

SUPREME COURT OF NEVADA

Peggy Cain, an Individual; Jeffrey Cain, an Individual; and Heli Ops International, LLC v. Richard Price, an Individual; and Mickey Shackelford, an Individual

134 Nev., Advance Opinion 24 (2018) · No. Nos. 69333, 69889, and 70864 · Decided April 12, 2018

SUMMARY

The Nevada Supreme Court held that a party's material breach of a settlement agreement discharged the nonbreaching parties' obligation to release third-party beneficiaries from liability. The court reversed summary judgment for the respondents, vacated prevailing-party attorney fees, and held that the appellants were entitled to discovery of the respondents' personal financial documents in support of punitive-damages claims. It affirmed other rulings, including litigation sanctions related to post-judgment subpoenas, and remanded for further proceedings.

CASE DETAILS

COURT	Supreme Court of Nevada
WRITING FOR THE COURT	Stiglich, J.; Hardesty, J.; Parraguirre, J.
JURISDICTION	Nevada
DECIDED	April 12, 2018
DOCKET	Nos. 69333, 69889, and 70864
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Consolidated appeals from a district court summary judgment in favor of two alleged third-party beneficiaries of a settlement agreement, an order awarding prevailing-party attorney fees, an order denying discovery of personal financial documents, and post-judgment orders concerning subpoenas and sanctions.
STANDARD OF REVIEW	Summary judgment was reviewed de novo; discovery orders and the decision to bifurcate were reviewed for abuse of discretion, except that application of the proper legal standard was reviewed de novo; sanctions and subpoena orders were reviewed for abuse of discretion.
PRECEDENTIAL VALUE	Published Nevada Supreme Court opinion; precedential

PARTIES

Peggy Cain, Jeffrey Cain, Heli Ops International, LLC v. Richard Price, Mickey Shackelford

TOPICS

material breach third party beneficiary conditions precedent summary judgment discovery dispute

PRACTICE AREAS

contract law tort law civil procedure remedies commercial litigation

QUESTIONS PRESENTED

1. Whether the settlement agreement was supported by consideration despite C4's preexisting obligation to pay the Cains.
2. Whether C4's material breach of the settlement agreement discharged the Cains' promise not to sue C4's officers, who were third-party beneficiaries of the release.
3. Whether the district court improperly denied discovery of Price and Shackelford's personal financial documents sought to support punitive-damages claims.
4. Whether the district court abused its discretion by bifurcating trial and resolving personal-jurisdiction and alter-ego issues in a pretrial evidentiary hearing.
5. Whether post-judgment subpoenas were properly quashed and sanctions properly imposed.

HOLDINGS

1. The settlement agreement was a valid contract supported by consideration because it removed an implied condition precedent that had limited C4's original payment obligation.
2. C4's material breach of the settlement agreement discharged the Cains' promise not to sue C4's officers, including Price and Shackelford as third-party beneficiaries.
3. Summary judgment for Price and Shackelford was improper because the settlement agreement's release provision no longer bound the Cains after C4's material breach.
4. The district court abused its discretion by denying the requested financial discovery because the Cains presented some factual basis for their punitive-damages claims.
5. The district court did not abuse its discretion by bifurcating trial and resolving personal-jurisdiction and alter-ego issues in a pretrial evidentiary hearing.
6. The district court properly quashed subpoenas served after dismissal and awarded \$9,514 in sanctions under Nevada Revised Statutes § 18.010(2)(b).

KEY QUOTATIONS

“When parties exchange promises to perform, one party's material breach of its promise discharges the non-breaching party's duty to perform.” (134 Nev., Adv. Op. 24, at 6-7)

“Absent exceptions not relevant here, one party's material breach of a contract discharges the non-breaching party's duty to perform.” (134 Nev., Adv. Op. 24, at 12)

FACTUAL BACKGROUND

Peggy and Jeffrey Cain, through Heli Ops International, LLC, entered into a joint venture agreement with C4 Worldwide, Inc., under which Heli Ops loaned C4 \$1 million for acquiring and leveraging collateralized mortgage obligations. After C4 failed to distribute profits, the parties executed a settlement agreement requiring C4 to pay the Cains \$20 million unconditionally within 90 days and requiring the Cains to release C4 and its officers from liability. C4 failed to pay, and the Cains sued C4 and several officers, including respondents Price and Shackelford. The district court awarded default judgment against some defendants and granted Price and Shackelford summary judgment based on the release.

PROCEDURAL HISTORY

The Cains sued C4 Worldwide, Inc., its CEO, and several officers for breach of contract and various torts after C4 failed to pay \$20 million under a settlement agreement. The district court entered default judgment against C4, its CEO, and two officers, while Price and Shackelford obtained summary judgment based on the settlement agreement's release provision. The district court also awarded Price and Shackelford prevailing-party attorney fees, denied the Cains' motion to compel financial discovery, and imposed sanctions for post-dismissal subpoenas. The Supreme Court of Nevada reversed the summary judgment and prevailing-party fee award, held that discovery should have been allowed, and affirmed the bifurcation and subpoena-sanction orders.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

Remand for proceedings consistent with the opinion after reversing the summary judgment for Price and Shackelford, vacating the \$95,843.56 prevailing-party attorney-fee award, and allowing the Cains' requested discovery of personal financial documents. The \$9,514 litigation sanction was affirmed.

CASES CITED

- Wood v. Safeway, Inc., 121 Nev. 724, 121 P.3d 1026 (2005)
- Jones v. SunTrust Mortgage, Inc., 128 Nev. 188, 274 P.3d 762 (2012)
- County of Clark v. Bonanza No. 1, 96 Nev. 643, 615 P.2d 939 (1980)
- McCorquodale v. Holiday, Inc., 90 Nev. 67, 518 P.2d 1097 (1974)
- Las Vegas Star Taxi, Inc. v. St. Paul Fire & Marine Insurance Co., 102 Nev. 11, 714 P.2d 562 (1986)
- Mayfield v. Koroghli, 124 Nev. 343, 184 P.3d 362 (2008)
- Hetter v. Eighth Judicial District Court, 110 Nev. 513, 874 P.2d 762 (1994)
- Club Vista Financial Services, LLC v. Eighth Judicial District Court, 128 Nev. 224, 276 P.3d 246 (2012)
- Staccato v. Valley Hospital, 123 Nev. 526, 170 P.3d 503 (2007)

- Sherwin v. Infinity Auto Insurance Co., No. 2:11-CV-00043-JCM-LRL, 2011 WL 4500883, at *3 (D. Nev. Sept. 27, 2011)
- Awada v. Shuffle Master, Inc., 123 Nev. 613, 173 P.3d 707 (2007)
- Bahena v. Goodyear Tire & Rubber Co., 126 Nev. 243, 235 P.3d 592 (2010)
- Consolidated Generator-Nevada, Inc. v. Cummins Engine Co., 114 Nev. 1304, 971 P.2d 1251 (1998)
- Gibby's, Inc. v. Aylett, 96 Nev. 678, 615 P.2d 949 (1980)

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