

SUPREME COURT OF TEXAS

Anthony L. McCalla and Cheryl A. McCalla v. Baker's Campground, Inc., Kelli Graves, and Kourtnie Graves

416 S.W.3d 416 (Tex. 2013) · No. No. 12-0907 · Decided August 23, 2013

SUMMARY

The Supreme Court of Texas held that a settlement agreement was enforceable as a matter of law because it contained all material terms necessary to enforce the parties' agreement for the sale of real property. The Court reversed the court of appeals and remanded the case to the trial court for further proceedings concerning breach and affirmative defenses.

CASE DETAILS

COURT	Supreme Court of Texas
WRITING FOR THE COURT	Per Curiam
JURISDICTION	Texas
DECIDED	August 23, 2013
DOCKET	No. 12-0907
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	The McCallas sought review of a court of appeals decision reversing a partial summary judgment and final judgment holding that a settlement agreement was enforceable. The Texas Supreme Court reversed the court of appeals and remanded the case to the trial court for further proceedings concerning breach and Baker's Campground's affirmative defenses.
STANDARD OF REVIEW	The enforceability of the settlement agreement was treated as a question of law; the opinion does not otherwise expressly state a standard of review.
PRECEDENTIAL VALUE	Published opinion of the Supreme Court of Texas; precedential
PARTIES	Anthony L. McCalla, Cheryl A. McCalla v. Baker's Campground, Inc., Kelli Graves, Kourtnie Graves

TOPICS

[contract formation](#)[contracts](#)[real estate](#)[summary judgment](#)[breach of contract](#)

PRACTICE AREAS

Contracts

Real property

Civil procedure

QUESTIONS PRESENTED

1. Whether a settlement agreement containing all material terms necessary for enforcement is an enforceable contract as a matter of law even when some language suggests that the parties contemplated executing an additional contract.
2. Whether the case should be remanded for adjudication of alleged breach and Baker's affirmative defenses that were not resolved by the trial court.

HOLDINGS

1. A settlement agreement is enforceable as a matter of law when it contains all material terms necessary to enforce the contemplated contract, even if some language suggests that the parties contemplated forming an additional contract in the future. The agreement at issue contained all material terms and was therefore enforceable.
2. The case had to be remanded to the trial court because the issues of breach and Baker's Campground's affirmative defenses had not been properly adjudicated.

KEY QUOTATIONS

"We hold that such a contract is enforceable." (slip op. at 1)

"Therefore, the agreement contains all material terms and is an enforceable contract." (slip op. at 3)

"Instead, we remand the case to the trial court for further proceedings consistent with this opinion." (slip op. at 4)

FACTUAL BACKGROUND

The McCallas leased approximately 380 acres from Baker and held an option to purchase the land if Baker decided to sell it. After litigation involving a competing lease, the McCallas and Baker entered into a settlement agreement releasing claims and providing for the McCallas to purchase the 380 acres for \$470,000 if the competing lease was finally declared null and void. The agreement identified the property, price, parties, closing timeline, releases, and an obligation to execute documents reasonably necessary to carry out the agreement, although handwritten language referred to agreeing to enter an agreement. After the competing lease was held unconscionable and unenforceable, Baker's successors declined to sell, prompting further litigation.

PROCEDURAL HISTORY

The McCallas sued to void a competing lease and exercise an option to purchase the property, obtaining a favorable jury verdict. Afterward, the McCallas and Baker entered into a settlement agreement. The trial court granted partial summary judgment to the McCallas, held the settlement agreement enforceable, and entered final judgment based on stipulated facts. The court of appeals reversed and remanded, concluding that ambiguity in

the handwritten provisions made enforceability a fact issue. The Texas Supreme Court reversed and remanded directly to the trial court because breach and affirmative defenses had not been properly adjudicated.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

Remand to the trial court for further proceedings consistent with the opinion, including adjudication of whether the settlement agreement was breached and Baker's Campground's affirmative defenses.

CASES CITED

- Ski River Dev., Inc. v. McCalla, 167 S.W.3d 121, 128 (Tex. App.—Waco 2005, pet. denied)
- Fort Worth Ind. Sch. Dist. v. City of Fort Worth, 22 S.W.3d 831, 846 (Tex. 2000)
- Radford v. McNeny, 104 S.W.2d 472, 474-75 (Tex. 1937)
- T.O. Stanley Boot Co. v. Bank of El Paso, 847 S.W.2d 218, 221 (Tex. 1992)

OPINION

PER CURIAM.

IN THE SUPREME COURT OF TEXAS 4444444444 NO. 12-0907 4444444444
ANTHONY L. MCCALLA AND CHERYL A. MCCALLA, PETITIONERS, v. BAKER'S
CAMPGROUND, INC., KELLI GRAVES, AND KOURTNIE GRAVES, RESPONDENTS
44 ON PETITION FOR REVIEW
FROM THE COURT OF APPEALS FOR THE TENTH DISTRICT OF TEXAS
44 PER CURIAM The sole question
in this case is whether a settlement agreement that includes all the terms necessary for the
contract's enforcement is an enforceable contract as a matter of law, even if some of its terms seem
to imply that the parties contemplate forming an additional contract in the future.

We hold that such a contract is enforceable. Respondents Baker's Campground, Inc. and Kelli and Kournie Graves (collectively Baker's Campground) are successors-in-interest to 380 acres of land once owned by Baker (now deceased). Petitioners the McCallas entered into a lease agreement with Baker.

The lease contained an option that allowed the McCallas to buy the land if Baker decided to sell it. Even as this lease was ongoing, Baker leased the land to the Davises (who are not involved in the present litigation).

The McCallas brought suit against Baker and the Davises to void the Davises' lease and to exercise the McCallas' option to buy the land. The McCallas obtained a favorable jury verdict that

would have allowed the McCallas to exercise the option to buy the land.

After the jury verdict but before judgment was rendered, the McCallas and Baker entered into settlement negotiations. They ultimately produced the settlement agreement that is the basis of the present lawsuit. The agreement provided that the McCallas and Baker released each other from any claims related to the lawsuit.

The McCallas also agreed to purchase land identified as “the 380 acres more or less of land which was the subject of the litigation” for \$470,000. The McCallas only became obligated to buy the land if the Davises’ lease was finally “declared null and void as a matter of law” in the course of the litigation. If the Davises’ lease was found to be void, the McCallas would then have 60 days to close on the purchase.

The parties agreed “to execute any documents that [were] reasonable and necessary to carry out the terms and provisions of this Agreement.” The contract stated that it “shall be binding upon... the parties....” The McCallas signed on a line under these terms. Additional handwritten terms underneath these signature lines are initialed by the McCallas, and Baker signed underneath these handwritten additions.

The handwritten additions include provisions that “I will agree to \$470,000 purchase price above” and that “I agree to enter an agreement as discussed above.” After entering into this settlement agreement, the McCallas and Baker told the trial court that they had reached an agreement but that they did not want to disclose the terms of the agreement.

The McCallas’ attorney stated that they “have settled all matters as between them,” and Baker’s attorney “confirm[ed] with everything he just said.” Accordingly, the trial court entered a take-nothing verdict in Baker’s favor. 2 The trial court entered judgment against the Davises based on the jury verdict.

The court of appeals ultimately found that the Davises’ lease was “unconscionable and unenforceable, not void.” *Ski River Dev., Inc. v. McCalla*, 167 S.W.3d 121, 128 (Tex. App.—Waco 2005, pet. denied). The McCallas promptly attempted to exercise their right to buy the property under the settlement agreement, but Baker’s Campground declined to sell the property.

Instead, Baker’s Campground brought a declaratory judgment action to void the settlement agreement. The trial court rendered a partial summary judgment for the McCallas, finding that the settlement agreement was an enforceable contract.

The trial court then rendered a final judgment for the McCallas based upon stipulated facts. The final judgment incorporated the partial summary judgment and found that the McCallas owned the property and were due the profits Baker’s Campground had made on the property after the settlement agreement was breached.

The court of appeals reversed and remanded to the trial court. ____ S.W.3d _____. The court found that, because the settlement agreement's handwritten terms said that "I will agree" and "I agree to enter an agreement" (emphases added), the agreement was ambiguous as to whether it was a presently binding contract or merely an agreement to agree. *Id.* at _____.

Because the settlement agreement was ambiguous, the court held that determining its enforceability was a fact issue that should not have been determined by summary judgment. *Id.* Assuming *arguendo* that the settlement agreement was an agreement to enter into a future contract, the court of appeals erred in finding that the settlement agreement's enforceability was a question of fact rather than a question of law.

Agreements to enter into future contracts are enforceable if they contain all material terms. *Fort Worth Ind. Sch. Dist. v. City of Fort Worth*, 22 S.W.3d 831, 846 (Tex. 2000); *Radford v. McNeny*, 104 S.W.2d 472, 474–75 (Tex. 1937).

After all, the reason agreements to enter into future contracts are often unenforceable is that courts have no way to determine what terms would have been agreed to after negotiation. *Id.* at 474. This concern is not present when the agreement to enter into a future contract already contains all the material terms of the future contract.

Here, the settlement agreement did contain all the material terms of the future contract. The material terms of a contract are determined on a case-by-case basis. *T.O. Stanley Boot Co. v. Bank of El Paso*, 847 S.W.2d 218, 221 (Tex. 1992).

Here, the settlement agreement involves the settlement of a lawsuit and the sale of real property. The settlement agreement contained a general release, a description of the real property to be sold, the timeline for closing the real property sale, the identities of the transferor and transferee of the real property, and the price of the real property.

The agreement did not indicate that these or any other terms remained open for negotiation. If a court was trying to enforce the settlement agreement, it could find all the terms necessary for its enforcement. See *Fort Worth Ind. Sch. Dist.*, 22 S.W.3d at 846.

Therefore, the agreement contains all material terms and is an enforceable contract. Accordingly, the settlement agreement was an enforceable contract as a matter of law, and we reverse the court of appeals' judgment.

However, Baker's Campground also argues that the trial court granted more relief to the McCallas than the McCallas requested in their summary judgment motion by finding breach of the settlement agreement and failing to consider Baker's Campground's affirmative defenses. Baker's Campground presented these issues to the court of appeals, but the court of appeals did not reach

them. ____ S.W.3d at ____ (“Because of our disposition of the second 4 issue, we need not address the remaining issues.”).

The McCallas concede in their Reply Brief to this Court that “the question of breach of that agreement and [Baker’s Campground’s] affirmative defenses... have not yet been properly adjudicated by the trial court.” Because the McCallas concede these issues were not “properly adjudicated,” we see no reason to remand the case to the court of appeals to consider these issues.

Instead, we remand the case to the trial court for further proceedings consistent with this opinion.

OPINION DELIVERED: August 23, 2013 5