

2003 WL 1889149

--- S.W.3d ---

(Cite as: 2003 WL 1889149 (Tex.App.-Hous. (1 Dist.)))

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Court of Appeals of Texas,
Houston (1st Dist.).

Marilyn M. COLEMAN Individually and as
Administrator of the Estate of Earl D.
Coleman, Appellant,

v.

WINN-COLEMAN, INC., B.W. Moore, and Peter
Workin, Appellees.

No. 01-01-00656-CV.

April 17, 2003.

After husband died intestate, wife filed pro se suit individually and on behalf of husband's estate against promissory note maker and escrow agent to recover funds due under promissory note held by husband at time of death. The defendants individually counterclaimed for breach of contract, fraud, and attorney fees, and moved for partial summary judgment. The 55th Judicial District Court, Harris County, granted summary judgment in favor of defendants. Wife appealed. The Court of Appeals, Evelyn V. Keyes, J., held that: (1) promissory note was community property rather than separate property; (2) ownership of note passed to wife; (3) administration of husband's estate was unnecessary; (4) wife had power to sue for recovery under the note; and (5) trial court abused its discretion by denying wife opportunity to take discovery.

Reversed and remanded.

West Headnotes

[1] Descent and Distribution  71(1)
124k71(1) Most Cited Cases

When ownership of property of the deceased is determined by operation of law, heirship proceedings serve no purpose. **V.T.C.A., Probate Code, § 48.**

[2] Husband and Wife  262.1(4)
205k262.1(4) Most Cited Cases

Promissory note was presumptively community property, where note was acquired by husband during marriage in exchange for interest in a company, which likewise was acquired during marriage, and note was possessed by husband at time of death. **V.T.C.A., Family Code, § 3.003(a).**

[3] Husband and Wife  262.1(3)
205k262.1(3) Most Cited Cases

[3] Husband and Wife  264(3)
205k264(3) Most Cited Cases

To rebut presumption that promissory note held by husband at time of his death was community property, note maker had to establish by clear and convincing evidence that the note was husband's separate property. **V.T.C.A., Family Code § 3.003(b).**

[4] Husband and Wife  249(2.1)
205k249(2.1) Most Cited Cases

Promissory note was community property rather than separate property, where note was acquired by husband during marriage in exchange for interest in a company, which likewise was acquired during marriage, note was possessed by husband at time of death, and no evidence was presented that note was husband's separate property. **V.T.C.A., Family Code § 3.003(a), (b).**

[5] Husband and Wife  262.1(1)
205k262.1(1) Most Cited Cases

[5] Husband and Wife  272(2)
205k272(2) Most Cited Cases

Presumption that property possessed by either spouse during or on dissolution of marriage is community property applies to dissolution of marriage by death as well as by divorce. **V.T.C.A., Family Code, § 3.003.**

[6] Husband and Wife  272(2)
205k272(2) Most Cited Cases

Ownership of promissory note held by husband who

died intestate passed to surviving wife, where note was community property. [V.T.C.A., Probate Code § 45](#).

[\[7\]](#) Husband and Wife 276(1)
[205k276\(1\) Most Cited Cases](#)

Administration of decedent's estate was unnecessary, where decedent died intestate and community property passed to surviving wife. [V.T.C.A., Probate Code §§ 45, 155](#).

[\[8\]](#) Husband and Wife 273(12)
[205k273\(12\) Most Cited Cases](#)

[\[8\]](#) Husband and Wife 276(4)
[205k276\(4\) Most Cited Cases](#)

Wife of promissory note holder who died intestate had the power to sue for the recovery for sums due under note, which was community property, without qualifying as community administrator and had the power to collect claims due the community estate. [V.T.C.A., Probate Code §§ 45, 155, 160](#).

[\[9\]](#) Judgment 186
[228k186 Most Cited Cases](#)

Trial court abused its discretion by rendering summary judgment on two movants' individual motions for summary judgment in nonmovant's suit for recovery of sums due under promissory note, where it denied nonmovant opportunity to take discovery; motions for summary judgment were filed on December 14 in lieu of answers to nonmovant's suit, although nonmovant failed to respond prior to January 2, 2001 deadline, on January 5, 2001, she obtained counsel and filed, inter alia, a motion for leave to respond or for continuance and amended pleadings and response, and on January 8, 2001, without ruling on nonmovant's motion, court granted one movant's motion, and on February 5, granted other movant's motion.

[\[10\]](#) Judgment 186
[228k186 Most Cited Cases](#)

Summary judgment rule clearly contemplates that the trial court will allow parties a reasonable opportunity to conduct discovery before rendering summary judgment.

[\[11\]](#) Pretrial Procedure 15
[307Ak15 Most Cited Cases](#)

Purpose of discovery is to allow parties to obtain full knowledge of the facts and issues before the disposition of their case.

[\[12\]](#) Pretrial Procedure 13
[307Ak13 Most Cited Cases](#)

[\[12\]](#) Pretrial Procedure 20
[307Ak20 Most Cited Cases](#)

Discovery is favored, and the rules that govern it are to be liberally construed.

[J.W. Beverly](#), Dow Golub Berg & Beverly, LLP, Houston, TX, for Appellant.

[Richard A. Fulton](#), Coats, Rose, Yale, Ryman Lee, Glenn R. LeMay, DiCecco, Fant & Burman, Houston, TX, for Appellee.

Panel consists of Justices [TAFT](#), [KEYES](#), and HIGLEY.

OPINION

[EVELYN V. KEYES](#), Justice.

*1 This is an appeal from a summary judgment rendered in favor of appellees, Winn-Coleman, Inc. ("WCI"), B.W. Moore, and Peter Workin, and against appellant, Marilyn M. Coleman. The central issue in this case is whether a surviving spouse is required to obtain a judicial declaration of heirship to sue to recover community property in the form of a promissory note made payable solely to the deceased spouse. Finding that no declaration of heirship is necessary, that Marilyn Coleman is entitled to sue to recover on the note, and that summary judgment was improperly rendered against her, we reverse and remand.

Facts

In September 1990, Earl Coleman and Houston B. Winn formed WCI. In July 1993, Moore purchased Winn's shares in WCI. On July 15, 1994, Coleman and WCI entered into an Agreement for Purchase and Sale, pursuant to which Coleman sold his interest in WCI to WCI in exchange for a promissory note in the amount of \$280,000 payable to Coleman (the Promissory Note). In connection with the Agreement and Promissory Note, Coleman, WCI, Moore, and Workin executed an Escrow Agreement under which the parties agreed that, in the event of a default on the Note, Coleman would receive 280,000 shares of common stock in WCI to be held in escrow and released back to WCI as payments were made to Coleman for his interest in the corporation. Moore signed the Promissory Note as chairman of the board of WCI, and Workin agreed to

serve as the escrow agent. The Promissory Note was made payable in five equal installments, the first of which was due on April 1, 1995, and the last of which was due April 15, 1998.

Earl Coleman died intestate on January 28, 1995. He and Marilyn Coleman had married on September 21, 1974, and were still married at the time of Earl's death. They had two children, Kendall Macari Coleman, born on June 6, 1977, and David Macari Coleman, born on April 7, 1979. Earl Coleman was never married to anyone else and had no other children. No one qualified as executor or administrator of the estate.

No payments were made on the Promissory Note.

Procedural Background

In December 1999, Marilyn Coleman sent notice to WCI and Moore, demanding payment on the Promissory Note; in July, 2000, she sent notice to Workin demanding fulfillment of his responsibility as escrow agent. Neither WCI and Moore nor Workin performed.

On October 15, 2000, Marilyn Coleman filed a pro se suit against WCI, Moore, and Workin, individually and on behalf of the Estate of Earl Coleman, to recover the sums due under the Promissory Note.

On December 11, 2000, WCI counterclaimed against Marilyn Coleman and the Coleman Estate for breach of contract, fraud, and attorneys' fees. None of the defendants filed a general denial or affirmative defenses.

On December 14, 2000, Workin filed an individual motion for partial summary judgment. Workin incorrectly alleged that Marilyn Coleman had sued appellees for breach of contract, negligence, fraud, conversion, and intentional infliction of emotional distress. He alleged that he was "only an agent for the escrow account and does not claim any ownership in the contents of this account" and that the plaintiffs, Marilyn Coleman and the Estate of Earl Coleman, had "never provided any evidence they are entitled to any proceeds to the escrow account." He further alleged that he never undertook any obligation as escrow agent and no consideration was paid him under the Promissory Note or as escrow agent. Finally, he alleged that Marilyn Coleman had failed to demonstrate that she was the successor-in-interest to the proceeds of the Promissory Note; therefore, he had no duty to deliver to her the stock held in escrow. He set the motion for submission at 9:00 a.m. on January 8, 2001.

*2 Also on December 14, 2000, Moore filed a motion

for partial summary judgment and set it for submission at 9:00 a.m. on January 8, 2001. Like Workin, Moore alleged that he was not liable in his individual capacity, since he signed the agreements only in his official capacity, as evidenced by the Promissory Note. Moore also incorrectly alleged that Marilyn Coleman had sued appellees for breach of contract, negligence, fraud, conversion, and intentional infliction of emotional distress. Also like Workin, Moore alleged that there had been no determination of Earl Coleman's heirs and, therefore, Marilyn Coleman lacked the capacity to sue him.

On January 5, 2001, the same day they were engaged by Marilyn Coleman, and three days after the January 2 deadline for filing a response to the motions for summary judgment that had been filed on December 14, attorneys for Marilyn Coleman and the Coleman Estate filed a "Motion for Leave to File a Response to Defendants' Motions for Summary Judgment or, Alternatively, Motion for Continuance," to permit them to respond to the outstanding motions for summary judgment, replead, and take discovery. They simultaneously filed amended pleadings and a response to Moore's motion for summary judgment. In addition, they filed a motion to abate to permit them to establish Marilyn Coleman's right to sue on the Promissory Note in the probate court in response to the defendants' challenge to her standing to bring the lawsuit.

Three days later, on January 8, 2001, without ruling on Marilyn Coleman's and the Coleman Estate's motion for leave to respond or, alternatively, for a continuance, the trial court granted Moore's motion for partial summary judgment. On February 5, 2001, it granted Workin's motion for partial summary judgment. That same day, WCI, Moore, and Workin moved to dismiss Marilyn Coleman's suit for lack of standing and jurisdiction.

On February 9, 2001, Marilyn Coleman, Individually and as Administrator of the Estate of Earl D. Coleman, filed her "Second Amended Petition," alleging her community property interest in the Promissory Note and her right to recover on the Note as the unqualified community administrator of the Coleman Estate under [section 160 of the Probate Code](#). She also alleged breach of contract against Winn-Coleman, Moore (under the theory of alter ego), and Workin.

On February 14, 2001, the trial court denied the defendants' motion to dismiss and abated the case to allow Marilyn Coleman to file an application for declaration of heirship. Marilyn Coleman filed an application for declaration of heirship in Harris County Probate Court Number Three. The probate court has not yet ruled on that application.

Despite the abatement, on April 4, 2001, WCI moved for summary judgment in the trial court based on the statute of limitations for filing heirship proceedings. The court granted WCI's motion for summary judgment on May 29, 2001, and dismissed Marilyn Coleman's claims with prejudice. On June 20, 2001, WCI non-suited its counterclaims to create a final judgment. Marilyn Coleman appeals. [\[FN1\]](#)

Issues

*3 Appellant argues in four issues: (1) that the residual four-year statute of limitations set out in [section 16.051 of the Texas Civil Practice and Remedies Code](#) does not apply to proceedings to declare heirship under [section 48 of the Texas Probate Code](#); (2) that WCI did not have standing to raise the defense of limitations for filing probate matters in the lawsuit while a separate proceeding to declare heirship was pending in the statutory probate court; (3) that Marilyn Coleman was authorized under [section 160 of the Texas Probate Code](#) to sue to recover sums due under the Promissory Note, such that a proceeding to declare heirship was unnecessary; and (4) that the trial court erred in granting Moore's and Workin's individual motions for summary judgment because Marilyn Coleman did not have an adequate opportunity to conduct discovery.

Standard of Review

In reviewing a summary judgment, we accept as true all evidence supporting the nonmovant. [Nixon v. Mr. Prop. Mgmt. Co., Inc., 690 S.W.2d 546, 548-49 \(Tex.1985\)](#). All inferences are indulged in favor of the nonmovant, and all doubts are resolved in its favor. [Id. at 549](#). We should consider all summary judgment grounds the trial court rules on and the movant preserves for appellate review that are necessary for final disposition of the appeal when reviewing a summary judgment, and we may consider other grounds that the movant preserved for review and the trial court did not rule on in the interest of judicial economy. [Cincinnati Life Ins. Co. v. Cates, 927 S.W.2d 623, 626 \(Tex.1996\)](#). Summary judgment for the defendant is proper when the proof shows that there is no genuine issue of material fact as to one or more of the essential elements of the plaintiff's cause of action. [Black v. Victoria Lloyds Ins. Co., 797 S.W.2d 20, 27 \(Tex.1990\)](#). A defendant may show entitlement to summary judgment by conclusively proving all elements of an affirmative defense. [Montgomery v. Kennedy, 669 S.W.2d 309, 310-11 \(Tex.1984\)](#).

Discussion

Marilyn Coleman's Capacity to Sue to Recover on the Promissory Note

Marilyn Coleman's first three issues concern proceedings to declare heirship. In her first and second issues, Marilyn Coleman argues that the residual four-year statute of limitations does not apply to proceedings to declare heirship and that WCI did not have standing to raise the defense of limitations in the proceedings to declare heirship filed by Marilyn Coleman in the probate court. In her third issue, Marilyn Coleman argues that no proceeding to declare heirship is necessary in this case because she is authorized under [section 160 of the Probate Code](#) to sue to recover on the Promissory Note executed in favor of late husband, Earl Coleman. We consider the third issue first.

Section 48 of the Probate Code: Proceedings to Declare Heirship

[\[1\] Section 48 of the Probate Code](#) provides, in relevant part, that, when a person dies intestate owning personal property and there has been no administration of the estate in this state, the court of the county in which the property is found may declare "who are the heirs and only heirs of such decedent, and their respective shares and interests" in the decedent's estate. [Tex. Prob.Code Ann. § 48](#) (Vernon 2003); see [Estate of York, 934 S.W.2d 848, 850 \(Tex.App.-Corpus Christi 1996, writ denied\)](#). It follows that, when ownership of property of the deceased is determined by operation of law, heirship proceedings serve no purpose. We, therefore, must determine whether Marilyn Coleman is the owner of the Promissory Note by operation of law.

Sections 45 and 155 of the Probate Code: Community Property and Administration of Community Property

- *4 [Section 45 of the Texas Probate Code](#) provides:
- (a) On the intestate death of one of the spouses to a marriage, the community property estate of the deceased spouse passes to the surviving spouse if:
 - (1) no child or other descendent of the deceased spouse survives the deceased spouse; or
 - (2) all surviving children and descendants of the deceased spouse are also children or descendants of the surviving spouse.

[Tex. Prob.Code Ann. § 45](#).

[Section 155](#) of the Code provides, "When a husband or wife dies intestate and the community property passes to the survivor, no administration thereon, community or otherwise, shall be necessary." [Tex. Prob.Code Ann. § 155](#); see also [Fairbanks' Estate v. Commissioner of Internal Revenue, 128 F.2d 537, 538 \(5th Cir.1942\)](#) (holding a surviving husband entitled to administer community property without appointment by

the probate court).

The record establishes that Marilyn Coleman is the surviving spouse of Earl Coleman, who died intestate, and that all children of Earl Coleman are also children of Marilyn Coleman. If the Promissory Note was part of the community property estate of the deceased spouse, Earl Coleman, it passed by operation of law to Marilyn Coleman upon his death and no administration thereon was necessary. [Tex. Prob.Code Ann. §§ 45, 155](#). We must determine, therefore, whether the Note was community property.

Subsections 3.002 and 3.003 of the Family Code: Community Property and Presumption of Community Property

[\[2\]\[3\]\[4\]](#) Community property consists of property, other than separate property, that is acquired by either spouse during marriage. [Tex. Fam.Code Ann. § 3.002](#) (Vernon 1998). A spouse's separate property consists of the property owned or claimed by that spouse before marriage, or acquired by the spouse during marriage by gift, devise, or descent, or recovered for personal injuries sustained by the spouse during marriage. [Tex. Fam.Code Ann. § 3.001](#). Subsection 3.003(a) of the Family Code provides:

(a) Property possessed by either spouse during or on dissolution of marriage is presumed to be community property.

(b) The degree of proof necessary to establish that property is separate property is clear and convincing evidence.

[Tex. Fam.Code Ann. § 3.003](#).

[\[5\]](#) The presumption, established by [§ 3.003 of the Family Code](#), that property possessed by either spouse during or on dissolution of marriage is community property applies to dissolution of marriage by death as well as by divorce. [Evans v. Evans, 14 S.W.3d 343, 346 \(Tex.App.-Houston \[14th Dist.\] 2000, no pet.\)](#). To overcome the presumption, a party must present clear and convincing evidence that the property is separate property. [Tex. Fam.Code Ann. § 3.003\(b\); Evans, 14 S.W.3d at 346](#). To identify property as separate, the evidence must generally trace and clearly identify it as such. See [Tex. Fam.Code Ann. § 3.001](#).

The evidence in this case establishes that the Promissory Note was acquired by Earl Coleman during marriage in exchange for his interest in Winn-Coleman, which likewise was acquired during marriage. Because the Note was still possessed by Earl Coleman at the time of his death, it was presumptively community property. See [Tex. Fam.Code § 3.003\(a\); Barnett v. Barnett, 67 S.W.3d 107, 111 \(Tex.2001\)](#). To rebut that

presumption, appellees had to establish by clear and convincing evidence that the Note was Earl Coleman's separate property. Appellees produced no evidence clearly identifying the Note as separate property. We find, therefore, that the Promissory Note is community property. We must next determine whether Marilyn Coleman, as the surviving spouse of Earl Coleman, is entitled to sue to recover on the Note.

[Section 160 of the Probate Code: Powers of Surviving Spouse when No Administration is Pending](#)

*[5 Section 160 of the Probate Code](#) provides:

When no one has qualified as executor or administrator of the estate of a deceased spouse, **the surviving spouse**, whether the husband or wife, as the surviving partner of the marital partnership, **without qualifying as community administrator** as hereinafter provided, **has power to sue and be sued for the recovery of community property**; to sell, mortgage, lease and otherwise dispose of community property for the purpose of paying community debts; **to collect claims due to the community estate**; and has such other powers as shall be necessary to preserve the community property, discharge community obligations and wind up community affairs.

[Tex. Prob.Code Ann. § 160](#) (Vernon 2003) (emphasis added).

[\[6\]\[7\]\[8\]](#) Marilyn Coleman was the surviving spouse of the decedent, Earl Coleman, who died intestate. Ownership of the Promissory Note, therefore, passed to her. [Tex. Prob.Code Ann. § 45](#). No one was qualified as administrator of Earl Coleman's estate, nor was administration necessary. [Tex. Prob.Code Ann. § 155](#).

Under the plain language of [section 160 of the Probate Code](#), Marilyn Coleman, as surviving spouse, has the power to sue for the recovery of community property without qualifying as community administrator and to collect claims due the community estate. See [Nelson v. Dallas Indep. Sch. Dist., 774 S.W.2d 380, 382-83 \(Tex.App.-Dallas 1989, writ denied\)](#) (husband was entitled to collect wife's unpaid teacher's salary on behalf of estate where husband was married to wife on the day she died and no one had qualified as administrator of wife's estate when unpaid salary collected). Since the Note is community property, her powers include the power to sue to recover under the Note and to collect any other claims due the community estate. See [id.](#)

Because we find that the Promissory Note is community property and Marilyn Coleman, as the surviving spouse of Earl Coleman, is entitled to sue to

recover on it and to collect any other claims due to the community estate, we hold that the trial court erred in entering final summary judgment against Marilyn Coleman and dismissing her claims with prejudice.

We sustain Marilyn Coleman's third issue. Because we find that no proceeding to declare heirship is necessary in this case, issues one and two are moot.

Summary Judgment on Moore's and Workin's Individual Claims

[9] In her fourth issue, Marilyn Coleman contends that the trial court erred in granting Moore's and Workin's individual motions for summary judgment because she did not have an adequate opportunity to conduct discovery.

Marilyn Coleman filed suit pro se on October 15, 2000. Workin filed his individual motion for partial summary judgment on December 14, 2000 without answering and, therefore, without having previously pleaded any of the grounds on which he based his motion, including his alleged lack of standing to be sued in the capacity in which he was sued, his claim that Marilyn Coleman had produced "no evidence" that she was entitled to proceeds on the escrow account, and his claim that Marilyn Coleman had failed to demonstrate that she was successor-in-interest to Earl Coleman. Likewise, on December 14, Moore filed an individual motion for summary judgment on the grounds that he, too, was not liable in his individual capacity and that Marilyn Coleman lacked standing to sue him. He, too, had filed no answer and had not previously pleaded the grounds on which he based his motion for summary judgment.

*6 Marilyn Coleman obtained counsel on January 5, 2001, three days after the January 2 deadline for filing a response to Moore's and Workin's individual motions for summary judgment. She immediately filed a motion for leave to respond to the defendants' motions for summary judgment or, alternatively, a motion for continuance, seeking permission to respond to the outstanding motions for summary judgment, replead, and take discovery; and she simultaneously filed amended pleadings and a response to Moore's motion for summary judgment.

On January 8, 2001, three days after the motion for leave to respond or for continuance was filed, the trial court, without ruling on the motion, rendered summary judgment in favor of Moore on his individual motion for partial summary judgment; and on February 5, 2001, it granted Workin's individual motion for summary judgment. No discovery was taken, and none could reasonably have been completed, in the time between the filing of defendants' motions for summary

judgment, in lieu of answers, and the trial court's final disposition of those motions.

[10][11][12] The summary judgment rule clearly contemplates that the trial court will allow parties a reasonable opportunity to conduct discovery before rendering summary judgment. *Chapa v. Garcia*, 848 S.W.2d 667, 668 (Tex.1992); *Levinthal v. Kelsey-Seybold Clinic, P.A.*, 902 S.W.2d 508, 512 (Tex.App.-Houston [1st Dist.] 1994, no writ). The purpose of discovery is to allow parties to obtain full knowledge of the facts and issues before the disposition of their case. *Chapa*, 848 S.W.2d at 668; *Levinthal*, 902 S.W.2d at 512. Discovery is favored, and the rules that govern it are to be liberally construed. *Levinthal*, 902 S.W.2d at 512. Here, the opportunity to take discovery was denied.

We hold that the trial court abused its discretion by rendering summary judgment on Moore's and Workin's individual motions for summary judgment.

We sustain Coleman's issue number four.

Conclusion

We reverse the judgment of the trial court and remand this case to the trial court for further proceedings in accordance with this opinion.

FN1. Because WCI failed to submit an order with its motion for non-suit, no order was entered and this court dismissed appellant's appeal for lack of jurisdiction. Appellant moved in the trial court for entry of an order on appellees' motion for non-suit and moved in this court for reconsideration of her appeal. Her motion for reconsideration was granted per curiam by order of this court entered April 1, 2002, and the appeal was allowed to proceed.

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