



## The Oregonian

### Consultant in control of ailing Sunwest

**Transfer - A board of outsiders will be selected to help guide the senior housing provider's future**

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**JEFF MANNING**

**The Oregonian Staff**

The three top executives of Sunwest Management have put the Salem company in the hands of a Portland business turnaround consultant in hopes he can salvage the struggling senior housing provider.

Sunwest chief executive Jon Harder and his two lieutenants, Darrel Fisher and J. Wallace Gutzler, have assigned their equity interests in Sunwest to Hamstreet & Associates. The company is headed by Clyde Hamstreet, a veteran consultant who is helping to steer two large Portland-area homebuilders through bankruptcy.

Harder and the other executives will remain with Sunwest. But Hamstreet will report to a new board made up of people with no ties to Sunwest, its lenders or investors. The new board members have yet to be selected.

Hamstreet has his work cut out for him. Sunwest, the largest operator of assisted living retirement centers in Oregon and the fourth largest in the country, faces a mountain of debt -- \$1.8 billion -- much of which it doesn't have the cash to pay.

Harder found himself caught in an increasingly acrimonious squeeze between lenders and about 1,200 individual investors who put \$400 million into individual retirement communities. As the company's cash squeeze worsened in 2008, Sunwest affiliates defaulted on mortgage payments as well as promised payments to the investors.

Many of those lenders and investors have since sued Harder and Sunwest.

"The biggest challenge will be to persuade everyone that we are independent management looking out for everyone's interests," Hamstreet said Friday.

Sunwest often blames its problems on the broader economy, which has made banks reluctant to loan the company more money. However, a third or more of its retirement communities don't generate enough money to pay their bills.

Disposing of those money-losers is an obvious priority.

"We need to develop some liquidity," Hamstreet said. "We have some properties that are a burden on the company."

But fetching an acceptable price won't be easy given the present state of the economy and the fact that the rest of the senior housing industry knows that Sunwest is dealing from a position of weakness.

Sunwest this week got the approval of a U.S. Bankruptcy Court judge in Nashville, Tenn., to sell seven assisted living communities in North and South Carolina for \$40 million. That won't cover the approximately

\$56 million the operations owe its chief lender, GE Business Financial Services.

But Hamstreet vows he is not going to let anything go for fire-sale prices.

"Restructuring doesn't mean liquidating the properties in the worst market in recent memory," he said.

Hamstreet said Harder, Fisher and Gutzler deserve credit for being willing to relinquish control of the company they built.

"I've seen other people in my career who have gotten in a tough situation try to run and figure out how to grab as much money as they can on the way out," Hamstreet said. "What Jon and his guys did takes some courage."

Jeff Manning: 503-294-7606; [jmanning@news.oregonian.com](mailto:jmanning@news.oregonian.com)

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