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Memorandum

To: Board of Directors
Duane Whitelaw, General Manager
From: Best Best & Krieger LLP
Date: August 30, 2017
Re: Review of Laulima Kings Beach LLC and Related Entities

SHORT OVERVIEW

The North Tahoe Public Utility District is currently negotiating with Laulima Kings Beach LLC regarding a potential lease of the North Tahoe Event Center (NTEC). As part of these negotiations, staff directed us to conduct a review of Laulima Kings Beach LLC, its principals and related entities. This review is separate from the review of Laulima Kings Beach LLC's finances which is being conducted by a third party consultant. It is focused on determining whether Laulima Kings Beach LLC and related persons and entities have been the subject of any formal litigation or other public disputes that would raise substantial concerns about their ability to perform the lease.¹

As explained below, Laulima Kings Beach LLC and related persons and entities have been involved in litigation and public disputes. However, these lawsuits and disputes appear to be the type common to any entity engaged in similar business in the state. As such, they do not present substantial concerns about Laulima's ability to perform under the lease.

ANALYSIS

A. Scope of Review

Our review involved two different sources of information: (1) publicly available case records² and (2) newspaper articles and other information available through search engines and databases. First, we searched for all cases involving the following entities and persons: Laulima, Highway 1 Hospitality, David Bouquillon, Jonathan "Jes" Slavik, One Atlantic, Elizabeth McGlenn, Thomson Murray, Icon Group, La Condesa, Condesa, Brian Helm, Dena Grunt, Thomson McBryde Co. Please note that we used informal, generic keywords for the searches. For example, "laulima" as opposed to "Laulima Kings Beach LLC" or "Laulima Partners LLC." This was intended to also capture other related Laulima entities beyond simply

¹ This review is in addition to the information provided by Laulima in its response to NTPUD's request for proposal. The request for proposal required all proposers to list any relevant past or current litigation.

² The two most common electronic legal research databases, LexisNexis and Westlaw, allow users to search the docket for the vast majority of federal and state courts. However, there are some courts in the country that do not include their records in the databases. As such, while we searched LexisNexis and Westlaw, we are unable to search all federal and state courts. Our review is necessarily limited to available records.



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the named LLCs. Second, we searched the same entities and persons through search engines and databases to find information regarding similar projects or any disputes that would be relevant to the proposed lease.

B. Results of Review - Litigation

Based on our review, Laulima Kings Beach LLC and related persons and entities have been and are currently involved in litigation. Attached is a chart with a summary of the results cases, and below is a summary of the most pertinent cases:

- *David Bouquillon v. Federal Realty Investment*: Mr. Bouquillon filed a wrongful termination action against his former employer. This case was settled and dismissed in 2009.
- *Bar Architects v. Laulima Development LLC*: This is a breach of contract case brought by the plaintiff alleging unpaid architectural services totaling \$55,800.42 for the Cloverdale project noted below. It was filed in January 2017 and dismissed in April 2017.
- *Ken Montero v. Highway 1 Hospitality*: This is a contract claim for non-payment of work totaling \$12,755.61. It is currently on-going.
- *Icon Group Sjt New Jersey LLC v. Pier Renaissance*: This is a breach of contract case related to allegedly owed rent and other matters.
- *Various minor tax matters regarding Icon Group Sjt New Jersey LLC*: Icon Group Sjt New Jersey LLC allegedly owed the State of New York various amounts related to unpaid taxes (\$995.98, \$119.48 and \$1,832). All demands were paid.

Based on the above, Laulima Kings Beach LLC and related persons and entities have been involved in litigation. This litigation is relevant to their operation of the NTEC. That being said, it is relatively common for entities engaged in business to be the subject of or involved in disputes related to their business. This includes employment matters and disputes with vendors. These cases highlight the importance of including provisions in the draft lease to protect the NTPUD and its interest in the property underlying the NTEC (i.e., the construction performance bond, insurance requirements, provisions related to mechanic's liens, etc.). However, they do not appear to present substantial concerns about the ability of Laulima Kings Beach LLC's and related persons and entities to operate the NTEC.

Lastly, it is important to note that some persons involved in the project have names that are too common to definitively determine whether they are the same person identified in the lawsuit. For example, Jonathan (Jes) Salvik is a principal of Laulima Partners. A Jonathan M. Salvik was involved in a bankruptcy filing in Illinois in 2014. Based on the Secretary of State



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filing for Salvik Group LLC, Mr. Salvik’s full name is Jonathan E. Salvik. Similarly, Brian Helm is listed as the project manager for the Crown property project on its website. There are multiple lawsuits involved “Brian Helm” in multiple states. None seem relevant to this Brian Helm but we cannot definitively determine that it is not the same individual.

C. Results of Review – Other Projects

In addition to reviewing case records, we conducted a search through search engines and databases for relevant information related to other projects by Laulima Kings Beach LLC and related persons and entities. Attached are copies of the relevant articles.³ Below is a summary of projects:

- *Monterey Downs Project:* This was a proposed project involving a horse training facility, horse track, sports arena, commercial center, multiple hotels, and an office park. This project was terminated by the developer.
- *Cloverdale Project:* This project involved developing the Alexander Valley Resort, a hotel, housing and commercial development proposed for the southern entrance to Cloverdale. Laulima would have purchased property from the current owner. Laulima did not move forward with purchasing the property earlier this year.

The fact that the two projects above did not move forward does not mean that Laulima Kings Beach LLC and related persons and entities are not capable of operating the NTEC. However, it does highlight the fact that development projects, especially complicated projects, may ultimately not move forward despite the efforts of all involved. Assuming NTPUD and Laulima Kings Beach LLC execute the draft lease, there are still steps in the process before they begin operating the new NTEC. These include (1) financial due diligence, (2) design review, (3) permitting and (4) construction. For items #1-3, NTPUD may continue to operate the NTEC in its current capacity. While there are some protections built in to these processes (i.e., the NTPUD can retain the deposit if it is comfortable for the financial information), it is possible that Laulima may not be able to move forward. If that arises, NTPUD could move forward with an alternative operator or other preferred alternative. For item #4, if Laulima experiences financial or other difficulty, NTPUD would be able to use the performance bond or letter of credit to ensure that the project was completed.

JOSH NELSON
ETHAN WALSH

³ We have also included articles referring to some of the cases we identified above.