AFFIRM; and Opinion Filed April 17, 2018.



In The Court of Appeals Fifth District of Texas at Dallas

No. 05-17-00040-CV

TIN STAR DEVELOPMENT, LLC, Appellant V. 360 RESIDENTIAL, LLC, Appellee

On Appeal from the 101st Judicial District Court Dallas County, Texas Trial Court Cause No. DC-15-13531

MEMORANDUM OPINION

Before Justices Lang-Miers, Myers, and Boatright Opinion by Justice Lang-Miers

Tin Star Development, LLC ("Tin Star") sued 360 Residential, LLC for breach of contract, breach of fiduciary duty, fraud, and fraudulent inducement. The trial court granted 360 Residential's traditional and no-evidence motions for summary judgment and rendered judgment for 360 Residential. Tin Star appeals, claiming that it raised genuine issues of material fact on its causes of action for breach of contract and breach of fiduciary duty. Because we conclude that the trial court did not err by granting summary judgment, we affirm.

OVERVIEW

These parties have a long history of litigation. The disputes center on the development of property in California by several related parties and the contracts between the various parties. Previously, this Court affirmed the trial court's denial of 360 Residential's special appearance and

its partial dismissal of Tin Star's claims under the doctrine of forum non conveniens. *360–Irvine, LLC v. Tin Star Dev., LLC*, No. 05-14-00412-CV, 2015 WL 3958509 (Tex. App.—Dallas June 30, 2015, no pet.) (mem. op.); *Tin Star Dev., LLC v. 360–Irvine, LLC*, No. 05-15-01244-CV, 2016 WL 7163862 (Tex. App.—Dallas Nov. 18, 2016, no pet.). During the personal-jurisdiction litigation, Tin Star filed suit in Georgia against the 360 entities and their principals Clark Butler and Jeff Warshaw, asserting breach of contract and other claims. *See Tin Star Dev., LLC*, 2016 WL 7163862, at *2. In the forum non conveniens appeal, we affirmed the trial court's order dismissing all claims of Tin Star and its affiliates against 360 Residential and its affiliates with prejudice to refiling in Texas, except for Tin Star's claims arising from the agreement that is the subject of the claim on appeal. *See id.* at *2, 4. Tin Star's remaining claims from the original lawsuit were then severed into a new action. This appeal arises from the new, severed action. Only two of the parties and two of the claims are left in this appeal.

BACKGROUND

Tin Star is a Texas limited liability company managed by Larry White and Charles Barnett. It entered into an agreement to purchase property in Irvine, California for commercial development. Tin Star identified 360 Residential, a Georgia limited liability company, as a possible investor in the project. Before Tin Star disclosed any information about the project to 360 Residential, the parties signed a "Confidentiality, Nonintervention and Non-Circumvention Agreement" dated January 16, 2013 (the "Non-Circumvention Agreement"). This contract provided, in relevant part, that 360 Residential would not, for three years after the date of the agreement:

engage or participate in: (1) hindrance, diversion, delay or prevention of [Tin Star] or its affiliates in the pursuit of any interest in or benefit from the Property, nor (2) the direct or indirect pursuit or solicitation of any interest in or benefit from the Property except with and through [Tin Star].

Tin Star disclosed the purchase agreement and details about the property to 360 Residential and its principals Warshaw and Butler, and the parties agreed to work together to develop the property. Each party created a new entity for that purpose. Tin Star created Tin Star–Irvine Member, LLC ("Tin Star Member"). 360 Residential created 360 Irvine–Member, LLC ("360 Member"). The two member entities in turn created 360–Irvine, LLC, and entered into a "Limited Liability Company Agreement of 360–Irvine, LLC" (the "Company Agreement") on February 14, 2013. Under the Company Agreement, Tin Star Member was appointed as "administrator" of the Company, with the authority and duty to manage the Company's business, which included not only the development of the Irvine property into an apartment complex but also the acquisition and development of other multifamily properties. *See 360–Irvine, LLC*, 2015 WL 3958509, at *1. Tin Star then assigned its interest in the property to the new entity, 360–Irvine, LLC. Tin Star and 360 Residential are not parties to the Company Agreement.

In this lawsuit, Tin Star contends that 360 Residential breached the Non-Circumvention Agreement by using Tin Star's confidential information for its own benefit, pursuing its own interest in the property apart from Tin Star, and preventing Tin Star from pursuing its interest in the property. White testified in his declaration¹ that "a few months after signing the Non-Circumvention agreement, 360 Residential began operating as the sole developer of the Property despite its prior representation to Tin Star Development that it would be the West Coast developer." He explained that 360 Residential "improperly removed" Tin Star Member as administrator, and that all payments to Tin Star ceased. Butler admitted in his deposition that 360 Residential transferred ownership of the property out of 360–Irvine and obtained financing

¹ The record includes testimony of White by declaration, Barnett and Warshaw by affidavit, and White, Barnett, Warshaw, and Butler by deposition.

for the project without informing Tin Star. Butler also admitted that the 360 entities "are not developing the property through the Tin Star entities."

Tin Star also contends that 360 Residential disclosed information to third parties that was confidential under the Non-Circumvention Agreement. White in his deposition and Barnett in his affidavit testified that Tin Star provided 360 Residential with market information, contact information for vendors and contractors, and other proprietary data, analysis, and information. In his deposition, Butler admitted that 360 Residential received and used this information.

White testified in his declaration that "[b]y completely cutting off [Tin Star] and its affiliate from pursuing an interest in and a benefit from the Property, [Tin Star] has suffered damages in the form of loss of prospective business projects, loss of reputation, and loss of development fees and profits." Tin Star explains that in this lawsuit, it seeks to enforce its rights under the Non-Circumvention Agreement, recover monetary damages, and "protect its right to benefit from the development of property that it found and put under contract before Appellee even entered the picture."

360 Residential filed a series of motions for summary judgment. In a traditional motion filed November 11, 2015 (the "2015 motion"), 360 Residential sought summary judgment on Tin Star's claims for breach of contract and attorney's fees. 360 Residential alleged that Tin Star had assigned its rights to purchase the property pursuant to a "Purchase Agreement" with a third party. 360 Residential claimed that the assignment defeated Tin Star's breach of contract cause of action as a matter of law:

Because [Tin Star] assigned all of its rights, title, and interest in and to the Purchase Agreement to [a third party, not a party to the Non-Circumvention Agreement], without requiring that [the third party] keep such information confidential, the Purchase Agreement cannot be considered "confidential information" under Texas law. Similarly, because [Tin Star] assigned any right it had to purchase the Property to [the third party], it is impossible for [360 Residential] to have circumvented [Tin Star's] right to purchase the Property or for [Tin Star] to have suffered damages.

In an amended motion for summary judgment filed September 23, 2016 (the "2016 motion"), 360 Residential sought summary judgment on all of Tin Star's claims, stating two grounds: (1) Tin Star sought a double recovery; and (2) the Company Agreement superseded and nullified the Non-Circumvention Agreement. 360 Residential also claimed that Tin Star's claims for fraud, fraudulent inducement, and breach of fiduciary duty failed as a matter of law because (1) the trial court previously dismissed all of Tin Star's claims except its claim for breach of contract, and (2) for the same reasons Tin Star could not recover damages on its breach of fiduciary duty claims.

And in a no-evidence motion for summary judgment filed September 23, 2016 (the "noevidence motion"), 360 Residential challenged three elements of Tin Star's breach of contract claim: (1) Tin Star's performance under the contract; (2) 360 Residential's breach; and (3) Tin Star's damages. The no-evidence motion also challenged Tin Star's claim for attorney's fees under chapter 38 of the civil practice and remedies code on the ground that Tin Star could not prevail on the underlying breach of contract claim. Additionally, the no-evidence motion challenged all three elements of Tin Star's claim for breach of fiduciary duty: (1) that the parties had a fiduciary relationship; (2) breach by 360 Residential; and (3) resulting injury to Tin Star.²

The trial court rendered summary judgment for 360 Residential in an order dated November 30, 2016 (the "Summary Judgment Order"). The Summary Judgment Order recites that the court grants the 2015 motion, the 2016 motion, and the no-evidence motion. After 360 Residential nonsuited its pending counterclaims, the trial court rendered final judgment that Tin Star take nothing on its claims against 360 Residential. This appeal followed.

² 360 Residential's no-evidence motion also sought summary judgment on Tin Star's claims for fraud and fraudulent inducement. Tin Star states in its brief that it is not appealing the trial court's summary judgment on those claims.

STANDARDS OF REVIEW

We review a trial court's decision to grant or deny a motion for summary judgment de novo. *Mid–Century Ins. Co. of Tex. v. Ademaj,* 243 S.W.3d 618, 621 (Tex. 2007); *Weaver & Tidwell, L.L.P. v. Guarantee Co. of N. Am. USA*, 427 S.W.3d 559, 568–69 (Tex. App.—Dallas 2014, pet. denied). When the trial court's order granting summary judgment does not specify the basis for the ruling, as here, we will affirm the summary judgment if any of the theories presented to the trial court and preserved for appellate review are meritorious. *Provident Life & Accident Ins. Co. v. Knott,* 128 S.W.3d 211, 216 (Tex. 2003).

When a party files both a no-evidence and a traditional motion for summary judgment, we consider the no-evidence motion first. *Ford Motor Co. v. Ridgway*, 135 S.W.3d 598, 600 (Tex. 2004). When we review a no-evidence summary judgment motion, we examine the record in the light most favorable to the nonmovant. *Forbes Inc. v. Granada Biosciences, Inc.*, 124 S.W.3d 167, 172 (Tex. 2003). The no-evidence motion must specifically state the elements for which there is no evidence. TEX. R. CIV. P. 166a(i); *Bever Props., L.L.C. v. Jerry Huffman Custom Builder, L.L.C.*, 355 S.W.3d 878, 888 (Tex. App.—Dallas 2011, no pet.). The non-movant then has the burden to produce more than a scintilla of summary judgment evidence that raises a genuine issue of material fact as to each challenged element. TEX. R. CIV. P. 166a(i) & cmt. 1997; *Sw. Elec. Power Co. v. Grant,* 73 S.W.3d 211, 215 (Tex. 2002). More than a scintilla of evidence exists if the evidence would allow reasonable and fair-minded people to differ in their conclusions. *Forbes*, 124 S.W.3d at 172. Summary judgment is improper if the nonmovant presents more than a scintilla of evidence exists if the evidence supporting the disputed issue. *Id.* Less than a scintilla of evidence exists if the evidence is so weak that it does no more than create a mere surmise or suspicion of a fact. *Id.*

DISCUSSION

In three issues, Tin Star challenges the trial court's summary judgment on its causes of action for breach of contract and breach of fiduciary duty and its claim for attorney's fees.

1. Breach of contract

The elements of a breach of contract claim are: (1) the existence of a valid contract; (2) performance or tender of performance; (3) breach by the defendant; and (4) damages resulting from the breach. *Oliphant Fin., LLC v. Galaviz*, 299 S.W.3d 829, 834 (Tex. App.—Dallas 2009, no pet.). As we have noted, 360 Residential's no-evidence motion challenged the second, third, and fourth elements of Tin Star's breach of contract claim.

We address the no-evidence issue of damages first. Tin Star contends that it "alleged a variety of damages" resulting from 360 Residential's breach of the Non-Circumvention Agreement, including "loss of reputation, an inability to develop other properties, development fees it or its affiliate would have received (and was receiving) as the developer of this Property, and lost profits."

Regarding its claimed damages from loss of reputation and inability to develop other properties, Tin Star contends that 360 Residential "improperly excluded it from the development of the Property and told consultants not to work with it." White testified that "[i]n terms of prospective business and loss of reputation, [Tin Star] cannot now make the positive assertion that it successfully developed a property in California." He explained that "the fact that we were required to sue our equity partner continues to significantly affect our ability to raise additional equity for multifamily development." White also testified to his "personal belief" that Tin Star's reputation has been damaged by 360 Residential's "comments . . . telling various consultants that we initially introduced them to that we were no longer involved in the project and they shouldn't talk to us." White testified that at least two of those consultants had refused to return his calls.

White also testified that Tin Star was unable to proceed with the 360–Irvine project and with at least two other projects in Southern California ("one on McCabe" and "one on the Onnuri Church site") because 360 Residential "poisoned the well." White's testimony was supported by evidence that 360 Residential sent emails to third parties informing them that Tin Star had been "removed" from the 360–Irvine project, and instructing them to "discontinue any communication" with Tin Star and its principals.

But Tin Star did not offer any evidence to support its claim that it suffered damages resulting from its loss of reputation or inability to develop other properties. Neither White nor Barnett testified to any pecuniary loss to Tin Star. Although a plaintiff "will not be denied recovery because the exact amount of damages is incapable of ascertainment," the evidence must be "sufficient to afford a reasonable basis for his loss." Vance v. My Apt. Steak House of San Antonio, Inc., 677 S.W.2d 480, 484 (Tex. 1984). To recover damages on its breach of contract claim, Tin Star "must establish that it suffered some pecuniary loss as a result of the breach." Trebuchet Siege Corp. v. Pavecon Commercial Concrete, Ltd., No. 05-12-00945-CV, 2014 WL 4071804, at *4 (Tex. App.—Dallas Aug. 19, 2014, no pet.) (mem. op.). Conclusory statements without underlying facts to support them are not competent summary judgment evidence because they are not credible or susceptible to being readily controverted. Id. (citing Schindler v. Baumann, 272 S.W.3d 793, 796 (Tex. App.—Dallas 2008, no pet.)); see also James L. Gang & Assocs., Inc. v. Abbott Labs., Inc., 198 S.W.3d 434, 442–43 (Tex. App.—Dallas 2006, no pet.) (without supporting "facts and figures," witness's testimony of reliance damages did not raise fact issue on breach of contract claim).

Nor did Tin Star's expert witness Gary Durham provide evidence raising a fact issue on the claimed damages. Durham stated in his affidavit that he computed damages based on development fees provided for in the Company Agreement and that plaintiff contended it was entitled to those amounts under the Non-Circumvention Agreement. And as to those fees, he stated that "Plaintiff has sustained economic damages in excess of \$1,000,000." He also specifically stated that his "assessment does not include any damages that Plaintiff may have sustained in the form of the alleged disclosure of confidential information protected by the Non-Circumvention Agreement." Consequently, Durham testified only to claimed damages for development fees provided for in the Company Agreement.

Regarding claimed loss of development fees and lost profits, Tin Star points to summary judgment evidence that 360 Residential paid development fees to Tin Star, not Tin Star Member, after Tin Star Member and 360 Member entered into the Company Agreement. White testified that "[a]fter the execution of the Non-Circumvention Agreement and the Company Agreement, [Tin Star] began receiving development fee payments from 360 Residential." But the payment of development fees is addressed only in the Company Agreement, to which Tin Star is not a party. The Non-Circumvention Agreement does not contain a provision granting Tin Star the right to receive development fee payments. And 360 Residential contends—and Warshaw testified—that the fees were paid directly to Tin Star because White, on behalf of Tin Star, directed them to do it.

Tin Star argues, however, that its damages may be quantified "by reference to" the Company Agreement. Tin Star contends that it should be receiving "the benefit ... from the development of the Property," because under the Non-Circumvention Agreement, Tin Star was granted the right to "pursu[e]... any interest in or benefit from the Property" without "hindrance, diversion, delay or prevention" by or from 360 Residential. Tin Star argues, "[t]he fact that Appellee's subsidiary also committed a separate breach of the Company Agreement (which is presently being litigated in Georgia with overlapping damages) in no way insulates Appellee from liability for breaching the [Non-Circumvention] Agreement." Tin Star concedes that it is not entitled to a double recovery of the fees due under the Company Agreement, but contends that the "one satisfaction" rule does not prohibit "*seeking* the same damages through multiple, alternative, or otherwise different claims or lawsuits, and even against different parties." But Tin Star did not offer any summary judgment evidence that 360 Residential—the only defendant on these claims had an obligation under the Non-Circumvention Agreement—the only contract at issue in this litigation—to pay Tin Star those amounts.

Tin Star, however, contends that it is not "seeking damages *as a party* to the Company Agreement in this case (it is not)." Tin Star argues:

Put simply, Appellee has breached the [Non-Circumvention] Agreement by (directly or indirectly through its subsidiary 360 Member) taking **Tin Star's share of development fees** (hence both preventing Tin Star from benefitting from the Property and pursuing a benefit that is not with and through Tin Star in violation of Section 8), amounting to millions of dollars in damages to Tin Star. Thus, Tin Star put forth more than a scintilla of competent evidence that it suffered damages as a result of Appellee's breach of Section 8 of the [Non-Circumvention] agreement . . . and therefore summary judgment was improper on this basis. [Emphasis added.]

But, as we noted, the damages Tin Star seeks—a "share of development fees"—are an obligation created under the Company Agreement, to which Tin Star is not a party. The parties' claims and defenses relating to the Company Agreement are pending in a different jurisdiction, and even if they were not, the Company Agreement is not the subject of this litigation.

We conclude that Tin Star did not raise a genuine issue of material fact on the damages element of its breach of contract claim and that the trial court did not err by granting summary judgment on Tin Star's breach of contract claim. We decide Tin Star's first issue against it.

2. Breach of fiduciary duty

The elements of a claim for breach of fiduciary duty are: (1) a fiduciary relationship between the plaintiff and defendant, (2) the defendant breached the fiduciary duty to the plaintiff, and (3) the defendant's breach resulted in injury to the plaintiff or benefit to the defendant. *Jones v. Blume*, 196 S.W.3d 440, 447 (Tex. App.—Dallas 2006, pet. denied). As we have noted, 360 Residential challenged all three elements of Tin Star's claim for breach of fiduciary duty in its no-evidence motion for summary judgment. We conclude that Tin Star did not meet its summary judgment burden on the first element of this claim.

In response to 360 Residential's no-evidence motion for summary judgment, Tin Star argued that it established a genuine issue of material fact that the parties had a fiduciary relationship. Tin Star relied on evidence that (1) 360 Residential admitted that a joint venture relationship exists, and joint venturers owe fiduciary duties to each other; and (2) an "informal" fiduciary relationship arose before the Agreement was signed because Tin Star trusted 360 Residential and relied on its representations about its investment expertise and experience when sharing confidential information.

The elements of a joint venture are (1) an express or implied agreement to engage in a joint venture, (2) a community of interest in the venture, (3) an agreement to share profits and losses from the enterprise, and (4) a mutual right of control or management of the enterprise. *First United Pentecostal Church of Beaumont v. Parker*, 514 S.W.3d 214, 225 (Tex. 2017). Joint venturers owe fiduciary duties to each other. *Kirby v. Cruce*, 688 S.W.2d 161, 165 (Tex. App.—Dallas 1985, writ ref'd n.r.e.).

In its summary judgment response, Tin Star relied on testimony by Butler and Warshaw to support its argument that 360 Residential has admitted a joint venture relationship existed. Butler testified:

Q. Okay. Do you remember what the purpose of them [Larry White and Jay Greenwood] coming to Atlanta for that trip was?

A. To see our operation, Jeff and I's office, to meet further on the transaction. We were going to enter into a joint venture agreement. It's good to spend time with your future partners that you're going to spend years working with.... (Emphasis added.)

Warshaw testified:

Q. So then just to be clear, you didn't have any conversation with anybody from Tin Star about the meaning of the terms of the non-circumvention agreement that would inform their interpretation beyond as they're written? . . .

A. Our discussions with Tin Star centered around doing the deal with them. They were having a terrible time getting the deal financed. They couldn't get it financed. They couldn't guarantee the deal, and the deal had been terminated. We didn't know it was terminated at that time. But they had a short timeline and we had a short fuse and it looked like a good opportunity. But considering our lack of knowledge in California, **our time and energy was a hundred percent geared towards doing the deal with them and creating a joint venture and doing the deal with them**. (Emphasis added.)

On appeal, Tin Star cites 360 Residential's amended motion for summary judgment as

evidence of 360 Residential's admission that a joint venture existed between the parties. In

paragraphs 6 and 7 of the motion, 360 Residential stated:

6. On January 16, 2013, Plaintiff and Defendant entered into the Confidentiality Agreement, a short, three-page, preliminary agreement governing the parties' relationship while **Plaintiff and Defendant explored the possibility of a more formal joint venture between the parties (the "Joint Venture")**. By its nature and terms, the Confidentiality Agreement was executed as part of the parties' exploration of **the Joint Venture** and contemplated a future definitive written agreement with respect to the Property and **the Joint Venture**.

7. After the initial exploratory period, **Plaintiff and Defendant decided to proceed with the Joint Venture** as follows:

- a. Plaintiff's principals and managers, Larry White and Chuck Barrett [sic], formed Tin Star–Irvine Member, LLC (*"Tin Star Member"*);
- b. Defendant formed 360–Irvine Member, LLC ("360 Member");
- c. On February 14, 2013, Tin Star Member and 360 Member entered into the Company Agreement . . .;
- d. As a result of the Company Agreement, Tin Star Member and 360 Member jointly formed 360–Irvine, LLC ("*360-Irvine*").

(Emphasis added.) 360 Residential made similar allegations in its response to Tin Star's noevidence motion for summary judgment, and in its counterclaim. In summary, Butler and Warshaw both testified that the parties contemplated a future joint venture agreement. Neither testified, however, that a joint venture existed between Tin Star and 360 Residential. And the allegations in 360 Residential's motions and pleadings describe the creation of a joint venture between the member entities, not between Tin Star and 360 Residential. Tin Star and 360 Residential did not agree, for example, to share profits and losses from an enterprise. *See Parker*, 514 S.W.3d at 225. Instead, the parties created other limited liability companies that were bound by a different agreement. We conclude that Tin Star did not raise a genuine issue of material fact that a joint venture relationship giving rise to a fiduciary duty existed between the parties to this lawsuit.

Nor do we conclude that Tin Star raised a genuine issue of material fact that an informal fiduciary relationship arose between the parties. An informal fiduciary relationship may arise from a moral, social, domestic, or purely personal relationship of trust and confidence. *Meyer v. Cathey*, 167 S.W.3d 327, 331 (Tex. 2005). However, such a relationship is not created lightly, and "not every relationship involving a high degree of trust and confidence rises to the stature of a fiduciary relationship." *Schlumberger Tech. Corp. v. Swanson*, 959 S.W.2d 171, 176–77 (Tex. 1997). To impose an informal fiduciary duty in a business transaction, the special relationship of trust and confidence must exist prior to, and apart from, the agreement made the basis of the suit. *Meyer*, 167 S.W.3d at 331.

Tin Star's contention that it relied on 360 Residential's representations about its investment expertise does not establish the existence of a special relationship that existed prior to the Non-Circumvention Agreement. *See id.* Subjective trust between parties to an arms-length transaction does not transform a business relationship into a fiduciary relationship. *Schlumberger Tech. Corp.*, 959 S.W.2d at 177; *see also Meyer*, 167 S.W.3d at 331 ("the fact that Cathey trusted Meyer does not transform their business arrangement into a fiduciary relationship").

We conclude that Tin Star did not raise a genuine issue of material fact on an essential element of its claim for breach of fiduciary duty, and that the trial court did not err by granting summary judgment on Tin Star's breach of fiduciary duty claim. We decide Tin Star's second issue against it.

3. Attorney's fees

Tin Star pleaded for its attorney's fees "pursuant to the Non-Circumvention Agreement, as well as Section 38.001 of the Texas Civil Practice & Remedies Code and other provisions of law." Because we have concluded that summary judgment for 360 Residential was proper on Tin Star's breach of contract claim, summary judgment was also proper on Tin Star's claim for attorney's fees. *See MBM Fin. Corp. v. Woodlands Operating Co., L.P.,* 292 S.W.3d 660, 666 (Tex. 2009) (to recover attorney's fees under Chapter 38, Texas Civil Practice & Remedies Code, party must prevail on its cause of action and recover damages). We decide Tin Star's third issue against it.

CONCLUSION

We affirm the trial court's judgment.

/Elizabeth Lang-Miers/ ELIZABETH LANG-MIERS JUSTICE

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Court of Appeals Vifth District of Texas at Dallas

JUDGMENT

TIN STAR DEVELOPMENT, LLC, Appellant

No. 05-17-00040-CV V.

360 RESIDENTIAL, LLC, Appellee

On Appeal from the 101st Judicial District Court, Dallas County, Texas Trial Court Cause No. DC-15-13531. Opinion delivered by Justice Lang-Miers; Justices Myers and Boatright, participating.

In accordance with this Court's opinion of this date, the judgment of the trial court is **AFFIRMED**.

It is **ORDERED** that appellee 360 Residential, LLC recover its costs of this appeal from appellant Tin Star Development, LLC.

Judgment entered this 17th day of April, 2018.