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HEADLINE: Investors sue Sunwest

BODY:

Disgruntled investors are suing Sunwest Management Inc., its founder Jon Harder, their investment broker and various Sunwest executives and related companies for fraud and breach of contract.

Wilfred Scott Doyle and Patricia Scott Doyle, a California couple who invested \$6.4 million in numerous Sunwest properties, filed the lawsuit in federal court in Oregon on Tuesday, one day before Harder filed personal bankruptcy under Chapter 11 of the U.S. Bankruptcy Code.

Sunwest Management controls more than 400 limited liability companies and 250 nursing homes serving 18,000 residents. In his bankruptcy petition, Harder valued the company at \$2 billion and said it has \$1.8 billion in debt and annual revenue of about \$500 million

In their suit, the Doyles, who incorporated in Oregon as Doyle's Carolina 7 LLC, said they were deceived into investing the profits from recreational real estate in Sunwest properties. The couple invested under Section 1031 of the Internal Revenue Code, which shelters real estate gains if they are reinvested in comparable property.

The couple through their attorneys, **Burg Simpson** Eldredge Hersh & Jardine PC called Sunwest a "Ponzi scheme" in which funds from new investors were used to pay returns to more senior investors, creating an "illusion of profitability while (the defendants) skim large profits from operations."

The Doyles invested \$6.4 million in specific Sunwest properties and did not invest in the business itself, according to the suit. The couple invested \$1.4 million in cash and \$1.8 million in debt in seven properties in Carolina and a separate property called Carnegie Village. Separately, they invested \$1.6 million in cash and \$1.6 million in debt in Carnegie Village.

The suit seeks damages for violations of the federal Racketeer Influenced and Corrupt Organizations Act, for fraud, professional negligence, breach of fiduciary duty and more. The plaintiffs also seek appointment of a trustee and receiver to manage and control Sunwest and its associated companies, which remain in the possession of Harder.

The couple seeks at least \$19 million in damages, interest and attorney fees.

In his bankruptcy filing, Harder asks the court to block any collection efforts against Sunwest. Harder wants to sell several Sunwest properties in order to finance a complete restructuring of the company, a plan that he claims would allow him to repay all of Sunwest's creditors.

The attorney representing Harder did not immediately return a call for comment.

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