

Wingspread developer sued

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SANTA CRUZ — A group of investors have charged that Ryland Kelley, the Palo Alto developer with plans for a conference center on the Porter Sesnon property, is close to insolvency.

The suit filed in Santa Clara County Superior Court charges that Kelley and his brother, William, misrepresented their net worth when they offered a limited real estate partnership to raise money. The suit also charges the money was raised to prop up a

"distressed company."

Kelley's Wingspread Beach proposal for the 72½-acre property across Highway 1 from Cabrillo College was rejected by county voters in 1988. Kelley has since filed a predevelopment review application for a scaled-down project, calling for 197-room lodge and conference facility. Kelley holds a 99-year lease on the property owned by the University of California.

Twenty-three investors are seeking the return of \$3.2 million they invested plus \$3 million each in punitive damages, according to San Jose attorney Allen Ruby.

The plaintiffs said they stopped receiving interest payments last July.

Kelley acknowledged his firm, Hare, Brewer and Kelley, failed to make about \$180,000 in interest payments. "That has created this problem," he said, but insisted the firm is not in financial trouble.

The investments are backed by "good real estate" around the state, Kelley said. The investors will be paid back with interest when the properties are sold, he said.

Some of the money in question was invested in the Porter Sesnon projects, but Kelley said the suit

would have no effect on his current plans for the property.

Ruby, representing the 23 plaintiffs, said he hopes to resolve the case by the end of the year. Several of the plaintiffs are more than 70 years old, which would accelerate the case, he said.

The suit charges that the Kelleys said they were worth \$21 million when they solicited investors, but actually "had a net worth closer to zero. ..."

While Hare, Brewer and Kelley purportedly had a net worth of \$3½ million, it "had a negative net worth," according to the suit.

The partnership was "formed and designed to supply cash to a distressed company," the suit alleges.

Kelley said the 23 plaintiffs are about 10 percent of the total investors in the Prime Plus Mortgage Fund formed in late 1988. The fund raised \$15 million.

He said the other 190 investors have the "good sense" to recognize the "best course is to wait for the orderly work out and sale" of properties around the state.

Kelley charged Ruby with being a "creditor lawyer firing a shotgun blast of charges."