

The Honorable James L. Robart

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UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
SEATTLE DIVISION

SECURITIES AND EXCHANGE
COMMISSION,,

Plaintiff,

v.

PATH AMERICA, LLC; PATH AMERICA
SNOCO LLC; PATH AMERICA FARMER'S
MARKET, LP; PATH AMERICA KINGCO
LLC; PATH AMERICA TOWER, LP; PATH
TOWER SEATTLE, LP; POTALA TOWER
SEATTLE, LLC; and LOBSANG DARGEY,

Defendants, and,

POTALA SHORELINE, LLC; POTALA
VILLAGE KIRKLAND, LLC; DARGEY
DEVELOPMENT, LLC; DARGEY
ENTERPRISES, LLC; and PATH OTHELLO,
LLC,

Relief Defendants.

Case No. 2:15-cv-01350-JLR

DECLARATION OF BRIAN LUCAS IN
SUPPORT OF RECEIVER MICHAEL A.
GRASSMUECK'S MOTION FOR
AUTHORITY TO SELL RECEIVERSHIP
ASSETS, ESTABLISH SALE PROCEDURES
AND ENGAGE BROKER

NOTED ON MOTION CALENDAR
February 19, 2016

DECLARATION OF BRIAN LUCAS

I, Brian Lucas, declare as follows:

1. I am a Senior Business Development Manager at Wieland-Davco Corporation ("WDC"), which was engaged by Michael A. Grassmueck (the "Receiver"), the Court-appointed receiver for Path America, LLC; Path America SnoCo, LLC; Path America Farmer's Market, LP; Path America KingCo, LLC; Path America Tower, LP; Path Tower Seattle, LP; Potala Tower Seattle, LLC; Potala Shoreline, LLC; and Potala Village Kirkland, LLC, to serve as the Receiver's construction and development consultant and to advise him as to the financial viability of the disposition options for the real property and other assets comprising the mixed-use commercial development project ("Tower Project") located at 2116 Fourth Avenue, Seattle, Washington ("Property"). I make this Declaration in support of the Receiver's Motion for Authority to Sell Receivership Assets, Establish Sale Procedures and Engage Broker ("Motion"). I have personal knowledge of the facts set forth herein and, if called as a witness, could and would testify to such facts under oath.

2. WDC is a national construction management and consulting company with certification in both design and construction from the International Organization for Standardization ("ISO") and obtained the ISO 9001 Certification in 2000. WDC is well-experienced in advising companies on commercial development and construction projects, and in particular, on the subjects of, among other things, construction management, general contracting, and design/build services. I have over 15 years of experience in real estate development and construction, including specific experience with acquisitions, entitlement processing and capital markets. I was a co-founder of PrimeUrban in 2004, and was responsible for the acquisition and entitlement of approximately 150,000 square feet of commercial space, 3000 residential units, and 250,000 square feet of mixed use development. I have led efforts in various roles to raise approximately \$750,000,000 in real estate equity through both public and private real estate funds.

3. In connection with the Receiver's engagement of WDC, my team and I at WDC conducted a detailed economic analysis of the Tower Project, specifically addressing the following

1 three disposition options: (1) proceed with development as currently conceived and funded; (2)
2 sell a controlling interest in Receivership Entity Potala Tower, LLC; and (3) sell the Tower Project
3 in its current "as-is" condition. Specifically, my team and I reviewed and analyzed extensive data
4 relating to residential and hotel markets in the Seattle area, both current and projected, as well as
5 projected construction costs for completing the project under the different scenarios. We
6 identified a number of factors impacting the risks associated with continued development of the
7 project, including the significant pipeline of apartment and hotel projects currently in development
8 in the area, the rising costs of construction, and the likely moderation of the growth in rent and
9 hotel rates in the coming years.

10 4. Based on the estimated short and long-term costs and risks associated with
11 continued development of the project by the Receiver (whether in its current form or without the
12 hotel component) and the lesser return expected from the sale of a partial ownership interest,
13 WDC concluded that an immediate sale of the Tower Project with existing entitlements will yield
14 the highest value with the least amount of risk.

15 5. I am informed and believe that funding for the Tower Project is not assured at this
16 time. However, based on the analysis conducted by myself and my team at WDC, even if funding
17 for the project can be secured, continued development of the Tower Project represents a far greater
18 risk and a potentially lower return to the receivership estate than an immediate sale of the Tower
19 Projects Assets.

20
21 I certify under penalty of perjury under the laws of the State of Washington that the
22 foregoing is true and correct.

23 Executed this 4th day of February, 2016, at Seattle, WA.



24
25 BRIAN LUCAS

