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**Witnesses**  
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**accuse local**  
**man of fraud**

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Five witnesses testified before a federal bankruptcy judge yesterday that Watsonville real estate agent-tax accountant Terry Lee Guy defrauded them of substantial sums, in some cases entire life savings.

"He's a liar and a cheater and a crook," said Santa Cruz painting contractor Richard Underwood, who said he lost \$65,000 he loaned Guy to invest in development property at 600 Ocean St.

"I just felt I could trust Terry in whatever financial matters I had," said Pat Hauser, also of Santa Cruz, who loaned Guy \$40,000 to invest in property.

When Carl Tilley decided to re-  
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**GUY**

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tire from the restaurant business in 1989, he said Guy, his tax accountant and friend of many years, convinced him to invest \$90,000 into the Ocean Street project. Tilley, formerly of Boulder Creek, received interest payments on the loan from June 1990 to February 1991. Then the checks stopped coming. By then, although Tilley and other investors didn't know this, Terry Guy was deeply in debt.

On July 22, 1991, Guy filed for Chapter 11 bankruptcy protection from creditors, which converted to Chapter 7 liquidation last year. Guy admitted to owing an estimated \$10.3 million to creditors in Santa Cruz and San Luis Obispo counties and other areas in between.

Guy asserted that he was the victim of the recession and the Loma Prieta earthquake, which together undermined his property investment ventures, mostly in business buildings, for which he had borrowed huge sums of money from investors. All of the investors were long-term tax-accounting clients whom he had later courted as investment clients.

A number of those clients are now crying fowl, claiming that Guy defrauded them of their savings by convincing them he was investing their money in "secured investments," meaning specific real estate properties. In fact, his creditors claim, he was taking their money to pay off other loans and to support his upscale lifestyle.

Ken Bosch, a San Luis Obispo County auto mechanic who loaned Guy \$170,000, filed the first of several anticipated lawsuits against Guy that will seek to stop the United States Bankruptcy Court in San Jose from liquidating Guy's debts on grounds that he willfully defrauded investors.

If the court decides in Bosch's favor, a lien would be placed on Guy's future earnings until the \$170,000 debt was repaid in full.

But first, the court must decide whether Guy defrauded Bosch, or whether he simply made bad investments with Bosch's money. Bosch maintains that he loaned Guy money toward investments in three business building complexes: The Mansion House, on Main Street in Watsonville, Capitola

Gateway Center, and the "Valencia Project," also in Capitola.

In return, Bosch would receive 14 percent interest on his loan, payable in monthly checks. Bosch said he never received any paperwork documenting the loan.

Bosch's attorney, Edwin Rambuski, said his parade of witnesses in court yesterday was meant to establish "a pattern," showing that Guy had made a habit of soliciting money from his tax clients for investments under false pretenses.

"In order to prove fraud, we have to show what's inside Mr. Guy's mind, since there's no paperwork documenting the deal," Rambuski said. "Did Mr. Guy intend to repay it, or did he have evil intent? That's the heart and soul of this court action."

Stanley Zlotoff, Guy's attorney, said his client is guilty only of unwise investments in highly speculative real estate ventures. Zlotoff said that most the business properties involved in this case were purchased by Guy after the Loma Prieta Earthquake because he believed there would be a boom market for available office spaces. Additionally, Zlotoff said Guy was the victim of the recession.

"Things didn't go the way he thought they would," Zlotoff said.

However, the Unsecured Creditors Committee, a group of investors who, like Bosch, say they were duped by Guy, insist there was nothing innocent about Guy's dealings with them. Like Bosch, they were all tax clients whom Guy courted for investment funds through news letters, telephone conversations and visits, these investors say.

"Most of us are from the mid-years or retirement ages, who, through Terry's counsel, were preparing to supplement fixed incomes ... funds generated from a lifetime of work," said Santa Cruz resident Jena Stubbs, chairman of the committee. "Terry Guy was offering 10 to 14 percent returns on our investments. We trusted him like one would trust a doctor. We have been financially and emotionally raped."

The committee has vigorously sought to have criminal embezzlement charges filed against Guy, but so far without success. They have brought their complaints to the attention of the FBI, the Department of Justice, the Santa Cruz County District Attorney's Office, the Santa Cruz County grand jury, the office of the State

Attorney General and the Department of Consumer Affairs, to name a few.

The committee found an old felony conviction against Guy from San Luis Obispo County, which Attorney Rambuski sought to introduce as evidence in the trial. Judge Arthur Weissbrodt, who will decide the case, ruled it was inadmissible because the conviction, for receiving stolen goods, was more than 10 years old. Guy was 27 when he plead guilty to the offense in the early 1970s, according to a court probation report. The probation report notes that Guy, who had no previous criminal record, slid into "complicity" with his co-defendants in the crime as a result of "financial pressure,"

and that he lived beyond his means.

"If this man's attitude is to be summarized, it would seem he is constantly searching for a shortcut to goals which ... may be unrealistic when viewed from his limited resources," the report stated.

Attorney Rambuski said outside of court that Guy carefully targeted his victims. Guy maintained a 600-person list of tax clients, to whom he sent mailers listing investment opportunities, Rambuski said. He knew exactly how much his clients were worth and which clients might be easily induced to invest in his schemes, he said. Then he would cultivate them, winning and dining them, taking them on tours to various properties and convincing them that they were investing in real property, the attorney said.

"He picked the people who were the most trusting and gullible," Rambuski said.

"I knew Guy, his wife and his children for 15 years," said Carl Tilley, who now lives in Sacramento. Tilley said he lost a total of \$190,000 - his life savings. Now, he's surviving on social security checks.

"I saw Terry move from a small home, to a bigger house, and then to an even bigger house," Tilley said. "I saw him move his business from an office in his home to a building. He was very successful. His daughter went to law school. He was well liked in the Santa Cruz community. When his son needed a heart transplant at Stanford Hospital, we all got together and raised \$175,000 for the surgery."

"I put all my trust and faith and money in his pocket. It killed my wife, who died last year. She went into a severe depression because we had all our eggs in one basket. It was all the assets from the sale of our business and our home. My wife just gave up. We were so comfortable and, all the sudden, we wound up destitute."