TENNESSEE COURT OF APPEALS

MARY SUE GASTON LEE v. DANNY C. LEE

No. E2024-01696-COA-R3-CV (Tenn. Ct. App. Mar. 3, 2026) · No. E2024-01696-COA-R3-CV · Decided March 3, 2026

SUMMARY

The Tennessee Court of Appeals reviews a divorce judgment involving the classification and valuation of marital assets, including a business and real property, and the equitable distribution of marital assets and liabilities. The court reverses the classification and valuation of two assets, vacates the overall property distribution, and remands for further proceedings. The opinion also addresses the husband's motion to recuse the trial judge.

CASE DETAILS

COURT	Tennessee Court of Appeals
WRITING FOR THE COURT	Thomas R. Frierson, II; John W. McClarty, P.J., E.S.; Kristi M. Davis
JURISDICTION	Tennessee Court of Appeals
DECIDED	March 3, 2026
DOCKET	E2024-01696-COA-R3-CV
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Husband appealed as of right from the chancery court's divorce judgment classifying and valuing marital and separate property and distributing the marital estate.
STANDARD OF REVIEW	Factual findings in a nonjury case are reviewed de novo with a presumption of correctness unless the evidence preponderates otherwise. Questions of law are reviewed de novo without a presumption of correctness. Credibility determinations are not overturned absent clear and convincing evidence to the contrary. Denial of a motion for recusal is reviewed de novo. Valuation and classification of marital assets are factual questions, and appellate courts give substantial deference to the trial court's valuation and distribution decisions when supported by the evidence.
PRECEDENTIAL VALUE	Published Tennessee Court of Appeals opinion
PARTIES	Danny C. Lee v. Mary Sue Gaston Lee

TOPICS

dissolution of marriage · equitable distribution · community property · appellate procedure · standard of review

PRACTICE AREAS

family law · marital property · appellate procedure · judicial recusal · business valuation

QUESTIONS PRESENTED

1. Whether the trial court erred by proceeding after Husband filed a motion to recuse without immediately entering a written order.
2. Whether the Etowah House was properly classified as Wife's separate property and whether any increase in its value during the marriage was marital property.
3. Whether the trial court properly valued Precision Technologies, Incorporated at $565,000, including an alleged $165,000 commission.
4. Whether the trial court's overall distribution of the marital estate was equitable.

HOLDINGS

1. Husband waived any challenge concerning the initial recusal motion, and the trial court's failure to promptly enter a written order memorializing its oral denial was harmless under the circumstances. The later recusal motion was properly denied because it was untimely and failed to comply with Tennessee Supreme Court Rule 10B.
2. The Etowah House remained Wife's separate property, but the trial court erred by treating its entire value as separate property without determining whether the property appreciated during the marriage because of the parties' substantial contributions. Any contribution-linked increase in value must be classified as marital property and equitably divided.
3. The trial court's determination that PTI had a value of $400,000, notwithstanding Husband's dissipation and management conduct, was supported by the evidence. However, the court erred in adding an unrealized and speculative $165,000 commission to PTI's value; that issue must be reconsidered on remand.
4. The overall distribution of marital assets and debts had to be vacated because the classification and valuation of the Etowah House and PTI remained unresolved.

KEY QUOTATIONS

> *“An increase in value during the marriage of property determined to be separate property will be classified as marital property if “each party substantially contributed to its preservation and appreciation.””* (20)

> *“Based on the evidence presented, we simply cannot conclude that the addition of $165,000.00 to the value of PTI for a somewhat speculative commission was supported by the proof in the record.”* (30)

> *“We therefore vacate the trial court’s distribution of marital property and debts and remand for further proceedings in light of this Opinion.”* (31)

FACTUAL BACKGROUND

The parties were married in 1996, had no children, owned businesses and real property, and accumulated substantial marital debt. Wife owned the Etowah House before the marriage, but during the marriage the parties made substantial improvements, paid mortgage and maintenance expenses from marital funds, and used the property as collateral for business financing. The parties also jointly operated Precision Technologies, Incorporated, whose value was affected by shareholder loans, additional debt incurred during the divorce, and an allegedly unrealized commission. The trial court classified the Etowah House as entirely separate property, valued PTI at $565,000, and distributed the marital estate.

PROCEDURAL HISTORY

Wife filed a divorce complaint in the McMinn County Chancery Court in 2018, and Husband's separately filed complaint was consolidated and treated as a counter-complaint. After extensive pretrial proceedings and a multiday trial, the chancery court classified the Etowah House as Wife's separate property, valued Precision Technologies, Incorporated at $565,000, and distributed the marital estate. Husband appealed after the trial court denied post-trial relief and a motion to stay. The Court of Appeals affirmed the denial of recusal, reversed portions of the property classification and valuation rulings, vacated the overall marital-property distribution, and remanded.

DISPOSITION

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reversed_and_remanded
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REMAND INSTRUCTIONS

Determine the Etowah House's value at the time of marriage and whether any increase by the time of divorce was attributable to the parties' substantial contributions; classify and equitably divide any contribution-linked increase as marital property. Reconsider the addition of the unrealized $165,000 PTI commission and determine its proper valuation after further hearing or evidence if necessary. Recalculate the overall distribution of marital assets and debts in light of those determinations. Other classification and valuation issues not raised on appeal remain unaffected.

CASES CITED

- Bowden v. Ward, 27 S.W.3d 913, 916 (Tenn. 2000)
- Myint v. Allstate Ins. Co., 970 S.W.2d 920, 924 (Tenn. 1998)
- Wells v. Tenn. Bd. of Regents, 9 S.W.3d 779, 783 (Tenn. 1999)
- State v. Cannon, 254 S.W.3d 287, 307 (Tenn. 2008)
- Davis v. Liberty Mut. Ins. Co., 38 S.W.3d 560, 564 (Tenn. 2001)
- Clinard v. Blackwood, 46 S.W.3d 177, 187 (Tenn. 2001)
- State v. Griffin, 610 S.W.3d 752, 758 (Tenn. 2020)
- Wallace v. Wallace, 733 S.W.2d 102, 107 (Tenn. Ct. App. 1987)
- Ray v. Ray, 916 S.W.2d 469, 470 (Tenn. Ct. App. 1995)

- Jahn v. Jahn, 932 S.W.2d 939, 941 (Tenn. Ct. App. 1996)
- Kinard v. Kinard, 986 S.W.2d 220, 228, 231 (Tenn. Ct. App. 1998)
- Keyt v. Keyt, 244 S.W.3d 321, 327-29 (Tenn. 2007)
- Bilyeu v. Bilyeu, 196 S.W.3d 131, 135 (Tenn. Ct. App. 2005)
- McHugh v. McHugh, No. E2009-01391-COA-R3-CV, 2010 WL 1526140, at *3-4 (Tenn. Ct. App. Apr. 16, 2010)
- Manis v. Manis, 49 S.W.3d 295, 306 (Tenn. Ct. App. 2001)
- Snodgrass v. Snodgrass, 295 S.W.3d 240, 256 (Tenn. 2009)
- Hayes v. Hayes, No. W2010-02015-COA-R3-CV, 2012 WL 4936282, at *12 (Tenn. Ct. App. Oct. 18, 2012)
- Fox v. Fox, No. M2004-02616-COA-R3-CV, 2006 WL 2535407, at *5 (Tenn. Ct. App. Sept. 1, 2006)
- Cohen v. Cohen, 937 S.W.2d 823, 833 (Tenn. 1996)
- Denton v. Denton, 33 S.W.3d 229, 233-36 (Tenn. Ct. App. 2000)
- Ellis v. Ellis, 748 S.W.2d 424, 426-27 (Tenn. 1988)
- Summer v. Summer, 296 S.W.3d 57, 62-63 (Tenn. Ct. App. 2009)
- Luplow v. Luplow, 450 S.W.3d 105, 109-10 (Tenn. Ct. App. 2014)
- Kholghi v. Aliabadi, No. M2019-01793-COA-R3-CV, 2020 WL 5607816, at *15-20 (Tenn. Ct. App. July 7, 2020)
- Hill v. Hill, No. M2011-02253-COA-R3-CV, 2012 WL 4762110, at *3 (Tenn. Ct. App. Oct. 5, 2012)
- Anderton v. Anderton, 988 S.W.2d 675, 679 (Tenn. Ct. App. 1998)
- Brunetz v. Brunetz, 573 S.W.3d 173, 186 (Tenn. Ct. App. 2018)
