

IN THE SUPREME COURT OF THE STATE OF NEVADA

ROBERT G. REYNOLDS, AN
INDIVIDUAL; AND DIAMANTI FINE
JEWELERS, LLC, A NEVADA
LIMITED LIABILITY COMPANY,

Appellants,

vs.

RAFFI TUFENKJIAN, AN
INDIVIDUAL; AND LUXURY
HOLDINGS LV, LLC, A NEVADA
LIMITED LIABILITY COMPANY,

Respondents.

Electronically Filed
Feb 10 2021 10:49 a.m.
Elizabeth A. Brown
Clerk of Supreme Court

Case No.: 78187

Appeal from the Eighth Judicial District
Court, the Honorable Mark Denton
Presiding

PETITION FOR EN BANC RECONSIDERATION

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I. INTRODUCTION

Respondents, Raffi Tufenkjian and Luxury Holdings LV, LLC (collectively “Respondents”), respectfully request en banc reconsideration of the November 23, 2020, Order Affirming in Part, Reversing in Part and Remanding,¹ in which a Panel of this Court concluded that the District Court erred by granting summary judgment in favor of Respondents as to Appellants, Robert G. Reynolds and Diamanti Fine Jewelers, LLC’s (collectively “Appellants”), claim for intentional misrepresentation.²

En banc reconsideration is warranted because the panel order is contrary to prior, published opinions from this Court. Specifically, by allowing Appellants to raise issues for the first time on appeal, the Panel overlooked or ignored the well-established precedent in *Old Aztec Mine, Inc. v. Brown*, 97 Nev. 49, 52, 623 P.2d 981, 983 (1981). Relatedly, by reversing on the basis of an argument that Appellants did not actually raise, the Panel’s decision effectively relied upon judicial issue creation while failing to hold Appellants to their affirmative burden of proof. And, despite undisputed evidence that negated essential elements of Appellants’ claim for intentional misrepresentation, the Panel used a searching standard of review instead of

¹ A copy of the Order is attached hereto as **Exhibit A**.

² Respondents do not challenge other portions of the Panel’s decision.

testing whether the District Court correctly concluded there was no genuine need for trial. *See, e.g., Dredge Corp. v. Husite Co.*, 78 Nev. 69, 89 n.2, 369 P.2d 676, 687 n.2 (1962); *see also Cuzze v. Univ. & Cmty. Coll. Sys. of Nev.*, 123 Nev. 598, 602, 172 P.3d 131, 134 (2007).

Thus, for the reasons explained in more detail below, this Court should grant the instant petition and overturn in part the Panel's order.

II. SUMMARY OF RELEVANT FACTS.

This is a classic case of buyer's remorse.

In late 2014, Robert Reynolds ("Reynolds"), an experienced businessman desired to purchase a business in Tivoli Village. After sending an inquiry regarding Diamanti Jewelers ("the Jewelry Store"), Reynolds received a business summary marketing brochure that included several disclaimers. 1 AA 227, 244-49, 264.

Still interested, Reynolds made an offer to buy the Jewelry Store about a week later. 1 AA 162-67. Luxury Holdings' manager, Raffi Tufenkjian, then submitted a counter-offer which was executed on January 13, 2015. 1 AA 167. Importantly, the fully-executed purchase agreement stated "... PURCHASER has relied solely upon their personal examination of the business in making this Offer" 1 AA 164 ¶12. The purchase agreement also specified terms for a due diligence period:

DUE DILIGENCE CONTINGENCY: Purchaser's offer is **contingent** upon Seller proving to Purchaser's satisfaction the financial condition of the business and/or after review of all the information requested with regards to the subject business summary . . . **Contingency shall be automatically removed 14 days** after execution of this agreement by both parties unless extended in writing.

1 AA 163 ¶7 (emphasis in original); 3 AA 71 (District Court's decision).

During the due diligence period, Reynolds had access to everything relevant to the transaction, including the Jewelry Store, the Store's computer, and all physical sales receipts. 1 AA 157, 180-82.

Reynolds was ultimately comfortable enough with the results of his due diligence that he proceeded to close the transaction. 1 AA 96. The parties' Contract at Closing then included yet another specific non-reliance provision:

The parties hereto agree that no representations have been made by either party, or agent/broker if any, other than those specifically set forth in this agreement and the sale agreement(s). **It is further understood and agreed that Buyer has made his own independent investigation of the subject business and has satisfied himself with his ability to conduct the same, and is now purchasing the said business with the clear and distinct understanding and agreement that all profits are future, to be arrived at from his own resources and labors.**

1 AA 189 (emphasis added).

Yet, more than two years after the deal closed, Appellants initiated litigation in which they alleged, amongst other claims, fraudulent misrepresentation. Throughout the entire course of the case, however, Appellants could not specify what false representation(s) played a material and

substantial part in leading Appellants to adopt a damaging course of action. Relatedly, Appellants also could not rebut the evidence, including Reynolds' deposition, which confirmed that the sale was a proper arm's-length transaction completed after a comprehensive due diligence investigation. *See, e.g.*, 1 AA 96, 98-99, 118, 180-82.

III. LEGAL ARGUMENT

NRAP 40(c)(2) provides that the Court may consider en banc reconsideration when: (1) "reconsideration by the full court is necessary to secure or maintain uniformity of its decisions" or (2) "the proceeding involves a substantial precedential, constitutional or public policy issue." *See also Huckabay Props. v. NC Auto Parts*, 130 Nev. 196, 201, 322 P.3d 429, 432 (2014).

In this case, en banc reconsideration is warranted because: (A) the Panel allowed Appellants to raise issues for the first time on appeal; (B) the Order reversed on the basis of an argument that Appellants did not actually advance on appeal; and (C) the Court failed to hold Appellants to the controlling legal standards.

A. APPELLANTS RAISED NEW ARGUMENTS ON APPEAL.

It is well established that "[a] point not urged in the trial court, unless it goes to the jurisdiction of that court, is deemed to have been waived and will not be considered on appeal." *Old Aztec Mine, Inc.*, 97 Nev. at 52, 623 P.2d at

983. This Court has said on numerous occasions that it “will not consider issues raised for the first time on appeal.” *State v. Wade*, 105 Nev. 206, 209, 772 P.2d 1291, 1293 (1989); *see also, e.g., Penrose v. O’Hara*, 92 Nev. 685, 686, 557 P.2d 276, 277 (1976) (“Appellant raises these contentions for the first time on appeal; thus, we will not consider them.”).

Preservation is a record-intensive issue that warrants a brief recap. In their third amended complaint, Appellants asserted a claim for intentional misrepresentation in which they described four alleged misrepresentations.³ 1 AA 15-27. After comprehensive discovery, Respondents filed a motion for summary judgment which refuted by admissible evidence each of the alleged misrepresentations. *See generally* 1 AA 33 – 2 AA 286. Respondents also explained how case law regarding the meaning of “material misrepresentation” and “justifiable reliance” further weighed against Appellants’ claim. 1 AA 56, 60-66. In the alternative, Respondents argued that Appellants could not prove the crucial element of justifiable reliance because the parties’ contracts included non-reliance and independent investigation provisions. 1 AA 57-60 (citing to *Blanchard v. Blanchard*, 108 Nev. 908, 911-12, 839 P.3d 1320 (1992) and similar persuasive authorities).

³ The alleged misrepresentations centered on: (1) the jewelry store’s revenue; (2) failure to convey ownership of certain furniture, fixtures, and equipment; (3) the cost of inventory; and (4) a customer list. 2 AA 289.

In their opposition, Appellants acknowledged that Reynolds is a sophisticated, experienced businessman and that Reynolds conducted due diligence before electing to close the deal. 2 AA 289-90, 293-95. Appellants, nevertheless, attempted to demonstrate that they were tricked into the sale because they had no choice but to rely on the Respondents' purported misrepresentations. 2 AA 288, 301-02. Appellants, thus, focused on the facts of the case rather than construction of the specific language within the Closing Agreement and Purchase Agreement. *See generally* 2 AA 287-306.

In granting summary judgment, the District Court adopted the Respondents' dual approach. 3 AA 721-22. After discussing the relevant legal standard, the District Court determined that Appellants' claims failed for "lack of any actionable misrepresentations." 3 AA 722. In so ruling, the District Court found that Appellants' allegations of justifiable reliance were contrary to the parties' express written agreements. *Id.* ¶4. In addition, the District Court also found that Appellants had failed to "show any genuine issue as to inducement by representations." *Id.* ¶5, as amended; *see also* 4 AA 740 ("the Court is also persuaded by the other aspects of the Motion"). Appellants' claim for intentional misrepresentation, thus, failed on the basis of the parties' contracts *and* the facts.

In moving the District Court to amend its order pursuant to NRCP 59, the headers of Appellants' two arguments read: "Plaintiffs Did Present Evidence of

Defendants’ Misrepresentations” and “Finding of Fact Concerning Misrepresentations Not Needed or Made for Summary Judgment Based on the Disclaimers.” 4 AA 728, 731. Appellants, thus, did not question whether the contract language legally could eliminate a necessary element of intentional misrepresentation.

Then, for the *first time on appeal*, Appellants argued that the non-reliance and independent investigation clauses within the Closing Agreement or Purchase Agreement were unenforceable “in light of Nevada’s position to not allow contractual clauses to eliminate misrepresentation claims.” AOB 4.

Because Appellants did not argue about the enforceability of the contract clauses in the District Court, the Panel should not have considered their arguments. After all, Appellants’ arguments did not go toward jurisdiction or the other limited exceptions to the rule stated in *Old Aztec Mine*. But, by addressing Appellants’ arguments and ultimately overturning the District Court’s ruling regarding the contractual language, the Panel effectively—and mistakenly—conveyed that some lucky appellants need not preserve arguments for appeal.

B. THE PANEL REVERSED ON THE BASIS OF AN ARGUMENT THAT APPELLANTS DID NOT ADVANCE.

To make matters worse, the Court’s assessment of the relevant contract clauses relieved Appellants of their affirmative burden of proving error. *See*

Drespel v. Drespel, 56 Nev. 368, 54 P.2d 226, 227 (1936) (“[E]rror must affirmatively appear to justify a reversal.”); *Bechtel v. United States*, 101 U.S. 597, 601 (1879) (“Error must be affirmatively shown.”). Indeed, while appellate courts do not presume error or scour the record for unaddressed issues, the de novo review in this case included an atypical hunt for error and discussion of an issue that Appellants did not raise in their opening brief. *See, e.g., Schwartz v. Estate of Greenspun*, 110 Nev. 1042, 1051, 881 P.2d 638, 644 (1994); *LaGrange Const. Inc. v. Del E. Webb Corp.*, 83 Nev. 524, 529, 435 P.2d 515, 518 (1967); *see also United States v. Dunkel*, 927 F.2d 955, 956 (7th Cir. 1991) (“Judges are not like pigs, hunting for truffles buried in briefs.”).

Specifically, while the Panel declined to reach the merits of Appellants’ newly-raised argument regarding the unenforceability of non-reliance clauses, the Panel assessed whether the language in question was actually a non-reliance clause. And, in doing so, the Court questioned an issue that was never in question.

Indeed, throughout the District Court proceedings, everyone agreed that the Purchase Agreement and Closing Agreement contained non-reliance clauses. *See, e.g.,* 1 AA 50-52; 2 AA 301-04. In their opening brief, Appellants again acknowledged that the contractual language in question included a non-reliance clause. *See AOB v, 1, 7.* Although Appellants argued that the clause should not be enforced as written, Appellants did *not* argue that

the District Court erred by misconstruing the contractual language. Accordingly, Respondents' answering brief focused on enforceability rather than the non-issue of contract construction.

So, when the Court held that the contractual language in question was actually an integration clause, the Court's reasoning came as a complete surprise. And, regardless of the thought or attention dedicated to the Panel's analysis, the Court erred by overlooking the well-established rule against judicial issue creation. *See, e.g., Greenlaw v. United States*, 554 U.S. 237, 243 (2008) ("In our adversary system, in both civil and criminal cases, in the first instance and on appeal, we follow the principle of party presentation. That is, we rely on the parties to frame the issues for decision and assign to courts the role of neutral arbiter of matters the parties present."); *Narragansett Indian Tribe v. National Indian Gaming Comm'n*, 158 F.3d 1335, 1338 (D.C.Cir.1998) ("[W]e ordinarily do not entertain arguments not raised by parties"); *see also* Amanda Frost, *The Limits of Advocacy*, 59 DUKE L.J. 447, 449 (2009) ("American judges are strongly discouraged from engaging in so-called "issue creation"--that is, raising legal claims and arguments that the parties have overlooked or ignored--on the ground that doing so is antithetical to an adversarial legal culture that values litigant autonomy and prohibits agenda setting by judges").

C. THE COURT FAILED TO HOLD APPELLANTS TO THE CONTROLLING LEGAL STANDARDS.

Motions for summary judgment transcend the pleadings to test whether there is a genuine need for trial. *See Dredge Corp.*, 78 Nev. at 89 n.2, 369 P.2d at 687 n.2; *see also Cuzze*, 123 Nev. at 602, 172 P.3d at 134. So, unlike motions to dismiss, which are theoretical, summary judgment depends on evidence that supports the viability of a party's claims (or defenses). *See, e.g., Stockmeier v. State, Bd. of Parole Comm'rs*, 127 Nev. 243, 248, 255 P.3d 209, 212 (2011); *Posadas v. City of Reno*, 109 Nev. 448, 452, 851 P.2d 438, 442 (1993).

Here, the Panel correctly cited *Wood v. Safeway, Inc.*, 121 Nev. 724, 731, 121 P.3d 1026, 1031 (2005), but effectively used a generous legal standard more akin to the standard that applies to motions for dismissal. For example, while the Panel did not – and could not – identify evidence that supported Appellants' *allegations*, the Panel nevertheless concluded that material facts remained in dispute. Similarly, while Respondents highlighted the undisputed evidence that negated essential elements of Appellants' claims, the Court excused Appellants' failure to rebut the evidence.

The Order, thus, failed to recognize that “[c]onjecture and speculation do not create an issue of fact.” *Stockmeier*, 127 Nev. at 248, 255 P.3d at 212. And, while Appellants were entitled to the “light most favorable” standard, the

Court seemingly failed to consider the full *Cuzze* standard which provides that a non-moving plaintiff must “transcend the pleadings.” *See* 123 Nev. at 602-03, 172 P.3d at 134; *see also Celotex Corp. v. Catrett*, 477 U.S. 317, 325 (1986).

IV. CONCLUSION

In summation, the Panel misapprehended material matters and reached a decision that is not supported by the record or well-established case law. So, for the foregoing reasons, Respondents respectfully ask the Court to grant the instant petition for en banc reconsideration and correct the erroneous portions of the Order Affirming in Part, Reversing in Part and Remanding.

Dated this 10th day of February, 2021.

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CERTIFICATE OF COMPLIANCE

1. I hereby certify that this petition complies with the formatting requirements of NRAP 32(a)(4), the typeface requirements of NRAP 32(a)(5) and the type style requirements of NRAP 32(a)(6) because it has been prepared in a proportionally spaced typeface using Microsoft Word 2007 in 14-point Times New Roman font.

2. I further certify that this petition complies with the page- or type-volume limitations of NRAP 40A because it is either:

☒ proportionally spaced, has a typeface of 14 points or more and contains 2,341 words; or

☐ does not exceed _____ pages.

Dated this 10th day of February, 2021.

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CERTIFICATE OF SERVICE

I hereby certify that the foregoing **PETITION FOR EN BANC RECONSIDERATION** was filed electronically with the Nevada Supreme Court on the 10th day of February, 2021. Electronic Service of the foregoing document shall be made in accordance with the Master Service List as follows:

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/s/ Leah Dell

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Exhibit A

IN THE SUPREME COURT OF THE STATE OF NEVADA

ROBERT G. REYNOLDS, AN
INDIVIDUAL; AND DIAMANTI FINE
JEWELERS, LLC, A NEVADA LIMITED
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HOLDINGS LV, LLC, A NEVADA
LIMITED LIABILITY COMPANY,
Respondents.

No. 78187

FILED

NOV 23 2020

ELIZABETH A. BROWN
CLERK OF SUPREME COURT
BY S. Young
DEPUTY CLERK

*ORDER AFFIRMING IN PART, REVERSING IN PART AND
REMANDING*

This appeal challenges a district court summary judgment in a breach of contract and tort matter. Eighth Judicial District Court, Clark County; Mark R. Denton, Judge.

Appellant Robert Reynolds purchased Diamanti Fine Jewelers (the jewelry store) through his limited liability company, Diamanti Fine Jewelers, LLC (Diamanti LLC). Diamanti LLC purchased the jewelry store from respondent Raffi Tufenkjian through Tufenkjian's limited liability company, Luxury Holdings LV, LLC (Luxury LLC). Applicable here, Reynolds and Diamanti LLC (collectively, Reynolds) later sued Tufenkjian and Luxury LLC (collectively, Tufenkjian) for intentional misrepresentation and elder abuse.¹ The district court granted summary

¹We dismissed this appeal as to Reynolds' negligent misrepresentation and breach of contract claims in *Reynolds v. Tufenkjian*, 136 Nev., Adv. Op. 19, 461 P.3d 147, 154 (2020), and, therefore, we do not address those claims here.

judgment in favor of Tufenkjian, finding that non-reliance clauses within the parties' contract barred Reynolds' intentional misrepresentation claims as a matter of law. The district court also found that the lack of any "actionable misrepresentations" caused Reynolds' elder abuse claim to fail. Reynolds now appeals that decision.

We review a district court's order granting summary judgment *de novo*. *Wood v. Safeway, Inc.*, 121 Nev. 724, 729, 121 P.3d 1026, 1029 (2005). Summary judgment is proper if the pleadings and all other evidence on file demonstrate that no genuine issue of material fact exists and that the moving party is entitled to judgment as a matter of law. *Id.* When deciding a summary judgment motion, all evidence must be viewed in a light most favorable to the nonmoving party. *Id.* The interpretation of an unambiguous contract's language is a question of law we review *de novo*. *See Galardi v. Naples Polaris, LLC*, 129 Nev. 306, 309, 301 P.3d 364, 366 (2013).

Reynolds first argues that non-reliance clauses cannot bar intentional misrepresentation claims as a matter of law under *Blanchard v. Blanchard*, 108 Nev. 908, 839 P.2d 1320 (1992). Tufenkjian disagrees, arguing that *Blanchard* only addresses integration and waiver clauses, not non-reliance clauses. We conclude that we need not reach the merits of Reynolds' argument here because the contract does not contain a non-reliance clause.

The relevant clause² states:

²In support of his arguments, Tufenkjian identifies two other clauses, contained in the offer to purchase rather than the contract at issue, but we conclude that these other clauses are irrelevant. The first pertains to representations made by the broker, rather than Tufenkjian, and the second had already expired by its plain language.

The parties hereto agree that no representations have been made by either party, or agent/broker if any, other than those specifically set forth in this agreement and the sale agreement(s). It is further understood and agreed that the Buyer has made his own independent investigation of the subject business and has satisfied himself with his ability to conduct the same, and is now purchasing said business with the clear and distinct understanding and agreement that all profits are future, to be arrived at from his own resources and labors.

The clause is not titled, and we conclude it is an integration clause. Notably, the first sentence is substantially similar to the integration clause we addressed in *Blanchard*, which, in pertinent part, stated: "Each of the parties expressly certifies that . . . no representations of fact have been made by either party to the other except as herein expressly set forth" 108 Nev. at 912 n.1, 839 P.2d at 1322 n.1. The words "rely" or "reliance" appear nowhere in the clause, and we conclude it lacks the hallmark language of a non-reliance clause. See *Slack v. James*, 614 S.E.2d 636, 640 (S.C. 2005) (noting that non-reliance clauses generally include one of these words). And, as we stated in *Blanchard*, "integration clauses do not bar claims for [intentional] misrepresentation." 108 Nev. at 912, 839 P.2d at 1322-23; see also *Epperson v. Roloff*, 102 Nev. 206, 211, 719 P.2d 799, 802 (1986) (rejecting the argument that an integration clause barred a misrepresentation claim). Accordingly, the district court erred by finding this clause barred Reynolds' misrepresentation claims.

We will still affirm, however, if the district court reached the correct result, see *Saavedra-Sandoval v. Wal-Mart Stores, Inc.*, 126 Nev. 592, 599, 245 P.3d 1198, 1202 (2010), and we therefore consider whether summary judgment was nevertheless appropriate. To prove intentional misrepresentation, Reynolds must show that Tufenkjian made a false

representation, knew the representation was false, and intended to induce Reynolds to act based on the representation. *See Blanchard*, 108 Nev. at 910-11, 839 P.2d at 1322. Reynolds must also show that he justifiably relied on Tufenkjian's representation and that he was damaged as a result of that reliance.³ *Id.* at 911, 839 P.2d at 1322. To show justifiable reliance, Reynolds must show that the false representation "*played a material and substantial part in leading [him] to adopt his particular course.*" *Id.* (emphasis in original) (quoting *Lubbe v. Barba*, 91 Nev. 596, 600, 540 P.2d 115, 118 (1975)).

Reynolds admits that he conducted an independent investigation. "Generally, a plaintiff making 'an independent investigation will be charged with knowledge of facts which reasonable diligence would have disclosed. Such a plaintiff is deemed to have relied on his own judgment and not on the defendant's representations.'" *Blanchard*, 108 Nev. at 912, 839 P.2d at 1323 (quoting *Epperson*, 102 Nev. at 211, 719 P.2d at 803). However, an independent investigation does not preclude finding justifiable reliance "*where the falsity of the defendant's statements is not apparent from the inspection, where the plaintiff is not competent to judge the facts without expert assistance, or where the defendant has superior knowledge about the matter in issue.*" *Id.* (emphasis in original) (quoting *Epperson*, 102 Nev. at 211-12, 719 P.2d at 803). And, whether the alleged misrepresentations should have been discovered during a party's independent investigation is a question of fact. *See id.* (recognizing that such a determination "may not be dispensed with as a matter of law").

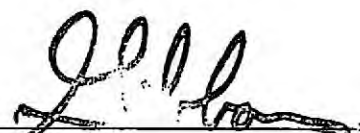
³The parties do not address the damages element on appeal.

We have carefully reviewed the record and conclude that genuine issues of material fact remain regarding Reynolds' misrepresentation claims. Reynolds first alleged that Tufenkjian misrepresented the amount of revenue the jewelry store earned each year and presented tax returns, internal store records, and deposition testimony tending to show that the store earned less than Tufenkjian claimed. Reynolds next alleged that Tufenkjian misrepresented the price of the jewelry store's inventory "at cost" and presented emails from the sale broker and internal store records suggesting that Tufenkjian inflated the "at cost" price to cover his brokerage fees. Reynolds next alleged that Tufenkjian misrepresented that various store fixtures were included in the sale and presented the store's lease which appears to show that the fixtures belong to the building's lessor and Tufenkjian therefore could not sell them to Reynolds. Reynolds finally alleged that Tufenkjian misrepresented the number of unique customers the jewelry store had and presented internal store records and deposition testimony suggesting the store had far fewer customers than Tufenkjian claimed. Viewed in the light most favorable to Reynolds, *see Wood*, 121 Nev. at 729, 121 P.3d at 1029, these allegations are sufficient to generate a triable question of fact on his misrepresentation claims.

And, while Reynolds conducted an independent investigation, whether he should have discovered Tufenkjian's alleged misrepresentations during that investigation is a question for the trier of fact. *See Blanchard*, 108 Nev. at 912, 839 P.2d at 1323. Therefore, genuine issues of material fact remain as to whether Reynolds justifiably relied on Tufenkjian's representations. As such, we reverse and remand for further proceedings on the intentional misrepresentation claims.

We also conclude, however, that the district court properly granted summary judgment to Tufenkjian on the elder abuse claim. As pertinent here, NRS 41.1395 protects an "older person" against monetary loss "caused by exploitation" by "a person who has the trust and confidence" of the elderly person. See NRS 41.1395(1), (4)(b). The undisputed facts here show that Reynolds was purchasing a business from Tufenkjian at arms' length—not that Tufenkjian had a relationship of "trust and confidence" with Reynolds. Cf. *Powers v. United Servs. Auto. Ass'n*, 114 Nev. 690, 701, 962 P.2d 596, 603 (1998) (explaining that a fiduciary has a relationship of trust and confidence); *Greenberg's Estate v. Skurski*, 95 Nev. 736, 739, 602 P.2d 178, 179 (1979) (observing that agency relationships are grounded on the trust and confidence of the principal); *Rush v. Rush*, 85 Nev. 623, 626, 460 P.2d 844, 845 (1969) (noting the relationship of trust and confidence between a husband and wife). Accordingly, we affirm summary judgment as to this claim. Based on the foregoing, we

ORDER the judgment of the district court AFFIRMED IN PART AND REVERSED IN PART AND REMAND this matter to the district court for proceedings consistent with this order.


_____, J.
Gibbons


_____, J.
Stiglich


_____, J.
Silver

cc: Hon. Mark R. Denton, District Judge
Lansford W. Levitt, Settlement Judge
Marx Law Firm, PLLC
Marquis Aurbach Coffing
Eighth District Court Clerk