

Mechanical liens also an issue at RED's Nevada project

In research related to the Legends at Sparks Marina default, the Enterprise learned that \$2.8 million in mechanical liens have been filed against RED Development related to the project.

The liens, filed in Washoe County, Nev., against Sparks Legends Development Inc./RED Development, involved 23 subcontractors and totaled \$2,884,740. Ten of the liens, totaling \$661,727, have already been released.

"Total construction expenses for The Legends at Sparks Marina are somewhere around \$100 million. To have 2 to 3 percent of that amount in liens is not that unusual," said Dave Caflin, vice president of marketing for RED Development.

Caflin said the default issue at the Legends at Sparks Marina has complicated RED Development's efforts to resolve the lien issues.

"Working the liens out may be affected by the receivership as all of the rents will be funneled to the receiver until that situation is worked out," Caflin said.

"Of course, some of those liens may be situations between a contractor and their sub, which would not involve us," Caflin continued.

"A mechanical lien is something to be concerned about on the project from the standpoint that you don't want people not getting paid when they are legally owed money," said Eagle Mayor Ed Woodland.

"But having looked at the list of liens and seeing how fast they are being cleared is an indication RED is either clearing them out of pocket or they are getting their project funding back in order," Woodland

said.

Woodland, an attorney who deals with in bankruptcy cases, also formerly managed a family-owned infrastructure construction company. He said his experience with mechanic lien issues suggests that RED is correct in saying that on a \$200 million project, \$2 million in lines is not out of the ordinary. Woodland noted that it is significant that the primary contractor on the project has not filed a lien.

"With subcontractors and materials suppliers, you don't know what the origin and cause of the lien is. You can't read too much into subcontractors and material suppliers liens and trace them back to being the owner's sole responsibility," said Woodland.

In the case of Eagle River Station, Woodland said that part of the agreement includes performance and payment guarantees on the \$67 million in public improvements at the site.

"Any potential unpaid subcontractor would have the opportunity to apply to the surety to get paid," Woodland said.

In response to the Legends at Sparks Marina lien issue, RED Development partner Jeff McMahon, who is the lead company representative for the Eagle River Station project, categorically said the company will resolve liens.

"Everyone who is owed money, and is not in dispute based on their contracts, will get paid in full," said McMahon.

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