

# BUSINESS

Los Angeles Times

## Lawsuits Swirl Around Aborted Sale of Newport's Balboa Bay Club

■ **Litigation:** Landmark harborside playground for the rich, built on municipal land, was to change hands in March.

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Hurling accusations of betrayal and greed, some prominent Orange County residents took their private battle to court Wednesday in a nasty dispute involving the Balboa Bay Club, a famous playground of the rich.

William J. Popejoy, the millionaire banker who became chief executive of Orange County after its 1994 bankruptcy, had made a bid to buy the private club from Beverly Ray, whose family has owned the Newport Beach oceanfront landmark for nearly 30 years.

But the property did not change hands, and in lawsuits filed within hours of each other Wednesday, Popejoy and Ray blame each other for unsavory dealings.

Apparently anticipating a suit by Popejoy, Ray struck first in Orange County Superior Court, alleging that Popejoy—a longtime acquaintance and governor of her club—was unable to produce the agreed-upon \$73.5 million purchase price by an Oct. 26 deadline last year, later extended to March 31.

When the deadline passed and the deal fell out of escrow, Popejoy tried to revive the transaction on more favorable terms, then demanded a \$4 million payment, and finally “maliciously” threatened to sue her, according to Ray’s lawsuit, filed in the morning by attorney Chris Dubia.

Saying Ray “refused to be extorted”- by

Popejoy’s “strong-arm tactics,” the suit seeks a ruling that she performed her contractual obligations and that Popejoy is due nothing.

Popejoy, the nationally known financial trouble-shooter whose rescue efforts have included the California Lottery, claims that Ray greedily reneged on the deal.

Popejoy was bidding for International Bay Clubs Inc., the company that owns the oceanfront club and also the Newport Beach Country Club. He claims that as part of his bid, he had lined up financing for a much-needed refurbishment of the property, which is on prime land leased from the city.

According to Popejoy’s suit, Ray and club officials desperately needed the financing because completing the refurbishment was a condition of a 50-year extension of their lease with the city, which owns the land on which the club is built. They were unable to find the funds themselves, Popejoy contends.

“Ray sought to impose on her years of friendship with Popejoy and his family so as to take advantage of Popejoy’s financial expertise, name and reputation to obtain financing . . .,” the suit contends.

Popejoy, a former Federal Home Loan Mortgage Corp. president, was joined in his effort to buy the club by real estate investor J. Harold Street, a former executive with

In their suit, Popejoy and Street and a company they formed, **Pac-Pro LLC**, named as defendants Ray, Balboa Bay Club President David C. Wooten and **International Bay Clubs**, among others. The suit alleges fraud, breach of contract and conspiracy and seeks \$50 million in damages.

Attorney Ron Rus, who filed the lawsuit, declined to comment, as did Dubia, Ray’s attorney. Ray and Popejoy couldn’t be reached for comment.

The Balboa Bay Club, which was an exclusive setting for local millionaires and Hollywood glitterati in the 1950s, had long been in need of a renovation. Its property houses 144 expensive apartments, a 121-room hotel, restaurants, meeting rooms, a spa, a beach club and a 144-slip private yacht marina.

Building the small hotel as a way to improve public access to the site was one condition imposed when the club recently negotiated a 50-year lease extension with the city. The club sits on tidelands where the public has a legal right to be able to enjoy the coastal setting.

The deal with the city also stipulates that Ray must pay the city 20% of any profit she made if she sold the property within 24 months of renovating it. The Popejoy suit contends one reason that she backed out of the sale was to avoid having to share her profit with the city.

Newport Beach’s **Koll Cos.** and prominent in Orange County’s development circles for decades.