

Investors sue Wingspread developer for \$69 million

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Ryland Kelley, would-be developer of the Wingspread conference center in Aptos, has been sued by investors who said he used their money for the project without sufficient collateral.

Kelley and his brother, William, are being sued by a group of 23 investors who say they lost \$2.5 million in a mortgage company called Prime Plus Mortgage Fund, in which the Kelleys were principals. The suit, filed in Santa Clara County, asks \$3 million for

each investor, adding up to \$69 million.

Allen Ruby, attorney for the investors, said the Kelleys had "insufficient collateral" when they invested \$8.5 million from the fund in Wingspread, the conference center proposed by the Kelleys' development company, Hare, Brewer and Kelley.

The Wingspread proposal, which county voters rejected in 1988, called for a conference center on the Porter Sesnon property in Aptos, across the freeway from Cabrillo College. Kelley re-

cently presented a scaled-down version of Wingspread, called Meadowpark, for the same property. That proposal, now winding its way through the county planning process, calls for 197 units, about half the size Wingspread would have been.

Kelley, reached by phone this morning, said the suit would have no effect on Meadowpark or any of his other projects.

Kelley called Ruby "a publicity lawyer who comes forward with a whole lot of wild statements."

"Ninety percent of what he

says is bogus," Kelley said.

The suit charges that the 23 investors haven't received interest payments since last summer. Kelley acknowledged that the investors haven't gotten their payments, but said efforts were being made to correct the situation.

"Nobody is going to lose any money if a normal course of events takes place," Kelley said. "He (Ruby) is making some outrageous statements."

The suit charges that the Kelleys misrepresented their

personal net worth at \$21 million and Hare, Brewer and Kelley's at \$3.5 million. Now, Ruby said, Hare, Brewer and Kelley's net worth is negative.

Kelley scoffed at the statement, and said the Prime Plus investments "are all secured by good real estate."

Jim Lopes, a San Francisco attorney who is representing other investors (separately from the lawsuit), said he was working with the Kelleys to get the money due the investors without suing.

Lopes wouldn't comment on

Ruby's claim that the Kelleys are insolvent, but said there are cash flow problems in the company. Lopes said the Kelleys don't have other sources to bring the Prime Plus debts current. There are about 200 investors in Prime Plus, Lopes said.

Kelley said the Prime Plus investors stand to benefit substantially when some of the projects are developed.

Kelley, based in Palo Alto, developed the Pajaro Dunes conference center in Watsonville more than 20 years ago.