

1 UNITED STATES DISTRICT COURT
2 DISTRICT OF NEVADA

3 LAS VEGAS DEVELOPMENT GROUP, )
4 LLC, a Nevada limited liability company, )

5 Plaintiff, )

6 vs. )

Case No.: 2:15-cv-(0917-GMN-NJK

ORDER

7 2014-3 IH EQUITY OWNER, LP, a Delaware )
8 limited partnership; BANK OF AMERICA, )
9 NA, a National Banking Association; )
10 MERIDIAN FORECLOSURE SERVICE, a )
11 California corporation; THR NEVADA II, LP )
12 a Delaware limited partnership; THR )
13 PROPERTY BORROWER, LP, a Delaware )
14 limited partnership; THR PROPERTY )
15 GUARANTOR, LP, a Delaware limited )
16 partnership; THR PROPERTY HOLDCO, LP, )
17 a Delaware limited partnership; 2014-3 IH )
18 PROPERTY HOLDCO, LP, a Delaware )
19 limited partnership; 2014-3 IH BORROWER, )
20 LP, a Delaware limited partnership; GERMAN )
21 AMERICAN CAPITAL CORPORATION, a )
22 Maryland corporation; CHRISTIANA TRUST, )
23 an unknown business entity; DOE individuals I )
24 through XX; and ROE CORPORATIONS I )
25 through XX, )

Defendants. )

21 Pending before the Court is the Motion to Dismiss (ECF No. 17) filed by Defendants
22 2014-3 IH Borrower, LP and Christiana Trust ("Trust"). Defendants 2014-3 IH Equity Owner,
23 LP, 2014-3 IH Property Holdco, LP, THR Nevada II, LP, THR Property Borrower, LP, THR
24 Property Guarantor, LP, and THR Property Holdco, LP joined the instant Motion to Dismiss
25 (ECF No. 19). Plaintiff Las Vegas Development Group, LLC filed a Response (ECF No. 23),

1 and Defendants 2014-3 IH Borrower, LP and Trust filed a Reply (ECF No. 27). However,  
2 because the Court finds that an unsettled question of state law is at least partially dispositive in  
3 this case, the Court certifies the following question to the Nevada Supreme Court:

4 Does the rule of SFR Investments Pool I, LLC v. U.S. Bank, N.A.,  
5 334 P.3d 408 (Nev. 2014) that foreclosures under NRS 116.3116  
6 extinguish first security interests apply retroactively to foreclosures  
which occurred prior to the date of that decision?

7 **I. BACKGROUND**

8 This case arises out of a homeowners' association foreclosure sale. On or about July 29,  
9 2005, Arnold Dumlao Dilag and Jocelyn Dilag purchased real property located at 7832  
10 Marksville Street, Las Vegas, Nevada 89149 (the "Property"), secured by a deed of trust (the  
11 "DOT") against the Property, which was held by Casa Blanca Mortgage, Inc. ("Casa Blanca").  
12 (Am. Compl. ¶¶ 15, 20–24, ECF No. 11). On April 27, 2012, Casa Blanca assigned the DOT to  
13 Defendant Bank of America, NA ("BANA"). (Id. ¶ 25). After recording a notice of delinquent  
14 assessment lien, a notice of default and election to sell, and a notice of trustee's sale, the  
15 Cascade Homeowners Association (the "HOA") caused the Property to be sold at auction to  
16 Plaintiff Las Vegas Development Group, LLC on June 7, 2011. (Id. ¶¶ 28–35). Plaintiff further  
17 alleges that, after recording a notice of default and election to sell and a notice of trustee's sale,  
18 BANA and/or Defendant Meridian Foreclosure Service purported to conduct a foreclosure sale  
19 based on the DOT, whereby Defendant THR Nevada II purported to purchase the Property. (Id.  
20 ¶¶ 60–63).<sup>1</sup> Moreover, Plaintiff alleges that on November 14, 2014, 2014-3 IH Borrower  
21 obtained one or mortgages and/or lines of credit from German American Capital, who recorded  
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25 <sup>1</sup> Plaintiff further alleges that THR Nevada II purported to transfer title to the Property to THR Borrower, who  
purported to further transfer title to THR Guarantor, who purported to further transfer title to THR Holdco, who  
purported to further transfer title to 2014-3 IH Holdco, who purported to further transfer title to 2014-3 IH Equity  
Owner, who purported to further transfer title to 2014-3 IH Borrower. (Am. Compl. ¶¶ 64–69).

1 a deed of trust against the Property. (Id. ¶¶ 70–71). Plaintiff alleges that Defendant Trust is the  
2 current holder of the deed of trust recorded by German American Capital. (Id. ¶ 72).

3 Plaintiff sued the Defendants in this Court to, inter alia, quiet title to the Property, i.e.,  
4 for a declaration that Plaintiff is the title owner of the Property, the HOA Foreclosure Deed is  
5 valid and enforceable, the HOA Foreclosure Sale extinguished the applicable Defendants’  
6 ownership and security interests in the Property, the subsequent transfers of the Property were  
7 null, void and of no effect, and Plaintiff’s rights and interest in the Property are superior to any  
8 interest claimed by the Defendants. (Id. ¶¶ 78–94). Defendants 2014-3 IH Borrower, LP and  
9 Trust filed the instant Motion to Dismiss, arguing, inter alia, that the “SFR should be applied  
10 prospectively only, for it establishes a new principle of law by overruling clear past precedent  
11 on which litigants may have relied and by deciding an issue of first impression whose  
12 resolution was not clearly foreshadowed.” (Mot. Dismiss 19:4–22:4, ECF No. 17).

## 13 **II. LEGAL STANDARD**

14 Pursuant to Rule 5 of the Nevada Rules of Appellate Procedure (“Rule 5”), a United  
15 States District Court may certify a question of law to the Nevada Supreme Court “upon the  
16 court’s own motion.” Nev. R. App. P. 5(a)–(b). Under Rule 5, the Nevada Supreme Court has  
17 the power to answer such a question that “may be determinative of the cause then pending in  
18 the certifying court and . . . it appears to the certifying court there is no controlling precedent in  
19 the decisions of the Supreme Court of this state.” Nev. R. App. P. 5(a).

20 Rule 5 also provides that a certification order must specifically address each of six  
21 requirements:

- 22 (1) The questions of law to be answered;
- 23 (2) A statement of all facts relevant to the questions certified;
- 24 (3) The nature of the controversy in which the questions arose;
- 25 (4) A designation of the party or parties who will be the appellant(s) and the  
party or parties who will be the respondent(s) in the Supreme Court;
- (5) The names and addresses of counsel for the appellant and respondent; and

1 (6) Any other matters that the certifying court deems relevant to a  
2 determination of the questions certified.

3 Nev. R. App. P. 5(c).

4 **III. DISCUSSION**

5 In this case, the Court is sitting in diversity jurisdiction; thus Nevada substantive law  
6 controls. Because the relevant facts are set forth above, the Court addresses the remaining five  
7 requirements below.

8 First, whether the rule announced in *SFR Invs. Pool I, LLC v. U.S. Bank, N.A.*, 334 P.3d  
9 408 (Nev. 2014) that foreclosures under NRS § 116.3116 extinguish first security interests  
10 applies retroactively to foreclosures occurring prior to the date of that decision is a question of  
11 state law.

12 Second, the retroactivity of SFR is at least partially dispositive to the present case. If  
13 that case is not retroactive, because the HOA sale in this case occurred prior to the issuance of  
14 the SFR decision, Plaintiff would not be entitled to a declaration that the HOA sale  
15 extinguished the DOT.

16 Third, there is no controlling precedent as to the retroactivity of SFR. One court in this  
17 district has discussed this issue, finding that SFR did not apply retroactively pursuant to the test  
18 outlined in *Breithaupt v. USAA Prop. & Cas. Ins. Co.*, 867 P.2d 402 (Nev. 1994). See *Trust v.*  
19 *K & P Homes*, 2:15-cv-01534-RCJ-VCF, 2015 WL 6962860, at \*5 (D. Nev. Nov. 9, 2015).  
20 However, shortly after this ruling, the court decided to certify to the Nevada Supreme Court the  
21 same retroactivity question at issue in the instant order. See *Trust v. K & P Homes*, 2:15-cv-  
22 01534-RCJ-VCF, 2016 WL 923091 (D. Nev. Mar. 9, 2016).

23 Accordingly, under Rule 5, answering this certified question is within the power of the  
24 Nevada Supreme Court, and the Court finds that a determination of this question would  
25 promote judicial efficiency.

1 **IV. CONCLUSION**

2 **IT IS HEREBY ORDERED** that the Motion to Dismiss (ECF No. 17) filed by  
3 Defendants 2014-3 IH Borrower, LP and Christiana Trust is **DENIED without prejudice** with  
4 permission to renew this motion within thirty (30) days of the resolution of the Court's  
5 Certified Question to the Nevada Supreme Court.

6 **IT IS FURTHER ORDERED** that the following question of law is **CERTIFIED to**  
7 **the Nevada Supreme Court** pursuant to Rule 5 of the Nevada Rules of Appellate Procedure:

8 Whether the rule of SFR Investments Pool I, LLC v. U.S. Bank,  
9 N.A., 334 P.3d 408 (Nev. 2014) that foreclosures under NRS §  
10 116.3116 extinguish first security interests applies retroactively to  
foreclosures which occurred prior to the date of that decision.

11 See Nev. R. App. P. 5(c)(1). The nature of the controversy and a statement of facts are  
12 discussed above. See Nev. R. App. P. 5(c)(2)–(3). The moving Defendants<sup>2</sup> are designated as  
13 the Appellants, and Plaintiff Las Vegas Development Group, LLC is designated as the  
14 Respondent. See Nev. R. App. P. 5(c)(4). The names and addresses of counsel are as follows:

15 **Counsel for the moving Defendants**

16 Fredrick J Biedermann and Douglas D. Gerrard  
17 Gerrard Cox Larsen  
18 2450 St. Rose Parkway, Suite 200  
Henderson, NV 89074

19 Christina H. Wang  
20 Fidelity National Law Group  
21 2450 St. Rose Pkwy., Ste. 100  
Henderson, NV 89074

22 **Counsel for Plaintiff Las Vegas Development Group, LLC**

23 Joseph P Garin  
24 Lipson Neilson Cole Seltzer & Garin, P.C.

25 <sup>2</sup> The moving Defendants include 2014-3 IH Borrower, LP, Christiana Trust, 2014-3 IH Equity Owner, LP,  
2014-3 IH Property Holdco, LP, THR Nevada II, LP, THR Property Borrower, LP, THR Property Guarantor,  
LP, and THR Property Holdco, LP.

1 9900 Covington Cross Drive, Suite 120  
2 Las Vegas, NV 89144

3 **Counsel for Defendant NV Eagles, LLC and Underwood Partners, LLC**

4 John Henry Wright  
5 The Wright Law Group, P.C.  
6 2340 Paseo Del Prado, Suite D-305  
7 Las Vegas, NV 89102

8 See Nev. R. App. P. 5(c)(5). Further elaboration upon the certified question is included in this  
9 Order.

10 **IT IS FURTHER ORDERED** that the Clerk of the Court shall forward a copy of this  
11 Order to the Clerk of the Nevada Supreme Court under the official seal of the United States  
12 District Court for the District of Nevada. See Nev. R. App. P. 5(d).

13 **DATED** this 30 day of June, 2016.

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17 Gloria M. Navarro, Chief Judge  
18 United States District Judge  
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