenant becomes a "tenant at will" or a "tenant at sufferance." A tenant at will retains possession of the premises with the landlord's consent. By contrast, a tenant who remains in possession without the landlord's consent occupies "wrongfully" and is said to have a tenancy at sufferance. The parties' conduct determines whether the holdover tenant becomes a tenant at will or a tenant at sufferance.

If the holdover tenant continues to pay rent, and the landlord knows of the tenant's possession and continues to accept rent without objection, the tenant is a tenant at will and the terms of the prior lease will continue to govern the new arrangement absent an agreement to the contrary. The prior lease terms do not control in a tenancy at sufferance, however, because there is no new agreement. In such cases, the proper measure of damages is the reasonable rental value of the property during the holdover period.

At all times relevant to this dispute, Wood has asserted that under the terms of his oral lease, he is liable for only \$250 per month in unpaid rent. Because the probate court awarded \$6,250 in damages--an amount that exceeded a rental rate of \$250 per month--the court implied a finding that Wood was a tenant at sufferance. The record supports such a finding. Thus, Marti did not consent to Wood's occupancy. Furthermore, Wood admitted he had not paid rent. Accordingly, the court examined whether the evidence is legally sufficient to support the probate court's finding that the reasonable rental value of the property during the ten-month holdover period was \$6,250.

The rental value of a property must be established with reasonable certainty. In this case, the only evidence offered to support a reasonable rental value greater than \$250 per month was the testimony of the owners of the property. Their testimony was admissible under the Property Owner Rule, an evidentiary rule addressing when a non-expert landowner is qualified to testify about the land's value. The Property Owner Rule creates a rebuttable presumption that a landowner is personally familiar with his property and knows its fair market value, and thus is qualified to express an opinion about that value.

But, a qualified owner's testimony does not necessarily provide relevant evidence of value that can support a judgment. Rather, courts insist that the testimony meet the same requirements as any other opinion evidence. For example, an owner's testimony is not relevant if it refers to intrinsic or some other value of the property rather than to market value. In addition, an owner's valuation testimony is not relevant if it is conclusory or speculative. Thus, an owner may not simply echo the phrase "market value" and state a number to substantiate his valuation; he must provide the factual basis on which his opinion rests. Here, the court looked at the testimony and concluded that it was legally insufficient to support the award.

That holding does not end matters, however, because the record provides sufficient evidence to prove a lesser, ascertainable amount of damages with reasonable certainty. Wood did not contest liability or possession in the probate court, and he admitted that he had not paid rent for ten months. Under the terms of his agreement with the father, Wood was supposed to pay \$250 per month. Given the probate court's implied finding that Wood was a tenant at sufferance, the prior lease does not govern. Nonetheless, the prior lease's terms can provide evidence of the property's fair market value. There was evidence that the father had accepted Wood's offer to lease the property for \$250 per month. Because this evidence demonstrates the price offered by the lessee and accepted by the lessor, it is sufficient evidence of the fair rental value of the property during the holdover period.

In sum, the record contains legally sufficient evidence to support a finding that the reasonable rental value of the subject property during the ten-month holdover period was at least \$2,500, but legally insufficient evidence to support the trial court's award of \$6,250. Accordingly, the court suggested a remittitur of \$3,750, resulting in an award of \$2,500 in damages if accepted.

Hernandez v. Gallardo, 458 S.W.3d 544 (Tex.App.-El Paso 2014, pet. denied). Gallardo bought Edith's home at a foreclosure sale in 2005. Edith claimed to have made an agreement with Gallardo that she could stay in the house and buy it back later when

her credit improved. Hernandez moved in with Edith in 2006. Later on in 2006 the house was damaged by a flood, and Edith and Gallardo argued about the need for repairs.

Edith and Gallardo signed up a lease in 2008. Hernandez was not included as an authorized occupant. Rent was due for August, but didn't get paid. Gallardo then had Edith and Hernandez evicted. They then filed suit alleging breach of contract by failing to perform certain repairs as required by Chapter 92 of the Texas Property Code, by failing to install operable security devices, by improperly terminating the lease, and by committing retaliatory eviction. The four elements of a breach of contract claim are: (1) the existence of a valid contract; (2) performance by the plaintiff; (3) breach of the contract by the defendant; and (4) damages to the plaintiff resulting from that breach.

As to the claim regarding repairs, Texas Property Code. Section 92.052(a) provides, in pertinent part, that a landlord must make a diligent effort to repair or remedy a condition (i) if a tenant specifies a condition in a written notice, (ii) tenant is not in default in paying rent when the notice is given, and (iii) the condition materially affects the physical health or safety of an ordinary tenant or arises from the landlord's failure to provide hot water. Here, Edith and Gallardo failed to provide any evidence that they had sent the required notice, that they weren't in payment default, and that the condition affected their health or safety.

As to the claim for failure to install security devices, Texas Property Code § 92.153 requires a landlord to equip a dwelling with certain security devices, including a doorknob lock or keyed dead bolt on each exterior door, without the necessity of a tenant request. In addition, § 92.158 provides that a landlord shall repair or replace a security device on request or notification by the tenant that the security device is inoperable or in need of repair or replacement. Section 92.158 provides specific remedies for the landlord's non-compliance. The tenant may install or rekey and deduct the cost from rent, file a suit to compel compliance, or terminate the lease. Here, Edith and Gallardo did not pursue any of these remedies, but sued Gallardo for damages instead.

Finally, as to the claim that Gallardo had improperly terminated the lease by retaliating against them in violation of Property Code § 92.331. That provision states, however, that a lease termination or eviction does not constitute retaliation where the tenant is delinquent in paying rent.

Mohammed v. D. 1050 Rankin, Inc., 464 S.W.3d 737 (Tex.App.-Houston [1st Dist.] 2014, no pet.). Mohammed leased a convenience store which Rankin later purchased. The lease contained an option to extend for two additional terms. The first option increased the rent from the initial rate of \$1,800 per

month to \$2,000 per month. The second option was at market rent.

When the initial term expired, Mohammed continued to pay \$1,800 per month and continue to operate the premises for another eight years until Rankin notified him that it was terminating the lease in thirty days. Mohammed refused to leave.

The county court held that Mohammed was a month-to-month tenant after the end of the initial terms and that Mohammed had breached the lease when he failed to move out after Rankin's notice. Mohammed challenges these findings and conclusions, arguing that he rightfully possesses the leased premises pursuant to either of the two options to extend the lease contained in the lease agreement.

A party to an option contract may enforce that option by strict compliance with the terms of the option. A failure to exercise an option according to its terms, including untimely or defective acceptance, is simply ineffectual, and legally amounts to nothing more than a rejection. Under the statute of frauds, material modifications to a lease agreement must be in writing and signed by the party against whom the modification is to be enforced.

A person who refuses to surrender possession of real property on demand commits a forcible detainer if the person is a tenant at will or by sufferance. A tenant who occupies leased property after termination of its lease is a holdover tenant. A holdover tenant's rights differ depending on whether the tenant becomes a tenant at will or a tenant at sufferance. A tenant at will is a holdover tenant who holds possession with the landlord's consent but without fixed terms. A tenant at sufferance is a tenant who has been in lawful possession of property and wrongfully remains as a holdover after the tenant's interest has expired.

Tenants at will have lawful possession, but without a fixed term, and the landlord can deny possession at any time. If the tenant remains in possession and continues to pay rent with the landlord's consent, the terms of the prior lease will continue to govern the new arrangement absent an agreement to the contrary.

The county court found that the parties never exercised either renewal option in accord with their lease agreement. Mohammed continued to pay rent at a rate of \$1,800 a month after the initial lease term ended. Though Mohammed argued that he had provided written notice to Rankin to exercise both options, Rankin disputed that it ever received notice, and neither party asserted that a signed writing by both parties acknowledged the exercise of either option at \$1,800 a month. Because the rental amount that Mohammed paid varied from that required in the first option, and the second required mutual agreement to the rent amount upon its exercise, proper execution of

either option would require a signed writing memorializing the rental amount

Because the parties never agreed in writing to modify the rent amount--in particular to adjust the rent owed--Mohammed never properly exercised either option to renew.

Yarbrough v. Household Finance Corporation III, 455 S.W.3d 277 (Tex.App.-Houston [14th Dist.] 2015, no pet.). After foreclosing on a lien, HFC filed a forcible detainer action against the Yarbroughs. The justice court awarded possession to HFC.

The Yarbroughs filed a plea to the jurisdiction and an amended plea alleging that the foreclosure sale was void because the deed of trust was forged and void. The county court denied the pleas, and the Yarbroughs amended their answer to assert an affirmative defense of forgery. Ultimately, the county court granted final judgment to HFC.

The Yarbroughs contend the justice and county courts lacked jurisdiction in this forcible detainer action because there was a genuine issue regarding title intertwined with the issue of possession. The title issue concerns whether a tenancy was created by the deed of trust and associated foreclosure sale when the deed of trust was allegedly void due to forgery. HFC contends the deed of trust creates a tenancy at sufferance, which generally supports jurisdiction in a forcible detainer action, but HFC does not address the merits of the Yarbroughs' forgery argument.

A forcible detainer action requires proof of a landlord-tenant relationship. Although such a relationship is not a prerequisite to jurisdiction, the lack of such a relationship indicates that the case may present a title issue. A deed of trust may include a tenancy-at-sufferance clause that creates a landlord-tenant relationship when the property is foreclosed. Under these circumstances, a defendant's complaints about defects in the foreclosure process generally do not require a justice court to resolve a title dispute before determining the right to immediate possession, and the justice court has jurisdiction.

The Yarbroughs argue that a forged deed of trust cannot establish a tenancy-at-sufferance relationship between the Yarbroughs and HFC. This case, therefore, is more akin to those in which the parties disputed the existence of a landlord-tenant relationship.

Because the Yarbroughs contend the deed of trust and resulting substitute trustee's deed are void due to forgery, they have raised a genuine issue of title so intertwined with the issue of possession as to preclude jurisdiction in the justice court. A prerequisite to determining the immediate right to possession will be resolution of the Yarbroughs' title dispute concerning forgery of the deed of trust. Accordingly, the justice and county courts lacked jurisdiction.

Espinoza v. Lopez, 468 S.W.3d 692 (Tex.App.-Houston [14th Dist.] 2015, no pet.). Espinoza and Sanchez began searching for a home to purchase and Lopez showed them the Property. Espinoza and Sanchez contend that they entered into an oral agreement with Lopez to purchase the Property for \$70,000. Espinoza and Sanchez tendered a check to Lopez for a down payment in the amount of \$1,000. The memo line of the check stated, “Down Payment for house!” Espinoza and Sanchez alleged that they orally agreed with Lopez to pay \$620.19 per month for fifteen years plus seven percent interest. Espinoza and Sanchez took possession of the Property in March and began making monthly payments. The parties dispute whether the transaction was an oral agreement to purchase or a landlord-tenant arrangement.

Lopez filed a forcible detainer action against Espinoza and Sanchez. They, in turn, filed a motion to dismiss for lack of jurisdiction, alleging that the justice court lacked jurisdiction to hear Lopez’s forcible detainer action because the case involved title to the Property.

An action for forcible detainer is a summary, speedy, and inexpensive remedy for the determination of who is entitled to the possession of premises. The only issue to be resolved in a forcible detainer action is the right to actual and immediate possession of the property; the merits of title are not adjudicated. When there are issues concerning both title and possession, the issues may be litigated in separate proceedings in different courts with appropriate jurisdiction. However, when a forcible detainer action presents a genuine issue of title so intertwined with the issue of possession that a trial court would be required to determine title before awarding possession, then a justice court lacks jurisdiction to resolve the matter.

Espinoza and Sanchez contended that they were purchasing the Property from Lopez, not renting it. In support of their contention, Espinoza and Sanchez argue that they entered into an oral agreement with Lopez to purchase the Property and that they have a claim for equitable title under the doctrine of partial performance. In response, Lopez argues that the title issue is moot because the possession issue is moot and, in the alternative, Espinoza and Sanchez cannot show they have equitable title because they have not paid the full purchase price for the Property.

Generally, a contract for the sale of real estate is unenforceable unless it is in writing and signed by the person charged with the promise. Partial performance, however, will operate to exempt an oral contract for the sale or transfer of real property from the statute of frauds. Under the doctrine of partial performance, an oral contract for the purchase of real property is sufficiently corroborated and enforceable if the purchaser: (i) pays consideration; (ii) takes possession of the property, and (iii) makes permanent and valuable

improvements on the property with the consent of the seller, or, without such improvements, other facts are shown that would make the transaction a fraud on the purchaser if the oral contract was not enforced.

Espinoza and Sanchez contend that they have raised a genuine issue of material fact with respect to each element. Espinoza and Sanchez took possession of the Property and began making monthly payments in the amount of \$620.19. The memo line for the checks stated, “House Payment” or “payment for house we’re buying.” They also paid taxes on the house. While living in the Property, Espinoza and Sanchez planted trees, changed fixtures, replaced the carpet, repaired holes in the walls, painted, and installed blacktop on some of the gravel driveway. When they asked Lopez for help in getting their children in school, Lopez’s wife sent a letter stating that Espinoza and Sanchez were living in the house and further stating “I am selling the property to them.”

Based on this record, the court held that the right to possession cannot be determined without first resolving issues regarding title to the Property.

In re Lippian, 477 S.W.3d 880 (Tex.App.-Houston [14th Dist.] 2015, no pet.). Quang Tran obtained an eviction from the justice court against Lippian. Lippian perfected her appeal by filing a statement of inability to pay, which was not contested. The following day, Lippian filed a bond, which is another means by which an appeal of an eviction judgment may be perfected.

Rule 520.9(c)(5)(B) of the Rules of Civil Procedure requires payment of rent during the appeal perfected by a statement of inability to pay. Lippian did not pay the required rent, so Quang Tran sought and obtained an order of immediate possession. Lippian then filed a motion for a writ of mandamus, asking the court to compel the county court to vacate the order.

Lippian argues that she withdrew her statement of inability to pay by filing her bond. However, an appeal can be perfected only once, by filing either a cost bond or an affidavit of indigence. When, as here, the statement of inability to pay is not contested, the appeal is perfected by the statement of inability to pay, not the later filed bond. Therefore, the trial court did not abuse its discretion in enforcing the requirements of Rule 510.9(c)(5)(B) through its order of immediate possession.

PART VI DEEDS AND CONVEYANCES

Cosgrove v. Cade, No. 468 SW3d 32 (Tex. 2015). In 2006, the Cades and Cosgrove executed a contract for the sale of the Cades’ property. The property was subject to an oil, gas, and mineral lease between the

Cades and Dale Resources. The sales contract stated that the Cades were to retain all mineral rights. The warranty deed, however, failed to include the mineral reservation. Nevertheless, mineral lessee kept sending royalties to the Cades. In 2010, Cosgrove woke up to the fact that they weren't getting the royalty checks. In 2011, the Cades filed a declaratory judgment action and sought reformation of the deed to include the mineral reservation.

The trial court ruled that the Cades' claims were time-barred and also denied their deed-reformation and breach-of-contract arguments. Both parties appealed. The court of appeals reversed the grant of summary judgment for Cosgrove, affirmed the denial of summary judgment for the Cades, and held that the discovery rule delayed the accrual of limitations for a deed-reformation claim because a mutual mistake in a deed is a type of injury for which the discovery rule is available.

There is generally a rebuttable presumption that a grantor has immediate knowledge of defects in a deed that result from mutual mistake. Application of the presumption means that the limitations period on a claim to reform an incorrect deed begins to run as soon as the deed is executed because the grantor has actual knowledge that the deed is incorrect.

A plainly evident omission on an unambiguous deed's face is not a type of injury for which the discovery rule is available. While certain circumstances may trigger a rebuttable presumption that a grantor has immediate knowledge of defects in a deed that result from mutual mistake; however, the Supreme Court has never decided a case involving a plain omission in an unambiguous deed. While prior cases reserved the possibility of recognizing a rebuttable presumption in plain-omission cases, but the court never explicitly endorsed it, and declined to do so now. At execution, the grantor is charged with immediate knowledge of an unambiguous deed's material terms.

Parties are charged as a matter of law with knowledge of an unambiguous deed's material omissions from the date of its execution, and the statute of limitations runs from that date. The Cades had actual knowledge of the deed's omission upon execution. They were charged, as a matter of law, with actual knowledge of what the deed included, and excluded, and limitations began to run from the date of execution. An injury involving a complete omission of mineral interests in an unambiguous deed is inherently discoverable. When a reservation of rights is completely omitted from a deed, the presumption of knowledge becomes irrebuttable because the alleged error is obvious. It is impossible to mistake whether the deed reserves rights when it in fact removes rights. In cases like these which involve an unambiguous deed,

the conspicuousness of the mistake shatters any argument to the contrary.

While the Court has recognized that public records can impose an irrebuttable presumption of notice on a grantee to prevent application of the discovery rule, the court has not yet recognized circumstances where Property Code §13.002 imposes constructive notice on a grantor as well. The court did so in this case, to the extent that public records filed under § 13.002 establish as a matter of law a lack of diligence in the discovery of a mistaken omission in an unambiguous deed. The court did not impose an affirmative duty to search the public record; it said only that obvious omissions are not inherently undiscoverable.

Griswold v. EOG Resources, Inc., 459 S.W.3d 713 (Tex.App.-Fort Worth 2015, no pet. history to date). Way back when, Allred conveyed a 74-acre tract to Barker, reserving half the minerals. Later, both Allred's and Baker's interests in the land and minerals were foreclosed on. The property ended up being acquired by Williams and Wellington.

In 1993, Williams and Wellington conveyed 31.25 out of the 74 acres to the Caswells. The deed included a "save-and-except" clause that read: "LESS, SAVE AND EXCEPT an undivided 1/2 of all oil, gas and other minerals found in, under[,] and that may be produced from the above described tract of land heretofore reserved by predecessors in title. . ." The Caswells then conveyed the 31.25-acre tract to the Griswolds. That deed contained the same save-and-except clause. This court is being asked to determine the meaning and effect of the save-and-except clauses.

A warranty deed will pass all of the estate owned by the grantor at the time of the conveyance unless there are reservations or exceptions that reduce the estate conveyed. Property "excepted" or "reserved" under a deed is never included in the grant and is something to be deducted from the thing granted, narrowing and limiting what would otherwise pass by the general words of the grant. Reservations must be made by clear language, and courts do not favor reservations by implication. Exceptions must identify, with reasonable certainty, the property to be excepted from the larger conveyance. Deeds are to be most strongly construed against the grantor and in favor of the grantee. This rule applies to reservations and exceptions.

The Griswolds argue that the save-and-except clause attempts to except an interest previously reserved by predecessors in title when, in fact, the only interest previously reserved by a predecessor in title was extinguished by the earlier foreclosure, when the entire estate--both mineral and surface--merged. Because the deeds excepted from their conveyance

something that didn't exist, so the exception was just a nullity.

EOG (the mineral lessee, who had been paying royalties on half the minerals to the Griswolds) argues that the save-and-except clause in the Caswell deed clearly expressed an intent to save and except half of the minerals in favor of the Caswells, and the fact that the reason stated in the deed for the exception--"heretofore reserved by predecessors in title" --was erroneous, false, or mistaken does not nullify the entire save-and-except clause or defeat the expressed intent to save and except a one-half mineral interest from the estate conveyed.

Exceptions and reservations are not strictly synonymous. An exception generally does not pass title itself; instead, it operates to prevent the excepted interest from passing at all. On the other hand, a reservation is made in favor of the grantor, wherein he reserves unto himself a royalty interest, mineral rights, or other rights. But a save-and-except clause may have the same legal effect as a reservation when the excepted interest remains with the grantor. Here, the language in the Caswell deed did not reserve the interest in the minerals -- it only excepted it from the grant. However, since the interest did not pass to the grantee and was not outstanding in another the legal effect of the language excepting it from the grant was to leave it in the grantor. Thus, while as the Griswolds contend, a save-and-except clause will not operate to pass title, it may be effective to fail to pass title, that is, to exempt a portion of the grantor's estate from passing to the grantee, leaving title with the grantor if the interest excepted is not outstanding in another.

The court held that the save-and-except clause in the Caswell deed and in the Griswold deed excepted a one-half interest in the oil, gas, and other minerals in plain and unambiguous language. The phrase at the end of the save-and-except clause--"heretofore reserved by predecessors in title" --was but a recital purporting to state why the exception was made. Although the chain of title conclusively negated the recited reason for the exception. Consequently, although the save-and-except clauses in the Caswell deed and the Griswold deed did not reserve an interest in the minerals but merely excepted a one-half mineral interest from the grant to the Caswells and, subsequently, the grant to the Griswolds, and because the excepted interest did not pass to the Caswells or to the Griswolds as grantees and was not outstanding in another at the time the Caswell Deed was executed, the legal effect of the save-and-except clause at issue was to leave the excepted one-half interest in the oil, gas, and other mineral interests in Williams and Wellington.

Orca Assets, G.P., L.L.C. v. Burlington Resources Oil and Gas Company, L.P., 464 S.W.3d 403 (Tex.App.-Corpus Christi 2015, pet. denied). This

is a dispute over competing oil and gas leases. The Trust owns tens of thousands of acres of mineral interests in south Texas. The Trust leased the mineral rights in 15 tracts to GeoSouthern, which was ultimately assigned in part to Burlington. A Memorandum of Oil and Gas Lease was recorded. Before it was recorded, the Trust and Orca executed a Letter of Intent to lease the minerals in 15 tracts, 10 of which were those previously leased to GeoSouthern.

The LOI stated that Orca had searched the records and determined that the Trust is the owner of the mineral estates free of any recorded leases. It also stated that it was made without warranties of any kind. The LOI was signed and Orca made an \$84,000 earnest money deposit.

Orca executed leases on the subject properties as contemplated in the LOI. Despite the fact that the LOI provided for a thirty-day period during which it could re-examine its title work, Orca did not check the real property records before signing the lease to determine if the properties were subject to other leases. Upon signing the lease with the Trust, Orca paid over \$3 million and memoranda were recorded.

Burlington filed this suit to quiet title. The trial court ruled in favor of Burlington. Orca appealed. Orca claimed it was a BFP of the properties leased from the Trust.

The longstanding general rule in Texas is that earlier title emanating from a common source is the better title and is given prevailing effect. However, status as a bona fide purchaser is an affirmative defense to a title dispute. To qualify as a bona fide purchaser, one must acquire property in good faith, for value, and without notice of any third-party claim or interest. Notice may be constructive or actual; actual notice rests on personal information or knowledge, whereas constructive notice is notice the law imputes to a person not having personal information or knowledge. The bona fide purchaser doctrine is codified in Property Code § 13.001 which states that a conveyance of real property is void as to a creditor or to a subsequent purchaser for a valuable consideration without notice unless the instrument has been acknowledged, sworn to, or proved and filed for record and that an instrument that is properly recorded in the proper county is notice to all persons of the existence of the instrument; and subject to inspection by the public.

The parties do not seem to dispute that Orca paid valuable consideration for the rights conferred in the LOI, nor do they dispute that Orca lacked actual or constructive notice of the GeoSouthern lease as of the date the Letter of Intent was executed. The dispute instead centers on whether the LOI constitutes an acquisition of property such that the bona fide purchaser defense would apply.

Orca produced evidence including the LOI, which it claims constituted a conveyance of equitable title to the subject properties. Burlington disagrees with Orca that the LOI conveyed any sort of property interest, and they further argue that the language of the LOI precludes Orca from claiming BFP status.

The court agreed with Burlington. Even assuming, but not deciding, that the Letter of Intent conveyed an equitable interest in the subject properties to Orca, that instrument explicitly stated that no warranty of title would be provided in any lease eventually executed pursuant thereto. In that regard, to the extent the Letter of Intent conveyed any interest in the subject properties, it was equivalent to a quitclaim deed under which the purchaser agrees to acquire whatever interests are actually owned by the seller. A quitclaim deed is a deed that conveys a grantor's complete interest or claim in certain real property but that neither warrants nor professes that the title is valid. And, courts have long held that a party acquiring property under a quitclaim deed is not eligible to claim bona fide purchaser status because it is charged with notice of title defects as a matter of law.

PART VII VENDOR AND PURCHASER

Anderson Energy Corporation v. Dominion Oklahoma Texas Exploration & Production, Inc., 469 S.W.3d 280 (Tex.App.-San Antonio 2015, no pet.). A joint operating agreement governed the exploration, development, and operation of mineral interests within the "Contract Area." The Contract Area is defined as "all of the lands, oil and gas leasehold interests, and oil and gas interests intended to be developed and operated" under the agreement as described in Exhibit A attached to the joint operating agreement. Exhibit A attached 8 maps. Each map shows an area outlined with hash marks, as well as smaller areas identified by dots both inside and outside the hash-marked area.

Anderson sued DOTEPI seeking, among other things, to enforce a right to purchase mineral interests within the Contract Area.

The Statute of Frauds, Business & Commerce Code § 26.01(a), (b)(4) requires that contracts for the sale of real property be in writing and signed by the person to be charged. Oil and gas interests constitute real property; therefore, an agreement for the transfer or assignment of a mineral interest must comply with the Statute of Frauds. To satisfy the Statute of Frauds, a contract must furnish within itself, or by reference to some other existing writing, the means or data by which the property to be conveyed may be identified with reasonable certainty. Even if the record is clear that the parties to the contract knew and understood what property was intended to be conveyed, the knowledge and intent of the parties will not make the

contract valid. If the contract does not sufficiently describe the real property interest to be conveyed, the conveyance is void under the Statute of Frauds and will not support an action for specific performance or breach of contract.

The sufficiency of a legal description in any instrument transferring a property interest is a question of law subject to de novo review. The contract's property description need not be mathematically certain, but only "reasonably certain" so as to enable a person familiar with the area to identify the property to be conveyed to the exclusion of other property. The purpose of the written description is not to identify the land, but to provide a means of identification. The property description must furnish enough information to locate the general area as in identifying it by tract survey and county, as well as to determine the size, shape, and boundaries of the property. When the language in the contract furnishes a "key or nucleus" description of the property, extrinsic evidence may then be used merely as an aid to identify the property with reasonable certainty from the data contained in the contract, not to supply a missing description.

Here, viewing the JOA and its Exhibit A maps along with the incorporated Letter Agreement and its attached Schedule A, the court concluded that the JOA contains enough information to provide at least a nucleus description of the Contract Area with respect to its physical location and its size, shape, and boundaries.

Marx v. FDP, LP, 474 S.W.3d 368 (Tex.App.-San Antonio 2015, no pet.). The Marxes, as sellers, and FDP, as buyer, entered into a Farm and Ranch Contract. Exhibit A contained field notes for a 326.047-acre tract and a 186.152-acre tract. The Marxes agreed to supply FDP with a new survey. In the Special Provisions of the Contract, the Marxes and FDP agreed to some details "to be worked out before closing," including surveying out 21 acres that would be retained by the Marxes and giving FDP a right-of-first-refusal to buy those 21 acres. The purchase price was payable in cash and with seller financing.

The Marxes subsequently refused to sell to FDP. FDP sued for specific performance and damages. They entered into a mediated settlement agreement which contained the following terms: (i) FDP agreed to purchase approximately 421 acres from the Marxes for \$5,000.00 per acre—"Closing per existing EMK--October 1, 2013;" (ii) the Marxes agreed to retain the Homestead Property for no longer than eight years after closing; (iii) the parties were to mutually agree on the Homestead Property, not to exceed one hundred acres; (iv) if the parties could not agree on what constituted the Homestead, the issue would be submitted to arbitration; (v) FDP maintained exclusive option to purchase the Homestead Property; and (vi) all

claims and causes of action between the parties, except for the undertakings in the MSA, were mutually released. The agreement was filed with the district court as a Rule 11 agreement.

FDP filed a motion to enforce the agreement. The Marxes answered raising several affirmative defenses, including (1) ambiguity, (2) failure of conditions precedent, (3) fraud, (4) the Marxes' impossibility of performance, (5) lack of mutuality, (6) mutual mistake, and (7) lack of consideration. The Marxes' pleading contended the MSA left essential elements of the contract for future negotiation and agreement. These uncertain terms included the size, location and boundaries of the land to be sold; the identity of the buyer, the manner in which the sale price is to be paid; the portion of the sale price which is to be paid in cash; and the portion of the sales price which is to be owner financed. With these terms being uncertain, the Marxes claimed that performance was impossible and they "rescinded" their agreement to the settlement agreement.

The trial court ordered the parties back to mediation, which was unsuccessful. The court then ordered arbitration to determine the boundaries of the 100-acre and 421-tract. The arbitrator picked the boundaries and the arbitration award was confirmed by the court. FDP then moved for summary judgment for specific performance, which was granted by the trial court.

Specific performance is an equitable remedy that may be awarded, at the trial court's discretion, for a breach of contract. When the recovery of monetary damages is inadequate to compensate the complainant, the transgressor is compelled to perform the promise of its contract. Specific performance is not a separate cause of action, but rather it is an equitable remedy used as a substitute for monetary damages when such damages would not be adequate. To be entitled to specific performance, the plaintiff must show that it has substantially performed its part of the contract, and that it is able to continue performing its part of the agreement. The plaintiff's burden of proving readiness, willingness and ability is a continuing one that extends to all times relevant to the contract and thereafter.

The Marxes argued that specific performance was not available because there was no meeting of the minds on the method of financing. They contend the contract is unenforceable because the mediated settlement agreement changed the sale price and it lacks a method of financing the new price. The Marxes argue the method of financing was a material or essential term in the real estate transaction, and because the mediated settlement agreement's new sale price was indefinite, there was no meeting of the minds. In other words, the mediated settlement agreement failed to address the financing associated with the additional acres and the increased price from

the original Seller Financing Addendum contained in the Farm and Ranch Contract. Unfortunately for the Marxes, this claim was not preserved on appeal, so it was held to be waived.

They argued ambiguity and indefiniteness as well. A contract is ambiguous if the contract language is susceptible to two or more reasonable interpretations. A contract is not ambiguous if it is so worded that it can be given a definite or certain legal meaning. A contract is not ambiguous simply because the parties disagree over its meaning. Rather, if a written contract is so worded that it can be given a definite or certain legal meaning, then it is not ambiguous. Thus, if an ambiguity is present, the trier of fact resolves the ambiguity, and the contract is enforceable once the ambiguous language is resolved.

Unlike the trial court's obligation to resolve any ambiguity necessary to enforce a contract, indefiniteness in a contract makes the contract unenforceable. Provisions that are too indefinite and uncertain to reflect a meeting of the minds of the parties, cannot constitute an enforceable contract. An indefinite contract results when a material or essential term, a term a party would reasonably regard as a vitally important element of their bargain, is missing at the time the contract was formed.

Specifically, the Marxes argued that the MSA creates a patent ambiguity, a contraction, which renders the new agreement incapable of performance. That section provides, first, that the number of acres being sold by Sellers to Buyer is changed to 421 acres, more or less. Second, it provides that the price per acre is being changed to \$5,000. The Marxes further argued the settlement agreement was ambiguous because the Farm and Ranch Contract and the Seller Financing Addendum each contain other numbers which were not changed by the settlement agreement. But, again, the Marxes had raised ambiguity, but not that the settlement agreement was indefinite with respect to FDP's payment obligations. By failing to raise the question of indefiniteness before the trial court, the Marxes waived this issue on appeal.

Cohen v. Sandcastle Homes, Inc., 469 S.W.3d 173 (Tex.App.-Houston [1st Dist.] 2015, pet. pending).

A properly filed lis pendens is not itself a lien, but rather it operates as constructive notice to the world of its contents. Property Code § 13.004(b) expressly provides that a properly filed notice of lis pendens prevents a purchaser for value from acquiring property free and clear of the encumbrance referenced in the lis pendens. A notice of lis pendens may be expunged, however, if certain procedures are followed and the trial court determines that the party filing the notice either has not pleaded a real-property claim or demonstrated the probable validity of the claim. If an order expunging a notice is properly recorded, there are

statutory limitations on the ability of a party to charge a purchaser with notice based upon the notice of lis pendens.

Here, the parties disagree about how the trial court's expungement of the notices of lis pendens impacted Sandcastle's and NewBiss's ability to establish bona-fide purchaser status. The notice of lis pendens on Tract I was expunged after Sandcastle's purchase; the notice of lis pendens was expunged on Tract II before NewBiss's purchase. Cohen asserts that, in both cases, the purchasers were not entitled to bona-fide purchaser protection because they otherwise had notice of his lawsuit. The court disagreed.

In Texas, prior to 2009, if a party pleaded a real-property claim, it could effectively encumber a property with a lis pendens notice until the underlying proceedings concluded without regard for the merits of the underlying claim. This approach had been criticized because it allowed real-property interests to be significantly burdened with no evidentiary support and with no showing that the notice of lis pendens was filed in good faith. Recognizing that a lis pendens notice produces a cloud on title which may devastate the marketability of the encumbered property, some states enacted statutes requiring a trial court to determine, in a hearing on discharge, that the claim is probably valid, or that the proponent is likely to prevail in the action.

In 2009, the Texas Legislature similarly amended section 12.0071 of the Texas Property Code to require a trial court to order the notice of lis pendens expunged if the court determines that the claimant fails to establish by a preponderance of the evidence the probable validity of the real property claim. Probable validity is not defined in the statute, but other jurisdictions have defined this phrase in the lis pendens expungement context to mean where it is more likely than not that the plaintiff will obtain a judgment against the defendant on that claim.

Cohen argued that expungement extinguishes only (1) constructive notice caused by the filing of the notice of lis pendens, and (2) actual notice derived by reading the notice of lis pendens. Thus, under Cohen's interpretation, if a party learns of a lis pendens or the underlying lawsuit other than by reading the actual lis pendens notice, the party has "actual notice" of that claim, defeating bona-fide purchaser status regardless of whether the lis pendens is expunged.

Sandcastle and NewBiss argue that Cohen's interpretation eliminates the benefit of--and is contrary to the purpose of--the expungement statute because it allows a party to burden title to property even when that party cannot meet the threshold requirement of adequately pleading and establishing the probable validity of an alleged real-property claim. The court agreed.

A notice of lis pendens is designed to put persons who might acquire the property on notice that there is a potential claim to the property. Section 12.0071 uses the word expunge. "Expunge" means to erase or destroy, to declare null and outside the record, so that it is noted in the original record as expunged, and redacted from all future copies. Once a notice of expungement has been properly filed, the notice of lis pendens and any information derived from the notice does not amount to constructive, actual, or inquiry notice about the underlying lawsuit, and is not enforceable against a purchaser or lender regardless of whether the purchaser or lender knew of the lis pendens action.

Cohen argues the concepts of actual and constructive notice are different and that expungement of a notice of lis pendens can operate only to extinguish constructive notice, but not actual notice (except the actual notice that comes from physically reading a lis pendens notice). The court rejected that argument because the plain language of section 12.0071 shows that--for purposes of establishing bona fide purchaser status--expungement of a lis pendens notice extinguishes both actual and constructive notice.

What is less clear, however, is exactly what expungement extinguishes actual and constructive notice of. The statute states that expungement extinguishes "notice of lis pendens and any information derived from the notice." Resolution of this appeal turns on what "any information derived from" means. Cohen advances a narrow interpretation of this provision, insisting that expungement of a lis pendens should have no effect on any actual notice unless the purchaser gained the actual notice from reading the notice of lis pendens. Under this interpretation, whether an expungement can remove the cloud of a lis pendens does not turn on whether the party encumbering the real property can demonstrate a probable right of recovery on an underlying real-property claim, but instead on details about exactly how the purchaser seeking to rely on an expungement learns of the underlying claim.

For example, under Cohen's interpretation, if a potential purchaser first learns of a lawsuit involving a claim to real property by reading a properly filed notice of lis pendens in the real property records, then the potential seller's successfully moving to expunge that lis pendens--either before or after the purchaser came across the lis pendens notice--would restore that purchaser's ability to take the property as a bona-fide-purchaser. The result would be different, however, if the day before inspecting the real property records, that same potential purchaser was told by a real estate agent showing the property that there is a lawsuit where someone was claiming an interest in the property and filed a lis pendens. Under Cohen's interpretation, the buyer told about the suit by the realtor could never take

the property as a bona-fide purchaser, despite a trial court finding that the plaintiff in the underlying lawsuit failed to establish, by a preponderance of the evidence, the probable validity of the real-property claim.

The statutory provisions providing for expungement of lis pendens notices--the aim of which is to curtail burdening of real property pretrial, for lengthy periods, without evidentiary support--would be of little use if every case necessitated inquiry into, and turned on, whether a purchaser physically read the lis pendens or was told about the lis pendens or the underlying lawsuit by another person. Read as a whole, the lis pendens and expungement scheme is designed to differentiate cases in which the proponent of the notice of lis pendens can demonstrate a probable right of recovery on an underlying real-property claim from cases in which the proponent cannot; nothing indicates that the legislature intended the determination of whether title to a property is encumbered to turn instead on whether each potential buyer learns of an underlying claim that is the subject of a lis pendens notice by literally reading the notice or by some other means.

The court concluded that the more reasonable interpretation intended by the legislature is that a lawsuit identified in a notice of lis pendens does not preclude subsequent purchasers from proving bona-fide purchaser status if the trial court has expunged that lis pendens following a determination that the proponent has not shown the probable validity of the real-property claim.

There was a strong dissent. It pointed out, among other things, that the procedural standard for expunging a notice of lis pendens is much lower than the standard that would apply to defeat the underlying claim on the merits. A notice of lis pendens can be expunged based on the nonmovant's inability--without any right to ordinary discovery--to establish the probable validity of the real property claim. The party seeking expungement has no burden of proof. The expungement of a notice of lis pendens under such circumstances is far from a judicial determination that the claimant could not have ultimately prevailed on the merits of his claim with the benefit of discovery. Yet the court's holding has the effect of imbuing an expungement of a notice of lis pendens with the claim-preclusive effect of a full-blown adverse judgment on the merits. As such, Cohen would have been in a better position today had he never availed himself of the recording act's protections by recording the notice of his lis pendens

Lauret v. Meritage Homes of Texas, LLC, 455 S.W.3d 695 (Tex.App.-Austin 2014, no pet.). Lauret contracted to have Meritage build a new home in Lakeway. Lauret said he made it clear from the beginning that the "main thing" he wanted was a view

of Lake Travis. Meritage's salesmen repeatedly assured him that he would because of a 25 foot setback on each neighboring lot.

Before construction started on Lauret's home, however, Meritage informed Lauret that a neighbor was going to build a pool and pool house that would partially obstruct the view of the lake. According to Meritage, the neighbor had deceived the architectural control committee into giving the neighbor a waiver of the setback. The AAC later revoked the waiver, but told the neighbor he could re-submit plans that obstructed Lauret's view a bit less.

Lauret said he wouldn't have bought his lot if he knew the setback could be waived. Turns out, the setback was shown to perspective buyers, but wasn't actually on the subdivision plat.

Lauret tried to sell, but due to a decline in the local housing market, the value of his property had declined significantly. Lauret sued Meritage, asserting that there was a mutual mistake as to the contract and also asserting DTPA violations. The jury found in Lauret's favor, but also found he was contributorily negligent for 49% of his injury. Lauret elected to "restore" his original purchase price in exchange for returning the property. The trial court held that Lauret had failed to prove that he did not have an adequate remedy at law, and therefore held that Lauret was not entitled to restoration of his purchase price.

On appeal, Lauret argued that, although common law requires proof that monetary damages are inadequate before granting rescission, there is no such requirement in the DTPA. Whether restoration under the DTPA encompasses the common-law elements of rescission is an issue of statutory construction and therefore a question of law that the court reviewed de novo.

The DTPA did not codify the common law, and one of its primary purposes is to provide consumers a cause of action for deceptive trade practices without the burden of proof and numerous defenses encountered in a common law fraud or breach of warranty suit. Under the DTPA's election-of-remedies provision, each consumer who prevails in his DTPA claim may obtain his choice of the following remedies: (i) damages; (ii) injunctive relief; (iii) "orders necessary to restore any party to the suit any money or property, real or personal, which may have been acquired in violation of this subchapter;" and (iv) any other relief the court deems proper. Business & Commerce Code § 17.50(b).

It cannot be doubted that the Legislature intended "may" in the election-of-remedies provision to indicate that the consumer has several remedies from which to choose and that the court is to grant the consumer that relief which the consumer proves a right to receive. Thus, if Lauret established that he was entitled to restoration of his purchase in exchange for returning

his property to Meritage Homes, the trial court was required to honor his election of that remedy. Restoration necessarily involves each party restoring property received from the other and is generally limited to cases in which counter-restitution by the claimant will restore the defendant to the status quo ante. The Supreme Court has noted that restoration is similar to the common law remedy of rescission, and like rescission, restoration is appropriate when mutual restitution can restore both parties to their original position. *Cruz v. Andrews Restoration, Inc.*, 364 S.W.3d 817, 825 (Tex. 2012). However, the court was careful to note that the mere fact that restoration is similar to rescission does not compel the wholesale adoption of all of the common law rescission requirements. DTPA restoration is an independent ground of recovery, requiring only that the consumer choose that remedy subject to the defendant's right to plead and prove an offset, but not incorporating common law predicates.

Similarly in this case, the court concluded that requiring a party to prove that he lacks an adequate remedy at law is inconsistent with DTPA restoration. Under the common law, rescission and specific performance are equitable remedies used as substitutes for monetary damages when such damages would be inadequate. Because equitable remedies are generally disfavored under the common law, a party seeking rescission is required to prove that legal remedies--i.e., monetary damages--would not adequately compensate him for his injuries.

Although DTPA restoration is also an equitable remedy, the DTPA's election-of-remedies provision affords a prevailing consumer the right to choose his remedy, and a trial court must honor a consumer's choice of restoration if restoration with an appropriate offset can adequately return the parties to their prior positions. Thus, unlike common-law rescission, restoration under the DTPA is not limited to instances when monetary damages would be inadequate. To read such a requirement into the DTPA would change the language of the election-of-remedies provision to state that a consumer may choose an injunction or restoration only if the consumer first proves that economic damages are inadequate. Thus, the court held that Lauret was not required to prove that he lacked an adequate remedy at law in order to be entitled to restoration under the DTPA.

Smith v. Davis, 462 S.W.3d 604 (Tex.App.-Tyler 2015, pet. denied). The Davises, as purchasers, and Smith executed a contract pursuant to which Smith agreed to sell Lot 7 to the Davises for \$65,100, with payments over a 360 month period. Two years after signing the contract, the Davises requested that Smith give them a deed to Lot 7. Smith sent instead a vendor's lien note and deed of trust. In response, the

Davises' lawyer sent a letter demanding the deed and also demanding liquidated damages of \$273,750 because Smith had failed to provide the Annual Accounting Statement required by Property Code § 5.077.

When Smith didn't meet their demands, the Davises filed suit alleging various statutory violations based on the contract to convey Lot 7. Eventually, the case was tried to a jury. The jury made findings in favor of the Davises based on statutory fraud in a real estate transaction under Business & Commerce Code § 27.01, and failure to provide annual statements under Property Code § 5.077, as well as various other violations of the Property Code. Smith appealed and the court reversed and remanded. On remand, the Davises elected relief for Smith's failure to provide the Annual Accounting Statement. Again, the trial court awarded damages to the Davises. It also alternatively awarded damages for other violations in case the damages for the Annual Accounting Statement were reversed on appeal.

On appeal, Smith claims that the executory contract violates Property Code § 5.072 in two respects. Smith contends that a portion of the contract is oral because the parties orally agreed to convert the contract to a more traditional real estate transaction after a set time period and that his wife, Nancy would sign the necessary documents at a future time. Consequently, their argument continues, the contract is not subject to the restrictions on executory contracts because part of the agreement is oral. Second, they contend that Nancy is not bound by the agreement because neither she nor her authorized representative signed the contract.

Smith is correct that § 5.072 prohibits oral agreements occurring prior to or contemporaneously with the execution of the contract. But the statute also states that the rights and obligations of the parties to a contract are determined solely from the written contract, and any prior oral agreements between the parties are superseded by and merged into the contract.

Smith is also correct that to be bound by an executory contract, the party or his authorized representative must have signed the contract. However, the Smiths argue that Nancy is not bound by the contract because the contract lacks her signature. The trial court's judgment is not against Nancy. The trial court's judgment is against Rex. Smith has provided arguments as to why Nancy should not have had a judgment rendered against her, but there is no such judgment.

Smith also contends that the trial court was required to apply Civil Practice & Remedies Code Chapter 41 in awarding damages under Property Code § 5.077 but failed to do so. When Chapter 41 applies to a cause of action, it limits the amount of exemplary damages a claimant may recover. Moreover, when

Chapter 41 applies, a claimant seeking exemplary damages ordinarily must prove by clear and convincing evidence that the damages resulted from fraud, malice, or gross negligence. Alternatively, the claimant may recover exemplary damages if a statute establishes a cause of action authorizing exemplary damages under specified circumstances, provided that the claimant proves the required circumstances under the statute by clear and convincing evidence. Generally speaking, exemplary damages may be awarded under Chapter 41 only if damages other than nominal damages are awarded.

Smith argues that Chapter 41 applies to the Davises' claim under the current version of Property § 5.077, and that the Davises failed to prove by clear and convincing evidence that they suffered actual damages. Chapter 41, by its own terms, clearly and unambiguously applies to any action in which a claimant seeks damages. Moreover, it establishes the maximum exemplary damage award, even when damages are awarded under another law, unless the other law establishes a lower maximum amount of damages for a particular claim. Under Chapter 41, exemplary damages means any damages awarded as a penalty or by way of punishment but not for compensatory purposes. Damages awarded under Section 5.077 are penal in nature.

Chapter 41 requires proof of actual damages as a predicate to exemplary damages. Section 5.077 does not require proof of actual damages as a predicate to a recovery of liquidated damages. Chapter 41 prevails over all other law to the extent of any conflict. Such provisions mean what they say and are to be given effect. The legislature expressed its intent that Chapter 41 controls here, and the court is not free to disregard the clear and unambiguous language expressed in the statute.

The court held that Section 5.077 is subject to Chapter 41, and that a claimant must prove more than nominal damages as a predicate to recovery of liquidated damages under Section 5.077.

Finally, Smith argued that the Davises weren't entitled to cancellation and rescission of the Lot 7 contract because they failed to present evidence as to the amount of rent they should have paid in restitution to offset the remedy. The Davises were entitled to cancellation and restitution because Smith had failed to provide the statutory notice of final agreement required by Property Code § 5.072(d). Smith did not plead offset, so the court held he had waived it.

Arbor Windsor Court, Ltd. v. Weekley Homes, LP, 463 S.W.3d 131 (Tex.App.-Houston [14th Dist.] 2015, pet. denied). Arbor and Weekley entered into a lot purchase contract pursuant to which Arbor would develop lots and Weekley would purchase them according to a schedule. The Agreement required each

party to give the other fifteen days' notice of default and the opportunity to cure. Weekley failed to purchase most of the lots, which caused Arbor to default on its loan. The lender foreclosed, and Weekley bought the property at the foreclosure sale.

Arbor sued Weekley for breach of contract for failing to purchase lots according to the schedule. At trial, the jury found that Arbor had failed to send the required 15-day notice of default to Weekley. The trial court entered a take-nothing judgment in favor of Weekley. On appeal, Arbor argued that the finding of its failure to provide the notice of default does not support the judgment in favor of Weekley. In other words, Arbor argued that the notice requirement was a covenant, not a condition precedent.

The court resolved whether a contractual provision is a covenant or a condition precedent by examining the entire contract to determine the parties' intent. A condition precedent must either be met or excused before the other party's obligation may be enforced. As part of that contract review, the court applied additional common law principles that reflect Texas public policy disfavoring conditions precedent. For example, in construing a contract, forfeiture by finding a condition precedent is to be avoided when another reasonable reading of the contract is possible. Thus, if the language of the contract is susceptible to a non-condition precedent interpretation, the court accepts that construction and construes the language as a mere covenant.

Neither party argues that the notice provision of the Agreement is ambiguous. As such, neither party undertakes in any way to set forth two reasonable but competing interpretations of the provision. Instead, Arbor points to (a) the parties' use of the word "covenant" and (b) the absurd result that would flow from reading the provision as a condition precedent. And, Weekley points to the parties' use of the term "prior to" and argues that this phrase constitutes conditional language that is completely without meaning unless it creates a condition precedent.

To glean the parties' intent to create a condition precedent, the court looks for conditional language such as "if," "provided that," or "on condition that." Our task is to construe the entire agreement, and that task is not altered by the parties' use of "magic words" in the contract or the absence of such words.

In addition, the conditional language must connect the condition precedent to the conditioned obligation. In other words, the mere existence of conditional language within a contract does not suggest that all obligations of one party are conditions precedent to the performance by the other party.

Turning to Arbor's argument regarding construction, the court acknowledged the appeal of Arbor's first argument that the parties chose the words "covenant and agree" as the introductory phrase to the

contested provision. However, a single word or provision cannot be given controlling effect. The words "covenant and agree" do not always signal that a provision is purely a covenant. Nor do those words foreclose review of the remainder of the contract. Although the court must resist any interpretation that results in forfeiture, it must nonetheless construe the entire provision to have meaning. Therefore, the parties' use of the words "covenant and agree" is not dispositive of the construction.

The court was persuaded by Weekley's argument that the provision, as a whole and as written, contains explicit conditional language--"prior to"--that will have no meaning if construed as no more than a mere covenant. The sentence does not contain the oft-cited traditional conditioning language: "if," "provided that," or "on condition that." But, again, the court is not looking for magic words. Texas courts have found other words and phrases to be conditional language.

Ultimately, the court held that to construe the provision as either a covenant or an ambiguous provision in an effort to give meaning to this single phrase—"covenant and agree"—out of context would ignore the remaining language and eviscerate the only reasonable meaning of the paragraph. Having examined the contract as a whole, the conclude that is was compelled to construe the provision as a condition precedent by language that may be construed in no other way.

PART VIII EASEMENTS

Union Pacific Railroad Company v. Seber, 477 S.W.3d 424 (Tex.App.-Houston [14th Dist.] 2015, no pet.). The Sebers sued Union Pacific claiming the railroad had wrongfully removed the Sebers' private railroad crossing. The Sebers claimed a right to use the crossing pursuant to an implied easement by prior use. The trial court granted summary judgment in favor of the Sebers, declaring that the Sebers have a right to use the crossing and ordering Union Pacific to reinstall the crossing.

The Texas Supreme Court decided *Hamrick v. Ward*, 446 S.W.3d 377 (Tex. 2014), "to provide clarity in an area of property law that ha[d] lacked clarity for some time: implied easements." In *Hamrick* the Supreme Court held that the easement-by-necessity doctrine -- and not the easement-by-prior-use doctrine - - must apply to claims of landowners asserting implied easements for roadway access to their landlocked, previously unified parcel.

The court held that the trial court erred in granting summary judgment in favor of the Sebers on their pleaded theory of easement by prior use. To prevail on a traditional motion for summary judgment, the

movant must show that there is no genuine issue as to any material fact and that the movant is entitled to judgment as a matter of law. The court held that the Sebers are not entitled to summary judgment on their pleaded easement by prior use claim because the Sebers cannot prevail on this claim as a matter of law. The court remanded the case to allow the Sebers to plead easement by necessity.

Trant v. Brazos Valley Solid Waste Management Agency, Inc., 478 S.W.3d 53 (Tex.App.-Houston [14th Dist.] 2015, pet. denied). This case is also discussed in *Easements*. The Trants entered into an Option Contract with the Cities of Bryan and College Station, pursuant to which the Cities obtained the right to purchase approximately 382 acres of land in Grimes County from them. The Option Contract stated that the Cities contemplated using the property as a Landfill. The Cities later purchased the property and the deed conveying the property to the Cities incorporated the "Terms, Conditions, and Representations" in the Option Contract.

The Cities formed the Waste Management Agency, a governmental entity that currently operates a landfill on the property. The Trants learned that the Cities had decided to put a firing range on a portion of the property near their land. The Trants sent a letter to the Cities and the Agency, contending that the property could be used only as a landfill. Counsel for the Agency responded by letter that while the Option Contract contemplated an intended use of the property as a landfill, the contract did not restrict the Cities' use of the property to such purpose.

The Trants filed suit against the Agency. The Agency filed a plea to the jurisdiction, asking the trial court to dismiss the suit on the basis that governmental immunity bars the Trants' claims. The Trants responded that (1) the Agency is not immune from suit to enforce the Option Contract, which the Trants construe as a condemnation settlement agreement, or from their claim to enforce land use restrictions; and (2) the Agency's immunity has been waived under Chapter 271 of the Local Government Code. The trial court granted the Agency's plea and dismissed the Trants' claims for want of jurisdiction.

The Agency describes itself as a local governmental non-profit corporation wholly owned by" the Cities and a "governmental unit" as defined in Chapter 101 of the Civil Practice and Remedies Code. Local governmental entities enjoy governmental immunity from suit, unless immunity is expressly waived. Governmental immunity includes both immunity from liability, which bars enforcement of a judgment against a governmental entity, and immunity from suit, which bars suit against the entity altogether. A governmental entity that enters into a contract necessarily waives immunity from liability, voluntarily

binding itself like any other party to the terms of agreement, but it does not waive immunity from suit.

The Trants argued that the Agency is not immune from an action to enforce restrictive use covenants in the General Warranty Deed and Easement Agreement. The court did not get to the immunity issue because it found that the Trants had not raised a material issue of fact regarding the existence of any restrictive use covenant in the General Warranty Deed or Easement Agreement that the Agency may have violated.

When a restrictive covenant may reasonably be interpreted in more than one way, the court will resolve all doubts in favor of the free and unrestricted use of the property, strictly construing the restrictive clause against the party seeking to enforce it. The words used in the restriction, and the restriction as a whole, may not be enlarged, extended, stretched, or changed by construction. The party seeking to enforce a restrictive covenant has the burden of showing that the restriction is valid and enforceable.

The Trants argue that the deed includes a restrictive use covenant allowing the land to be used only as a landfill. The deed incorporates the "Terms, Conditions, and Representations" in the Option Contract. The Option Contract states that the Cities "contemplate using the Property as a . . . Municipal Sanitary Landfill." However, nothing in the language of the deed or Option Contract indicates that the Trants retained a possessory interest in the property contingent on the Cities' using it as a landfill. The Option Contract and the deed do not include a restrictive use covenant. The only language referencing any use of the property, discussed above, merely reflects how the Cities anticipated using the property--the Cities did not agree to use the property only as a landfill.

North Texas Municipal Water District v. Ball, 466 S.W.3d 314 (Tex.App.-Dallas 2015, no pet.). The rules of contract construction and interpretation apply to easement agreements. Unless the agreement is ambiguous, and no such claim is made in this case, the court interprets its provisions as a matter of law. Whether a structure is "permanent" is necessarily a fact-specific inquiry that will depend on such factors as the nature of the structure and its location on the restricted area.

Any structure can be removed from land, so that isn't the determining factor in determining permanence. A structure which is designed as a continuous fixture is permanent as a matter of law.

Lewis owned a twenty-one acre tract of land in Collin County, across which the District wished to install a water pipeline. Lewis conveyed a thirty-foot-wide permanent Easement to the District. The District received the right to construct, operate, and maintain water pipelines within the Easement's boundaries;

Lewis retained the right to use the land making up the Easement except for the purposes of erecting buildings or permanent structures" on the land. The District agreed to pay for damage caused to fences and crops while performing its functions on the Easement.

Over the years, Lewis's tract was subdivided. In 2013, the Tissings owned a subdivided piece of the Lewis property, a two-and-one-half acre tract facing Stinson Road. The Easement and its pipeline run across the width of the Tissings' property, parallel to Stinson Road.

The Tissings began to erect a structure across the front of their property, and within the Easement boundaries. The District learned of the construction in April 2013 and contacted the Tissings to demand that the construction stop and the portion of the structure already built be removed from the Easement. When the Tissings refused to stop construction, the District filed suit. The District sought a declaration that it held a valid existing Easement across the Tissings' property and that the structure erected within its Easement was a permanent structure that violated the terms of the Easement. The District also pleaded that the construction of the structure constituted an impermissible use and wrongful interference with the District's reasonable use and enjoyment of the Easement. Finally, the District sought a mandatory injunction, requiring the Tissings to remove the structure being built within the Easement. The trial court issued a TRO, which it extended once.

The structure being constructed by the Tissings was built by anchoring galvanized steel poles into holes with concrete, building a base with concrete blocks that encased the poles and created a wall across the front of the property, facing the wall with flagstone on both sides, and topping this base with a wood privacy fence.

The District's fundamental position is that the structure is "permanent" within the meaning of the Easement, so the Tissings had no right to erect it over the Easement's right-of-way. The Tissings contend the structure is not permanent in nature. But they also argue that--even if the structure is permanent within the meaning of the Easement--it is a fence, and the Easement contemplates an exception for fences when it states the District will pay for any damage it does to fences while working on the Easement.

The Tissings argue that the courts inquiry into the permanent nature of the structure is asking the wrong question. They contend the Easement intends fences to be an exception to the prohibition against erecting permanent structures. According to the Tissings, the plain language of the Easement contemplates the presence of fences within its boundaries. However, the language relied upon by the Tissings speaks only to this remedy of compensation for damage, not to any additional rights reserved by the original landowner. It

is true the court avoids burdening the servient estate when possible. But it is not reasonable to create an exception to an express prohibition within an easement agreement--here, construction of a permanent structure--when that exception, by its very nature, would significantly interfere with the easement holder's ability to carry out the purposes specifically granted to it by the Easement. The Tissings' interpretation of the Easement's reference to fences gives that provision control over not only the permanent-structure prohibition, but also the essential purpose of the Easement. The court would not give a single provision, taken alone, controlling effect in this Easement. It must consider all provisions with reference to the purpose of the whole instrument.

The court held that the structure was a permanent structure and that the Easement's prohibition contains no exception for fences.

PART IX

ADVERSE POSSESSION, TRESPASS TO TRY TITLE, AND QUIET TITLE ACTIONS

Anderton v. Lane, 439 S.W.3d 514 (Tex.App.-El Paso 2014, pet. denied). Under Texas law, use of land for grazing cattle, fails to establish adverse possession as a matter of law, unless the fence used is a "designed enclosure" as opposed to "casual fences." Unless the claimant establishes he erected the fence with the purpose of enclosing the property at issue, the fence is a "casual fence" rather than a "designed enclosure."

Gipson-Jelks v. Gipson, 468 S.W.3d 600 (Tex.App.-Houston [14th Dist.] 2015). Mae and her mother Beulah bought a house in 1974, each taking a one-half interest in the house. Mae's sister Rose moved into the house and lived with Beulah. Beulah died, but Rose stayed in the house. Mae tried to evict Rose on the grounds that Mae was the sole owner of the house because Beulah had deeded her half interest in the house to Mae in a 2008 deed. Rose claimed that Beulah lacked capacity to execute the deed.

Mae filed a petition in which she asserted she held title to the house and sought a judgment declaring that Mae is the sole owner of the house, and a writ of possession. Rose filed a general denial. After a bench trial, the trial court signed findings of fact and conclusions of law followed by a judgment declaring Mae the sole and exclusive owner of the house and granting her immediate and exclusive possession of this property. The trial court ordered Rose to vacate the house immediately.

Rose argues that the evidence is legally insufficient to prove Mae holds title to the house. In particular, Rose argues that Mae did not prove a certified copy of a deed showing a chain of title

emanating from and under a common source. To prove a common source, Rose argues, Mae needed to place into evidence a certified copy of the 1974 deed to Mae and Beulah.

Mae and Rose both agree that the 1974 deed granted a one-half interest in the property to Mae and a one-half interest in the property to Beulah. Both parties assert that they have a claim to the house because they have a claim to Beulah's one-half interest in the property. Because Beulah's one-half interest in the property is the common-source of their competing claims, Mae needed to prove only that she had a superior title to Beulah's one-half interest.

The trial evidence contains a 2008, notarized general warranty deed conveying Beulah's one-half interest in the house to Mae. In addition to the warranty deed, Mae testified that her mother wanted to deed the property to her. Mae's granddaughter and the notary both testified that they were present when Beulah signed the deed. Mae's granddaughter stated that Beulah signed the deed of her own free will. The court concluded that the record contains sufficient evidence to enable a reasonable factfinder to determine that Mae had superior title from a common source.

PART X HOMESTEAD

Hill v. Sword, 454 S.W.3d 698 (Tex.App.-Tyler 2015, pet. denied). In 2005, the Hills signed a \$60,000 note and deed of trust in favor of Sword, granting Sword a lien on 126 acres they owned. In 2006, they signed a \$200,000 note and a deed of trust on the same property. When the Hills failed to pay, Sword filed a suit seeking a declaratory judgment that his deed of trust liens were valid. In 2011, the parties entered into an agreed judgment that stated the 2004 and 2006 deed of trust liens were "valid, perfected, and enforceable" against the property. The judgment also awarded Sword \$327,881.98 for the principal balance of the debt, all prejudgment interest, \$7,500.00 in attorney's fees, and court costs, to bear interest at a rate of 6% per annum. The Hills then executed a promissory note and a third deed of trust explicitly to renew and extend the 2004 and 2006 notes and deed of trust liens. The note stated that its principal was the judgment amount of \$327,881.98. It also provided new payment terms and an interest rate of 6%.

Later in 2011, Martha Hill filed a voluntary Chapter 7 bankruptcy. She claimed the 126 acre tract and related mineral interests as homestead. In February 2012, her discharge was granted. The Hills failed to pay the 2011 promissory note, and Sword sought an order from the bankruptcy court determining whether his foreclosure under the 2011 deed of trust would violate the court's discharge order. The court determined that foreclosure would not violate that

order, and Sword posted the property for nonjudicial foreclosure.

The Hills then filed a suit seeking a declaration that the 2011 deed of trust lien was invalid. They filed a motion for summary judgment seeking determinations that the property constituted their homestead and that Sword had no valid or enforceable lien against it. The trial court granted judgment in favor of Sword.

The Hills appealed, claiming that the property was homestead and not subject to forced sale. The Hills have not challenged, either in their briefs or at oral argument, the validity of the 2004 and 2006 deeds of trust, or that of the 2011 agreed judgment. Nor does Sword dispute that the property was the Hills' homestead at the time they executed the 2011 promissory note and deed of trust. Thus, the resolution of the dispute between the parties turns on whether the 2011 documents constitute a refinance of a valid lien on a homestead (as Sword contends) or an extension of credit (as the Hills urge).

The Hills first contend that the restructured debt constitutes a new extension of credit because the 2004 and 2006 notes were satisfied and replaced by the 2011 note. Satisfaction is the fulfillment of an obligation. If the earlier notes and judgment had been "paid" by the Hills, their obligation thereunder would have been "satisfied." However, here the judgment merely adjudicated the deeds of trust and the deed of trust liens valid and enforceable. The judgment was not paid or satisfied and replaced by the 2011 note.

The court concluded that the 2011 promissory note is a renewal and extension of the 2004 and 2006 notes, and does not satisfy and replace them such that the 2011 restructuring constitutes a new extension of credit. It further concluded that the restructuring of the Hills' loan through the 2011 promissory note and deed of trust was a refinance of a valid indebtedness secured by valid liens on the property. Therefore, even if the property constituted the Hills' homestead at the time of the restructuring, Sword is not constitutionally prohibited from foreclosing under the 2011 deed of trust.

PART XI CONSTRUCTION AND MECHANICS' LIENS

Pham v. Harris County Rentals, L.L.C., 455 S.W.3d 702 (Tex.App.-Houston [1st Dist.] 2014, no pet.). Pham entered into an oral contract with Neal d/b/a Unicom and also d/b/a Southern Construction Group to clear some land clearing. On the advice of this banker, Pham was to obtain a lien waiver whenever he paid Neal. The banker also advised Pham to keep statutory retainage. Pham got the waivers and kept the retainage. After Neal intimidated Pham, a

final check was given to Neal with the notation "Final Payment with Southern Const." written in the memo section. That check was dated March 3.

Harris County Rentals was a subcontractor Neal had hired to lease and deliver equipment to the worksite. Harris County Rentals completed its portion of the job and invoiced Neal for a total amount of \$8,226.33. After Neal failed to pay Harris County Rentals the full amount owed to it, Harris County Rentals sent a notice of claim to Pham on March 19 and on April 27 it filed a lien affidavit and sent a notice to Neal and Pham.

A little less than a year later, Harris County Rentals sued Neal and Pham. Pham answered pro se. The trial court non-suited Neal and held Pham liable for around \$5,000 and ordered foreclosure of the mechanic's lien.

Chapter 53 of the Property Code governs mechanic's and materialman's liens. A person who provides labor or materials to construct a building or improvement under a contract with the property owner, the owner's agent, or an original contractor is entitled to a lien against that property. A subcontractor is considered a derivative claimant and must rely on his statutory lien remedies. A subcontractor may seek recovery from "trapped" funds held by the property owner or funds "retained" by the owner. "Trapped" funds are funds not yet paid to the original contractor at the time the property owner receives notice that a subcontractor has not been paid; on receiving such notice, the owner may withhold those funds from the original contractor until the claim is paid or settled or until the time during which a subcontractor may file a lien affidavit has passed. "Retained" funds are funds withheld from the original contractor either under a contractual agreement or under Property Code § 53.101, which requires a property owner to retain ten percent of the contract price for thirty days after the project is completed.

In this case, Pham made final payment to the contractor, Neal, on March 3 and Harris County Rentals' notice of lien was not sent to Pham until April 27, 2010, so, as acknowledged by Pham's counsel at trial, "There's no funds trapped . . . we're strictly looking for the retainage."

With respect to Harris County Rentals' retainage claim, Pham argues that Harris County Rentals did not prove that it complied with Property Code § 53.103. Section 53.103 provides that to perfect a retainage lien, a person must (1) "send the notices required by this chapter in the time and manner required; "and (2) file an affidavit claiming a lien not later than the thirtieth day after the earlier of the date the work is completed, the original contract is terminated, or the original contractor abandons performance under the original contract. Pham argues that Harris County Rentals filed

its affidavit on April 27, more than 30 days after the project was completed on February 23.

According to Harris County Rentals, however, it was not required to prove that it complied with section 53.103 because, pursuant to Texas Rule of Civil Procedure 54, it pleaded that all conditions precedent had been performed or had occurred. Rule 54 provides that, in pleading the performance or occurrence of conditions precedent, it is sufficient to aver generally that all conditions precedent have been performed or have occurred. When such performances or occurrences have been so pled, the party so pleading same is required to prove only those that are specifically denied by the opposite party.

Because Harris County Rentals pleaded that all conditions precedent had been performed or occurred, it was required to prove only the conditions precedent that Pham specifically denied. However, Pham did not specifically deny that Harris County Rentals had timely filed its affidavit, thereby perfecting its retainage lien. Pham's Original Answer was a pro se letter to the trial court, in which he asserted that he had paid Neal in full and argued that there had to be some way to protect consumers, and that the matter should be between Harris County Rentals and Neal. This denial, however, is not sufficient. By failing to specifically deny that Harris County Rentals failed to timely file its lien affidavit, Pham waived his right to complain of such failure on appeal.

Liverman v. State of Texas, 470 S.W.3d 831 (Tex.Crim.App. 2015). The Livermans filed mechanic's lien affidavits on Katheryn's house. As a result of these filings, the State charged the Livermans with securing the execution of documents by deception. The indictments alleged that the Livermans caused the county clerk, to sign or execute the mechanic's lien affidavits. They were convicted, fined, and placed on community supervision.

The statute under which appellants were charged—Penal Code § 32.46(a)(1)—provides:

“(a) A person commits an offense if, with intent to defraud or harm any person, he, by deception: (1) causes another to sign or execute any document affecting property or service or the pecuniary interest of any person.”

The court of appeals reversed the convictions and rendered judgments of acquittal. The court of appeals held that the evidence was legally insufficient to support the convictions because the conduct of the court clerk filing and recording the mechanic's lien affidavit in each case was not the signing or executing of a document as contemplated by Penal Code § 32.46(a)(1).

On discretionary review, the State contends that a clerk's actions of filing and recording a lien equate to “signing or executing” under Penal Code § 32.46(a)(1) and that the legislature intended to criminalize such activity under that provision. The State argues that “execute” must mean something different or broader than “sign” because “execute” was included in the statute for a reason.

“Execute” means to perform or complete (a contract or duty), to change (as a legal interest) from one form to another, to make (a legal document) valid by signing, or to bring (a legal document) into its final, legally enforceable form.” This formulation involves several definitions and that the term “execute” does not mean only “sign.”

To perfect a mechanic's lien under Chapter 53, Subchapter C, of the Property Code, a person must comply with certain requirements. One of those requirements is that the person file a mechanic's lien affidavit with the county clerk. A mechanic's lien affidavit has no legal effect until it is filed. When it is filed, the affidavit has the legal effect of contributing to the perfection of the mechanic's lien under the Property Code. So the mechanic's lien affidavit is executed when it is filed.

It is not enough, however, to conclude that filing a mechanic's lien affidavit constitutes the execution of that affidavit. Under § 32.46(a)(1), the defendant must cause “another” to execute the document. The issue, then, is who executes the mechanic's lien affidavit when it is filed.

The Property Code imposes upon the person “claiming” the lien the obligation to “file” the affidavit. Clearly, then, the person claiming the lien “executes” the affidavit when he files it. Does the county clerk also “execute” the affidavit by filing and recording it, as the State contends? The court concludes that the answer to that question is no. The Property Code requires the county clerk to record and index any mechanic's lien affidavit that is filed, but it also provides that the failure of the county clerk to properly record or index a filed affidavit does not invalidate the lien. This provision is similar to the general rule applicable to the filing of deeds that a deed is effective against subsequent purchasers upon filing, even if the county clerk neglects to record it. Therefore, the mechanic's lien affidavit becomes legally effective upon filing, and the subsequent recording or indexing by the clerk does not in any way alter the legal effect of the filing.

The remaining question, then, is whether the county clerk's acceptance of the document at the time of filing constitutes execution of the document by the clerk. The court concludes that it does not. The Property Code characterizes the filing in question as the person claiming the lien filing the affidavit with the county clerk. This language in the Property Code

describes the county clerk as a mere recipient of the filing; the clerk need not have any active involvement in that occurrence. For many courts, electronic filing is now possible, and in those situations the entire transaction of receiving and acknowledging the filing may be handled by machine. The court concluded that it is the filing person, not the clerk, who brings the mechanic's lien affidavit into its final, legally enforceable form. Because the county clerk does not execute the mechanic's lien affidavit when the affidavit is filed, the appellants did not cause "another" to "execute" the documents at issue in the present case. Consequently, the court agreed with the court of appeals that the evidence is legally insufficient to support the conviction, and the court affirmed its judgment

Guniganti v. C & S Components Company, Ltd., 467 S.W.3d 661 (Tex.App.-Houston [14th Dist.] 2015, no pet.). Guniganti created the 1999 Trust, naming his brother-in-law as Trustee. Guniganti later founded Triple PG for the purpose of operating a sand processing plant on the property. An employee of Triple PG asked C&S for a quote for sand plant components, and ultimately Triple PG and C&S entered into a contract for the components. Disputes arose, the parties met and also e-mailed each other, which resulted in a reduction of the contract price. C&S wasn't paid all it thought was due and demanded payment, but the demands went unanswered so C&S sued.

C& S filed an affidavit in support of a constitutional lien against the property which was owned by the 1999 Trust. In its pleadings in the present case, C& S sought a declaratory judgment that it was entitled to a lien against the 1999 Trust's property, that its lien was valid and sought foreclosure against the property. The 1999 Trust filed a counterclaim seeking to establish that C& S had no right to a constitutional lien against the property and to have the lien declared invalid on that basis.

A constitutional lien requires the lienholder to be in privity of contract with the landowner. It is undisputed that C&S did not have a contract with the 1999 Trust. The trial court submitted questions to the jury asking whether Guniganti or Triple PG effectively control the 1999 Trust through ownership of voting stock, interlocking directorships, or otherwise. The jury answered no. However, even though the jury had found no privity between C&S and the 1999 Trust, the trial court did not declare the lien invalid or order it discharged.

C& S suggests that this issue is moot because (1) the judgment contains a Mother Hubbard clause, declaring that all relief not expressly granted therein is denied, and (2) C& S itself filed a release with the County Clerk's office. The court did not agree. The

1999 Trust had also requested a declaratory judgment that it was not a party to any contract with C& S, C& S's lien was invalid, and the property in question belongs solely to the 1999 trust and not Triple PG or Guniganti. These declaratory judgment requests were, in effect, mirror image counterclaims of C& S's claims regarding the lien. Thus, denying all relief not granted did not indicate the lien was invalid or discharged; in fact, the Mother Hubbard clause denied relief to both sides on the issue of the lien's validity as well as C& S's entitlement to a lien on the 1999 Trust's property, leaving these issues--although fully tried and disposed of by the judgment--unanswered. The 1999 Trust was legally entitled to relief it did not receive in the judgment; the judgment itself, therefore, did not moot the issue.

C& S further suggests that this appellate issue became moot when C& S filed a release during the pendency of the appeal and asked the court to take judicial notice of the release and to determine that it discharged the lien. The court noted, however, that the release of the lien did not prevent C&S from refileing in the future and C& S steadfastly declined to stipulate or even acknowledge that it would not attempt to refile its lien. So, despite the release, a live controversy still exists between the parties. Release of the lien did not extinguish C& S's request for a declaration that it was in privity with the 1999 Trust or the 1999 Trust's request for declarations that it was not a party to any contract with C& S and the property in question belongs solely to the trust. These issues were resolved on the merits at trial and should have been resolved in the judgment. Accordingly, the court reformed the judgment to state that no privity of contract existed between C& S and the 1999 Trust and therefore C& S was not entitled to a lien against the 1999 Trust's property.

The court then looked at whether the trial court should have found the lien to be fraudulent. A lien is fraudulent if the person who files it has actual knowledge that the lien was not valid at the time it was filed. While the jury effectively declined to find that C& S was in privity with the 1999 Trust, it also declined to find that the lien was fraudulent.

The 1999 Trust asked the jury to determine whether C&S file its lien with knowledge that the lien was a fraudulent lien or claim against the 1999 Trust's property, with the intent that the lien be given the same legal effect as a valid lien, and with intent to cause financial injury. The jury answered no.

Even though the jury declined to find that a preponderance of the evidence established Triple PG or Guniganti effectively controlled the 1999 Trust, there is significant evidence of a close, interconnected relationship between Guniganti, Triple PG, and the 1999 Trust. Moreover, it is clear that C&S dealt exclusively with Guniganti and other Triple PG

representatives, even though the sand processing plant in question was to be built on property owned by the 1999 Trust. The jury may therefore have reasonably concluded that the evidence did not show, more likely than not, that C& S was not in privity with the 1999 Trust and thus that the lien was fraudulent at the time it was filed. In other words, the evidence supported the conclusion that because of its dealings with Triple PG and Guniganti and their apparently close, interconnected relationship with the 1999 Trust, C&S believed that it was also dealing with the 1999 Trust and did not realize he could not take a valid constitutional lien on the trust's property when he filed for the lien. The jury's refusal to find that C& S filed a fraudulent lien was therefore not so contrary to the overwhelming weight of the evidence so as to be clearly wrong and manifestly unjust.

Moore v. Brenham Ready Mix, Inc., 463 S.W.3d 109 (Tex.App.-Houston [1st Dist.] 2015, no pet.). A subcontractor, or, as in this case, a supplier to a subcontractor, is a derivative claimant and, unlike a general contractor, has no constitutional, common law, or contractual lien on the owner's property. As a result, a subcontractor's lien rights are totally dependent on compliance with the statutes authorizing the lien. The Texas Supreme Court has recognized, however, that substantial compliance with the statutes is sufficient to perfect a lien.

Property Code § 53.056 sets out the notice requirement for lien claimants who are not general contractors. This section provides that if the lien claim arises, as here, from a debt incurred by a subcontractor, the claimant must give the original contractor written notice of the unpaid balance not later than the fifteenth day of the second month following each month in which all or part of the claimant's material was delivered. The claimant must then give the same notice to the owner or reputed owner of the property and the original contractor not later than the fifteenth day of the third month following each month in which all or part of the claimant's material was delivered. . Section 53.056(f) provides that copy of the statement or billing in the usual and customary form is sufficient as notice under this section.

For the concrete that Brenham delivered to the worksite in July 2007, Brenham was required to give written notice of the claim to the original contractor, Stability Homes, by September 15, 2007, which was the fifteenth day of the second month following the month in which Brenham delivered part of its materials. Brenham did not present any specific testimony or other evidence that the project manager, on behalf of either L& F or Stability Homes, the two original contractors on the project, received written notice of Brenham's lien claim for the concrete delivered in July 2007, either in the form of an unpaid

invoice or otherwise, by September 15, 2007. Even if the project manager had actual notice by September 15, 2007, that Brenham had not been paid courts have held that liberal construction the materialman's liens statute does not save the materialman's lien from his failure to provide timely written notice.

For the concrete that Brenham delivered to the worksite in September 2007, Brenham was required to give written notice of the claim to Stability Homes, the general contractor, by November 15, 2007, which was the fifteenth day of the second month following the month in which Brenham delivered part of its materials. It is undisputed that Brenham sent a written notice dated November 21, 2007, to Mott, Stability Homes, and Art DePue concerning its claim. Brenham contends that it satisfied the statutory notice requirement because the project manager testified that he received and approved invoices for the project and that Brenham showed him documents about the unpaid invoices in September, October, and early November.

As stated above with respect to the July deliveries, the project manager testified that he did not receive invoices from Brenham until the November 21 notice letter. Even if the project manager's testimony supports an argument that Stability Homes had actual notice that Brenham had not been paid for its September 2007 deliveries, actual notice of an unpaid claim does not satisfy the statutory notice requirements of § 53.056.

The court held that Brenham had not substantially complied with the statutory notice requirements.

The homeowners also claimed that the trial court had erred in enforcing the full amount of Brenham's fill-dirt lien which covered all thirty-seven lots in the project. They argue that the extent of Brenham's lien on their individually-owned lots is limited by the proportionate share of the entire property represented by their lots as defined on the recorded subdivision plats and that the total amount of the lien against the entire property cannot be applied to each lot sold individually. Instead, the trial court can only apply the value of the proportion of the materials used on each lot in relation to the total value of the lien on the entire property.

Brenham contends that because it delivered materials to the project pursuant to a single contract with the contractor, the contract did not designate which materials were to be used on which lot, and it was not paid by the lot, the lien may extend to more than one lot and the aggregate amount of the lien may be applied to each lot. The individual homeowners respond that the amount of actual materials used on the entire property is immaterial. It is the proportionate share of the value of the lien that is at issue, not the proportionate value of the actual amount of materials used. The court agreed with the individual homeowners.

It is clear from case law that a materialman's lien attaches to the entire contiguous property, or tract, on which the owner contracted to have the materials used. But the cases do not address the issue presented by this case: the enforcement of the value of a lien that attached to undivided property against subsequent purchasers of a specified portion of the tract, here the subsequent owners of individual lots in a subdivision platted into individual lots prior to the delivery of the materials but sold after the material had been supplied to the entire undivided property.

Brenham contends that because the lots in Phase Three were contiguous, because it delivered the materials to the project pursuant to a single contract, and because the contract did not specify the amount of materials to be used on each specific lot, the entire amount of the fill-dirt lien can be enforced against any given individual lot. The court agreed that the lien attached to all the properties. But the issue is not whether the lien could be placed on the entire property to which materials were supplied when all the lots were contiguous and the property was owned by a single owner. The issue is whether the lien may be enforced in its entirety against the subsequent purchasers of individual lots of the property.

It is undisputed that the materials delivered by Brenham to the project were not solely applied to one particular lot in the project; instead, the materials were applied to each of the thirty-seven lots. The court therefore concluded, under the particular facts of this case, that Brenham may not enforce the full value of its fill-dirt lien against any individually-owned lot but may instead only enforce its fill-dirt lien to the proportion the individual improved lot bears to the entire tract. Were the court to hold otherwise, a cascade of absurd and unreasonable results would follow in violation of the rules of statutory construction and the case law applying those rules.

For one thing, the purchaser of an individual unit in a multi-million-dollar complex of condominiums or a mixed-use development or a subdivision could--as here--be held liable for the entire value of a debt incurred by someone else for the benefit not simply of the individual property purchased but for all contiguous property in the project benefitted by the original owner's contract with a materialman. The result could be--as it is here--the court-ordered enforcement of the entire value of the lien against an individual lot owner for many times the value of the labor and materials proportionately supplied to the property purchased by that individual lot owner. And the result could well be--again, as it is here--the court-ordered sale of the individual lot owner's property to satisfy a debt incurred by another on a much larger piece of property than that owned by the person against whom the debt is enforced. Such a result also allows for multiple recoveries of the same total value of the

lien against multiple individual property owners, violating the one-satisfaction rule.

PART XII CONDEMNATION

State of Texas v. Treeline Partners, Ltd., 476 S.W.3d 572 (Tex.App.-Houston [14th Dist.] 2015, pet. pending). The State contends that the trial court erred in cutting off four lines of questioning in voir dire: whether potential jurors believe that (1) the government's right to take private property is too great a power, (2) landowners should be paid more than market value for condemned property, (3) landowners should be compensated for sentimental value, and (4) the State lowballs its fair-market-value appraisals.

The first of these was duplicative of many other questions regarding the State's right to take private property. The next two lines of inquiry present closer questions, not only because of the dearth of caselaw on these types of inquiry, but also because the record of voir dire shows that Treeline's counsel already had strongly implied to the jury that Treeline's property had sentimental value for which the State's offer was inadequate.

The last line of inquiry, however, does not present a close question. The trial court refused to allow the State's attorney to ask potential jurors "whether anybody believes that the State lowballs," and told the attorney that if she asked the question, then the trial court probably would hold her in contempt. When the attorney sought clarification about what she was not allowed to ask, the trial court not only refused to do so, but expanded the threat of contempt.

In attempting to ask potential jurors whether they believe that the State "lowballs," the State's attorney properly inquired about whether the venire members held a preexisting bias or prejudice that the State underestimates property values. This inquiry goes to whether the prospective jurors could impartially judge the credibility of the State's witnesses regarding value.

Because the State was denied the opportunity to intelligently exercise its peremptory strikes and to discover whether any prospective juror was subject to a challenge for cause based on a preconception that the State undervalues property, the court concluded that the State was denied the right to trial by a fair and impartial jury. This constitutes harmful error.

Enbridge G & P (East Texas) L.P. v. Samford, 470 S.W.3d 848 (Tex.App.-Tyler 2015, no pet.). Compensation for land taken by eminent domain is measured by the market value of the land at the time of the taking. "Market value" is defined as the price that the property would bring when it is offered for sale by one who desires but is not obligated to sell and is bought by one who is under no necessity of buying.

The three traditional approaches to the determination of market value are the comparable sales method, the cost method, and the income method. The fact finder is entitled to consider every factor that would affect the price for which a willing buyer and seller would exchange for the property. However, the fact of condemnation must be excluded. Fair market value must, by definition, be computed as if there were no proceedings in condemnation to eliminate that market. Testimony of a witness who uses an unauthorized and improper valuation method should be excluded.

When only a part of the tract is taken, the “just compensation” to which the owner is entitled consists of two elements: (1) the market value of the part taken, and (2) the diminution in value of the remainder due to the taking and construction of the improvement for which it was taken. In the case of a partial taking, the part taken for the easement is to be considered as severed land,” but is to be valued as a proportionate part of the parent tract or economic unit to which it belongs. However, where the part taken is a self-sufficient economic unit, its value should be determined by considering the part taken alone, and not as a portion of the entire tract of which it was a part.

Ordinarily, a landowner has a right to claim consequential or severance damages to the entire remainder of the parent tract provided it is contiguous to the part taken and there is unity of use. But he is not compelled to do so. Where a substantial portion of the remainder is suitable to some higher or better use, such as a commercial or industrial use, and the other part of the remainder is not suitable for the same purpose, the landowner is permitted to claim remainder damages to only that portion of the remainder suitable for the higher use. The new economic unit created from the parent tract thus becomes the appropriate unit from which to determine the market value of the severed tract.

When, as in the instant case, an easement is taken for a pipeline, a power line, or similar purposes, the owner is left with some beneficial use of the part taken. In such a case, the damages for condemnation will be, as a matter of law, less than the full value of the fee. Therefore, the proper measure of damages is the difference in value of the part taken (the easement strip), considered as severed land, before the taking, and the value of the same tract considered as severed land after the taking (now burdened by the easement).

When a partial taking occurs, as is the case with an easement, the landowner is entitled to any diminution in the fair market value of the remainder of the tract lying outside the part taken. The parties have the right to introduce evidence of everything that would tend to affect the value of the land, in the estimation of a proposed purchaser, or that would tend to make it more or less valuable to the present owner.

Here, the landowners called on Hoyt to provide expert opinion on market values. Hoyt was a lawyer and the County Attorney of San Augustine County. based his opinion on the numerous occasions he had negotiated sales of pipeline easements “before it got into litigation,” and his conversations with hundreds of landowners. He rejected the traditional market value approach because “that standard manner of valuation is not true, and not accurate, because that’s not what actually happens out here in the real world in the industry.”

The jury issues in a partial taking for a pipeline easement are the diminution in the fair market value of the part taken considered as severed land, and the diminution, if any, in the fair market value of the remainder because of the taking. Neither Hoyt’s report nor his testimony spoke to the separate issues the jury was required to answer. He did not attempt to value the part taken as severed land nor did he separately assess the diminution in the market value of the remainder. Hoyt, instead, combined the value of the part taken and the consequential damages to the remainder and expressed his opinion of total damages, including both elements of recovery, at \$850.00 per linear rod for all of the tracts. The distortion and unreliability inherent in Hoyt’s per linear rod approach is obvious. Almost always a pipeline will cross tracts of varying sizes and shapes. A pipeline may traverse a large tract for a short distance while requiring a greater distance to cross a smaller one. Therefore, there is generally little or no relation between the length of the pipeline easements and the size and value of the remainders created.

Hoyt’s report and testimony could not have assisted the jurors in addressing the issues they were charged to resolve. But their verdict shows that his per rod approach served to confuse them. The objective of the judicial process in condemnation is to make the landowner whole and to award him only what he could have obtained for his land in the free market. Hoyt’s method was not designed to achieve this objective. His report and testimony were neither relevant nor reliable and were therefore inadmissible.

City of Justin v. Rimrock Enterprises, Inc., 466 S.W.3d 269 (Tex.App.-Fort Worth 2015, pet. denied). Colorado Avenue runs north and south along the eastern side of Rimrock’s property. Colorado Avenue appeared on the City’s original town plat, but wasn’t a street at that time – it was a dirt trail “but cars could use it if it had not rained.” An earlier owner of the property covered the road with gravel to help make it passable. He also built a fence around the property, but the fence did not extend to the eastern portion of the property that Colorado Avenue crossed. The public has used the property for decades.

As part of an effort to improve the quality of the roads located in the City’s industrial park, the City

constructed concrete roads over the existing dirt or gravel roads, including Colorado Avenue. Rimrock sued the City for inversely condemning the part of the property where Colorado Avenue crosses it.

The City pleaded, among other things, that Rimrock's inverse condemnation claim was barred by limitations and that no taking had occurred because the portion of Colorado Avenue that crossed Rimrock's property was impliedly dedicated to the public before Rimrock purchased the property.

The jury was not asked to determine when Rimrock's cause of action accrued. When the jury is not asked to determine when the cause of action accrued for purposes of supporting a limitations defense, the defense is waived unless the date was conclusively established by the evidence. There is no statutory provision specifically providing a limitations period for inverse condemnation actions.). However, Texas courts agree that a plaintiff's claim for inverse condemnation is barred after the expiration of the ten-year period of limitations to acquire land by adverse possession. For cases of adverse possession, a cause of action accrues and limitations begins to run when entry upon the land is made.

The City claimed that the public used Colorado Avenue as early as the 1930s, but this is no evidence for purposes of the accrual inquiry because it is not evidence that the City --the governmental defendant in this case--entered the land. Nonetheless, the City points to evidence that it entered the land, and even maintained it, well before Rimrock purchased the property in 1994. Rimrock claimed that the City did no maintenance before it constructed the concrete road. Because the record contains conflicting evidence regarding when Rimrock's inverse condemnation claim accrued, the City did not conclusively establish its limitations affirmative defense.

The jury found that 7,095 feet of Colorado Avenue had been impliedly dedicated and that the remainder was inversely condemned. The City claimed that the entire street had been impliedly dedicated. Rimrock claimed the trail had been no wider than 12 or 15 feet. The City, relying on *State of Texas v. NICO-WF1, L.L.C.*, 384 S.W.3d 818 (Tex. 2012) argued that the entire width had been dedicated because land dedicated as a street includes the whole width of the public right of way, including sidewalks and parkways, which are a part of the street itself, and pavement, shoulders, gutters, curbs, and other areas within the street lines. However, NICO involved an express dedication with clearly defined boundaries and a lower court ruling that misapplied the law in determining the extent of those undisputed boundaries. In this case, there was an implied dedication of an unspecified size and jury questions inquiring about the extent of the dedication.

The City claimed bore the burden of proof on its implied dedication claim. A party challenging the legal sufficiency of an adverse finding on an issue on which the party had the burden of proof at trial must demonstrate on appeal that the evidence conclusively established, as a matter of law, all vital facts in support of the issue.

Sloan Creek II, L.L.C. v. North Texas Tollway Authority, 472 S.W.3d 906 (Tex.App.-Dallas 2015, pet. pending). Sloan Creek lies south of the center of the interchange of SH 121 and U.S. 75 on the east side of U.S. 75. The creek generally runs towards the southeast then more easterly across the southern edge of approximately 219 acres owned by Sloan Creek II. Before 2008, the surrounding watershed drained rainwater into Sloan Creek, including drainage from the interchange of SH 121 and U.S. 75. Expanding SH 121, changing it into a tollway, and constructing a new interchange of SH 121 and U.S. 75 was part of section 4 of the Sam Rayburn Tollway project of the Texas Department of Transportation. TxDOT awarded the Tollway project to the North Texas Tollway Authority. The project was designed by, and the construction overseen by, engineering firms under contract with NTTA. The Tollway improvement design included additional acres of roadway surface and a drainage system that were designed to discharge rainwater runoff into Sloan Creek.

Third, Sloan Creek II argues the erosion of the banks of Sloan Creek was foreseeable to NTTA and TxDOT from the designed discharge into Sloan Creek so they should have known the erosion would result, which is sufficient to raise a fact issue regarding the knowledge component of NTTA's and TxDOT's intent.

First, Sloan Creek II argues mere designed discharge of rainwater runoff onto Sloan Creek II's land was by itself a taking. An owner of the bed of a watercourse is not entitled to compensation for a governmental entity's use of that watercourse to transport water across the property for a public purpose. When a governmental entity does not damage downstream properties, it is not a taking or damage for a governmental entity to significantly increase discharge into a watercourse. But a governmental entity's discharge of water into a watercourse that floods downstream owners can give rise to a takings or damages claim under the Texas Constitution. Discharge of water that unnaturally erodes a substantial amount of a downstream owner's land can also be a taking or damage.

Sloan Creek II has not cited any authority supporting its argument that mere use of a watercourse by a governmental entity to transport water across a creek bed is by itself a taking or damage. There is no dispute Sloan Creek has been a watercourse at least since 1872 when it was depicted as a watercourse on a

map. There is also no dispute that Sloan Creek has not flooded since the Tollway improvements and Sloan Creek II does not contend that flooding caused its damage. Accordingly, the court concludes NTTA's and TxDOT's designed discharge of rainwater runoff into Sloan Creek is not "by itself" a taking or damage under the Texas Constitution.

Second, Sloan Creek II argues all it had to prove was that the design intentionally provided for discharge of rainwater into Sloan Creek and that the erosion to the banks of Sloan Creek resulted from that intended design. The court disagreed. When a governmental entity physically damages private property in order to confer a public benefit, that entity may be liable under the Texas Constitution if it (1) knows that a specific act is causing identifiable harm or (2) knows that the specific property damage is substantially certain to result from an authorized government action -- that is, that the damage is "necessarily an incident to, or necessarily a consequential result of" the government's action." Because the entity's knowledge is a necessary component of the entity's intent, Sloan Creek II failed to meet the test.

Third, Sloan Creek II argues the erosion of the banks of Sloan Creek was foreseeable to NTTA and TxDOT from the designed discharge into Sloan Creek so they should have known the erosion would result, which is sufficient to raise a fact issue regarding the knowledge component of NTTA's and TxDOT's intent. Again, the court disagreed. For a governmental entity to be culpable for a taking or damage under article I, section 17 there must be evidence of objective indicia that the governmental entity whose conduct is under scrutiny knew its conduct was causing the damages complained of or knew the specific property damage was substantially certain to result from its conduct.

PART XIII

LAND USE PLANNING, ZONING, AND RESTRICTIONS

Park v. Escalera Ranch Owners' Association, 457 S.W.3d 571 (Tex.App.-Austin 2015, no pet.). Park purchased a lot in the subdivision on which he built a new home. His property, like the other lots in the subdivision, is subject to the recorded Declaration. The Declaration established the HOA to administer and enforce the provisions of the Declaration, including covenants and restrictions related to all construction in the subdivision. Each property owner in the subdivision is a member of the HOA. The Declaration also established a Master Design Committee, which created Master Design Guidelines "to create a harmonious residential community." Before any construction (either new or an exterior addition or change) can begin on any lot in the subdivision, the Declaration requires that detailed plans and

specifications be submitted to the Master Design Committee, which is declared to be the sole authority for determining whether proposed structures and landscape elements are in harmony of design with other existing structures and the overall development plan for the subdivision and for approving plans. A copy of the Master Design Guidelines were provided to Park when he purchased his lot.

Park submitted his preliminary plans and, after some negotiating between Park, his architect and the Committee, Park submitted revised plans which the Committee approved. When the house was constructed, Park installed windows that were different than those shown on the approved plans. The HOA notified Park that the windows didn't comply and asked him to fix the non-compliance. After a back-and-forth between the two sides, the HOA's attorney sent Park a letter demanding the fix and threatening to sue. The letter did not provide Park with the notice required by Property Code § 209.007 that he was entitled to request a hearing under Property Code § 209.006 before the HOA was allowed to sue.

Park didn't comply with the letter and never requested additional time, but did offer to pay \$5,000 if the Committee would allow the unapproved windows to remain in place. The offer was rejected. The HOA sued Park a little over a month after its first notification. Park answered pro se, and in addition to filing a general denial, he asserted as an affirmative defense that the Committee Guidelines are ambiguous and thus unenforceable. He also asserted counterclaims against the Association for breach of contract (based on the HOA's failure to seek alternative dispute resolution before filing suit), violation of owner's due process" (based on the HOA's failure to provide the notice and hearing required under Property Code Sections 209.006 and 209.007, and " racial and ethnic discrimination." Park sought damages in excess of \$1 million. He later retained an attorney, adding a defense of unclean hands.

Almost a year after filing suit, the HOA sent a letter to Park which, in an attempt to cure the failure to include the §209.006 notice, gave Park 30 days after the date of this letter to request a presuit hearing.

The trial court ruled in favor of the HOA, denying all of Park's claims. He was ordered to fix all the windows. Park contends that the HOA's failure to provide presuit notice as required by Property Code § 209.006 deprived the trial court of jurisdiction over the suit. In support of this issue, he argues that (1) the plain language of Chapter 209 expressly requires notice, a hearing, a right to cure, and other "due process" before a property owners' association sues a property owner; (2) late notice does not cure a § 209.006 or 209.007 violation; (3) § 209.008(b) does not allow an exception from the mandate to offer notice and other "due process" merely because the property owners'

association foregoes attorneys' fees; and (4) the HOA's late letter could not constitute effective notice.

Park and the HOA dispute whether § 209.006's notice requirement is jurisdictional--i.e., failure to comply negates the trial court's subject-matter jurisdiction over the Association's suit--or is mandatory but not jurisdictional. This is a question of first impression. Park asserts that the notice requirement is jurisdictional, and therefore, the HOA's failure to provide notice requires the trial court to dismiss its case. The HOA responds that the requirement is mandatory, but not jurisdictional, and that Park waived the requirement by failing to timely object and request an abatement. The HOA also contends that the notice it provided after filing suit operated to cure its failure to provide presuit notice.

The court began with the presumption that the Legislature did not intend to make presuit notice under Section 209.006 jurisdictional. Only clear legislative intent to the contrary can overcome this presumption.

To determine whether the Legislature intended a jurisdictional bar, the court first examined the plain meaning of the statute, looking specifically for 'the presence or absence of specific consequences for noncompliance. It also considered the purpose of the statute and 'the consequences that result from each possible interpretation.

Section 209.006(a) states that a property owners' association "must" give notice before filing suit against an owner. The Code Construction Act, Government Code § 311.016(3), explains that "must" creates or recognizes a condition precedent,), and the Texas Supreme Court has stated that "must" generally has a mandatory effect, creating a duty or obligation.

In this case, although there are no statutory consequences for noncompliance specified in Chapter 209, the court also considered the purpose of Section 209.006's presuit-notice requirement. While statutory provisions that are included merely to promote the proper, orderly and prompt conduct of business, are not generally regarded as mandatory, courts generally construe a statutory provision as mandatory when the power or duty to which it relates is for the public good. The court concluded that § 209.006(a)'s purpose is similar to presuit-notice provisions found in other statutes: to discourage litigation and encourage settlements. It held that § 209.006's notice requirement is mandatory. It next considered whether it was also jurisdictional.

Nothing in the plain language of Chapter 209 indicates that the Legislature intended the notice requirement to be jurisdictional. Even mandatory dismissal language does not necessarily compel conclusion that statute is jurisdictional. Chapter 209's lack of a provision dictating dismissal for noncompliance is a circumstance weighing in favor of a nonjurisdictional interpretation.

In addition, the mere fact that the purpose of the notice requirement reflects a general concern by the Legislature to protect the rights of property owners vis-a-vis property owners' associations does not imply that the Legislature intended to deprive Texas trial courts of subject-matter jurisdiction when associations fail to provide the notice.

The final factor to be considered--the consequences of the alternative interpretations--suggests that the notice requirement is not jurisdictional.

Having considered all the factors, the court concluded that the Legislature did not intend to make notice under § 209.006 jurisdictional. The notice is mandatory, but not jurisdictional, therefore a complete lack of notice may be cured by a defendant's timely request for abatement to allow for provision of the notice.

Trant v. Brazos Valley Solid Waste Management Agency, Inc., 478 S.W.3d 53 (Tex.App.-Houston [14th Dist.] 2015, pet. denied). This case is also discussed in Easements. The Trants entered into an Option Contract with the Cities of Bryan and College Station, pursuant to which the Cities obtained the right to purchase approximately 382 acres of land in Grimes County from them. The Option Contract stated that the Cities contemplated using the property as a Landfill. The Cities later purchased the property and the deed conveying the property to the Cities incorporated the "Terms, Conditions, and Representations" in the Option Contract.

The Cities formed the Waste Management Agency, a governmental entity that currently operates a landfill on the property. The Trants learned that the Cities had decided to put a firing range on a portion of the property near their land. The Trants sent a letter to the Cities and the Agency, contending that the property could be used only as a landfill. Counsel for the Agency responded by letter that while the Option Contract contemplated an intended use of the property as a landfill, the contract did not restrict the Cities' use of the property to such purpose.

The Trants filed suit against the Agency. The Agency filed a plea to the jurisdiction, asking the trial court to dismiss the suit on the basis that governmental immunity bars the Trants' claims. The Trants responded that (1) the Agency is not immune from suit to enforce the Option Contract, which the Trants construe as a condemnation settlement agreement, or from their claim to enforce land use restrictions; and (2) the Agency's immunity has been waived under Chapter 271 of the Local Government Code. The trial court granted the Agency's plea and dismissed the Trants' claims for want of jurisdiction.

The Agency describes itself as a local governmental non-profit corporation wholly owned

by" the Cities and a "governmental unit" as defined in Chapter 101 of the Civil Practice and Remedies Code. Local governmental entities enjoy governmental immunity from suit, unless immunity is expressly waived. Governmental immunity includes both immunity from liability, which bars enforcement of a judgment against a governmental entity, and immunity from suit, which bars suit against the entity altogether. A governmental entity that enters into a contract necessarily waives immunity from liability, voluntarily binding itself like any other party to the terms of agreement, but it does not waive immunity from suit.

The Trants argued that the Agency is not immune from an action to enforce restrictive use covenants in the General Warranty Deed and Easement Agreement. The court did not get to the immunity issue because it found that the Trants had not raised a material issue of fact regarding the existence of any restrictive use covenant in the General Warranty Deed or Easement Agreement that the Agency may have violated.

When a restrictive covenant may reasonably be interpreted in more than one way, the court will resolve all doubts in favor of the free and unrestricted use of the property, strictly construing the restrictive clause against the party seeking to enforce it. The words used in the restriction, and the restriction as a whole, may not be enlarged, extended, stretched, or changed by construction. The party seeking to enforce a restrictive covenant has the burden of showing that the restriction is valid and enforceable.

The Trants argue that the deed includes a restrictive use covenant allowing the land to be used only as a landfill. The deed incorporates the "Terms, Conditions, and Representations" in the Option Contract. The Option Contract states that the Cities "contemplate using the Property as a . . . Municipal Sanitary Landfill." However, nothing in the language of the deed or Option Contract indicates that the Trants retained a possessory interest in the property contingent on the Cities' using it as a landfill. The Option Contract and the deed do not include a restrictive use covenant. The only language referencing any use of the property, discussed above, merely reflects how the Cities anticipated using the property--the Cities did not agree to use the property only as a landfill.

Garrett Operators, Inc. v. City of Houston, 461 S.W.3d 585 (Tex.App.-Houston [1st Dist.] 2015, pet. denied). Garrett holds a lease on a small parcel of land located in Houston, Texas. The only significant structure on this parcel of land is an advertising billboard. Garrett's owner, Cox, met with the City's Sign Administration to discuss plans to install an LED display on his billboard. The City told him that it was illegal in Houston for sign owners to use an LED display on a sign. Apparently the code didn't mention

LED displays, but the City told him it was likely that it would change the Sign Code.

Garrett later had its lawyer send a letter to the City describing the LED installation and asserting that the Sign Code does not require a permit for the installation. The City responded by saying that, based on what it knew, the LED installation would be in direct violation of the City's Sign Code.

When Garrett attempted to install the sign, the City issued a stop order for the work. The basis for the order was that no permits were on file. Garrett filed suit. A few days after that, the City enacted an ordinance that explicitly prohibited off-premise electronic signs.

Among other issues in this appeal, Garrett argued that the pre-amendment Sign Code did not require it to obtain a permit to convert to an LED display. This required a determination as to whether the amendment of the Sign Code could be applied retroactively.

A retroactive law is one that extends to matters that occurred in the past. Article I, § 16 of the Texas Constitution prohibits retroactive laws; however, not all retroactive statutes are unconstitutional. There is a three-part test to determine whether a retroactive statute is unconstitutional. A court looks at (i) the nature and strength of the public interest served by the statute as evidenced by the Legislature's factual findings; (ii) the nature of the prior right impaired by the statute; and (iii) the extent of the impairment.

The City argued that applying the amendment to Garrett does not create a retroactive law because Garrett does not have any vested right to convert his billboard to LED without a permit. Specifically, it is the City's position that, absent an application to the City, which Garrett admittedly did not submit until 2011, Garrett had no vested interest. Garrett responds, however, that no such application was required.

The "Sign Permits and Fees" portion of the Sign Code, provides that no one can erect, reconstruct, alter, relocate, or use a sign without a permit, subject to certain exceptions. The City's position was that Garrett's plan was to reconstruct or alter its billboard, thus requiring a permit to do so.

Garrett argued that the "Miscellaneous Sign Provisions" of the Sign Code applied. Those provisions include a provision that no sign permit is required for the change of electrical wiring or devices. Garrett claimed that all it was doing was changing electrical wiring and devices. The City said Garrett was going much further. It was not merely changing letters, symbols, and coy, but rather was reconstructing the existing sign by installing a new LED sign cabinet to create essentially a new sign.

While both sides disagree about whether the proposed changes require a permit from the City, the parties essentially agree on the details of the proposed upgrade. The upgrade, as described, would require the

rewiring of the electrical portions of the sign, but also would require the removal of the rotating slats, which would then be replaced by LED panels that could be controlled and changed by computer.

The court agreed with the City that this type of extensive change to the sign is more than simply changing the "electrical wiring and devices" of the sign. Indeed, the summary judgment evidence shows that the electrical wiring component of the project had been completed when the City issued a stop order, and that that more work was necessary to complete the project. If the court were to accept Garrett's position that it was merely changing the electrical wiring and devices of the sign, the exception in the Sign Code would threaten to "swallow the rule" that requires permits for reconstructing and altering signs, for it is hard to imagine any extensive renovation to a sign that would not also involve changes to the electrical wiring. Thus the exception would become largely meaningless. Statutory language should not be read as pointless if it is reasonably susceptible of another construction.

Therefore, the court held that the proposed conversion from a tri-display billboard to a LED-display billboard was not merely a change to the "electrical wiring and devices," but was a reconstruction or alteration of the billboard requiring a permit from the City. Because Garrett was required to, but had not requested a permit from the City at the time it filed suit, it had no vested interest in converting its sign to LED without a permit. Because Garrett had no vested interest in converting its sign without a permit, the amendments to the Sign Code are not unconstitutionally retroactive when applied to it.

PART XIV MISCELLANEOUS

J&D Towing, LLC v. American Alternative Insurance Corporation, No. 14-0574 (Tex. January 8, 2016). "Nearly a century ago, a Texas attorney argued that the rule at issue in this case made it "cheaper to kill a mare in Texas than it is to cripple her." No American Pharoah herself, this one-eyed, underfed mare lived a simple life. One night, however, she was caught roaming the city streets in search of food and was placed in the city pound. Her owner failed to pay her board bill. Thus, the city marshal hired a man known as Panhandle Pete to put her out of her misery. As the court of appeals then put it, "when Panhandle Pete's pistol popped, she petered, for which the poundkeeper paid Pete a pair of pesos." Her owner protested her death and sued for damages, including \$350 for the loss of her services in his occupation of hauling. The court rejected that claim, holding that although "[d]amages occasioned by the loss of the use and hire of an animal are recoverable where the animal is injured," "no such damages are recoverable for the

total loss or death of an animal." Rather, "[t]he measure of damages in the case of a wrongful killing of an animal is its market value, if it has one, and if not, then its actual or intrinsic value, with interest." That rule, the owner's attorney responded, makes it "cheaper to kill a mare in Texas than it is to cripple her."

This case places a modern twist on that rule and addresses whether it should be cheaper to totally destroy a truck than it is to partially destroy it. J&D Towing lost its only tow truck when a negligent motorist collided with the truck and rendered it a total loss. The question presented is simply put: In addition to recovering the fair market value of the truck immediately before the accident, may J&D recover loss-of-use damages, such as lost profits?

Tracing case law regarding damage or destruction of personal property from the days of slavery through Panhandle Pete to the present, the court ultimately held that loss of use damages are recoverable in a total destruction case.