

Ilikai owner faces suit from mainland investors

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More than three dozen mainland investors in the famed **Ilikai** hotel are suing developer Brian Anderson for securities fraud after he failed to launch a \$40 million renovation of the landmark Waikiki property.

The complaint filed yesterday in Los Angeles' U.S. District Court on behalf of 39 investors who own 41 units at the embattled property seeks more than \$10 million in damages.

The suit names Anderson, his companies and Orange County, Calif.-based **Marshall Reddick Real Estate Network**, which sold the units for an average \$530,000, or a combined total of about \$21.7 million, between November 2006 and August 2007, according to plaintiffs' attorney Alexander Robertson IV.

The circa-1964 hotel, which is now in foreclosure, has deteriorated over the past two years since Anderson took over, with broken elevators, boarded up amenities and occupancy that has plummeted to below 25 percent from 85 percent two years ago, according to the suit.

The mostly California investors who put at least \$100,000 down in addition to closing costs want Anderson to buy the units back and rescind the deal based upon fraud, Robertson said.

"Our clients want their money back," he said. "They felt they were misled to be investors; the potential there primarily was based on a representation that a \$40 million renovation would be done."

The investors are facing negative cash flow ranging from \$2,000 to \$5,000 per month since they aren't receiving sufficient rent, he said.

Fifteen of the 39 investors also loaned between \$50,000 and \$500,000 to Reddick's **Network Development Properties LLC**, which purchased for \$5 million a 20 percent stake in Anderson's company, **Anekona Islander LLC**, according to Robertson.

The lawsuit also claims that Reddick failed to perform due diligence on the Ilikai investment, received illegal kickbacks from lenders and defaulted on millions of dollars in loans funded by investors through a company he formed with Anderson to renovate and sell Ilikai units.

Anderson said he didn't know about the latest suit and declined comment. Marshall Reddick didn't return a call for comment.

The Big Island developer earlier won a federal court case brought by **Network Development Properties** alleging that he mishandled investors' money in his attempt to redevelop the hotel. That case has been dismissed.

The latest suit is among a number of complaints against Anderson in recent years, including a \$72.6 million foreclosure on the Ilikai filed last month by New York-based **iStar FM Loans LLC**.

Anderson was slapped with another lawsuit this week by the Owners of Ilikai Apartment Building Inc. -- representing minority directors and more than 100 condo owners -- seeking to remove him from the condominium association board.

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