

# Victims of Sunwest fraud tell of loss, misery at former CEO's sentencing



[\[http://connect.oregonlive.com/staff/bdenson/index.html\]](http://connect.oregonlive.com/staff/bdenson/index.html) By **Bryan Denson** | [The Oregonian/OregonLive](http://connect.oregonlive.com/staff/bdenson/posts.html)  
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Dozens of people crammed into a federal courtroom Monday in Portland for the opening of a two-day sentencing hearing for **Jon Michael Harder** [\[http://www.oregonlive.com/pacific-northwest-news/index.ssf/2015/11/former\\_sunwest\\_ceo\\_facing\\_sent.html\]](http://www.oregonlive.com/pacific-northwest-news/index.ssf/2015/11/former_sunwest_ceo_facing_sent.html), the key perpetrator in what government agents describe as Oregon's grandest fraud scheme.

Victims testified one by one on behalf of the prosecution, with counterpoint offered by an unlikely duo: a pair of retired judges who had labored to ensure that Harder's Sunwest Management Inc. returned millions lost by investors.

The government accuses Harder, Sunwest's former CEO, of making off with about \$130 million from more than 1,000 investors between 2006 and 2008, many of them retirees who lost their nest eggs.

U.S. District Judge **Michael H. Simon**, [\[http://topics.oregonlive.com/tag/michael%20simon/\]](http://topics.oregonlive.com/tag/michael%20simon/) took testimony all day as he decided how many years in prison Harder would serve for his mail fraud and money laundering convictions. Prosecutors have asked for 15 years, while the defense seeks five.

Simon is expected to render his decision by the end of court Tuesday.

Sunwest was the third largest operator of assisted living homes in the country in 2008 when the company fell apart with stunning speed. At the time, company officials blamed the economic downturn and the resulting inability to borrow money.

The focus eventually shifted to Harder, now 50, and his fellow Sunwest executives, who continued to promote the company and raise new money from unsuspecting investors when it was obvious the company was in deep trouble.

The case led to dozens of bankruptcy filings and civil lawsuits that ultimately led to the sale of many of Sunwest's assets. Defenders of the civil settlement said investors came out better than victims of many similar scandals.

Retired U.S. District Judge **Michael R. Hogan** [\[http://www.oregonlive.com/business/index.ssf/2012/10/federal\\_judge\\_denies\\_secs\\_requ.html\]](http://www.oregonlive.com/business/index.ssf/2012/10/federal_judge_denies_secs_requ.html), who who oversaw much of the Sunwest negotiations, defended the civil settlement in his testimony Monday, giving credit to Harder for not fighting back when he learned that he wasn't going to recover any money.

Had he not, Hogan said, "I don't think we would have any chance for a successful reorganization."

Testimony revealed that many lost homes. Others suffered through divorces and health problems. One man was forced to live out of a truck. Another picked up spending money by recycling cans.

One of the government's key witnesses, securities lawyer **Michael J. Esler** [\[http://www.eslerstephens.com/esler.html\]](http://www.eslerstephens.com/esler.html), was one of the first outsiders to get a whiff of the unrest inside Sunwest. Esler took the stand, in part, to put the fraud in context.

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"We (saw) all the hallmarks of a Ponzi scheme," Esler testified.

Harder and his family, heavily outnumbered by victims, filled the courtroom as spillover viewers took seats in an adjacent court on the 13<sup>th</sup> floor of the Mark O. Hatfield U.S. Courthouse.

A tearful Debra Stanley took the witness stand to describe how she and her husband had worked long hours to keep their assisted living centers in Salem and Corvallis operating. But they sold them to invest \$2.6 million in Sunwest.

Later came a meeting with Harder in which he explained that, at least for the time being, the money was gone. Harder told her he thought things would work out.

"Debbie," she recalled Harder telling her, "we just grew too fast."

Stanley blamed herself for hurting her family, tarnishing their legacy.

Dwight Briske, president of **Kings Manor LLC** [<http://www.kingsmanorslc.com/>], a 64-unit assisted-living center in upstate Washington, said he's planning on making the trip to Portland to watch the sentencing Tuesday.

"He was doing some skullduggery," Briske said.

Kings Manor lost at least \$500,000 from 2003 to 2009, when Sunwest managed the property. Sunwest often failed to pay bills on time at the assisted living center – even for such necessities as food and electricity – even as the business turned monthly revenues of up to \$200,000.

All the while, Briske said, Harder took him and other members of the Kings Manor board of directors to Seattle Mariners games and invited them down to play golf at a swanky central Oregon resort.

"He would pat us on the back with one hand and pick our pockets with the other," he said.

*Jeff Manning, of The Oregonian, contributed to this report.*

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