THE RISE AND FALL OF A SCAM LORD

How an old-time Ponzi scheme ensnared dozens— and then collapsed

BY JOE EATON

The type of scheme that David Allen Harbour used to defraud dozens of people, including older Americans, out of millions of dollars was already well established when it was named after conman Charles Ponzi, who used it to steal from investors a century ago.

The dynamics of a Ponzi scheme are simple: Persuade people that a fake investment with glittering returns is real by initially returning to them money that was taken from other people. It's set in motion by the crook priming the pump for a period of time, returning extravagant profits, which are actually funds from new investors. This new round of investors have heard the good news about great wealth being accrued, and they want in. Of course, the treacherous cycle usually falls apart, as it did in the $20 billion Bernie Madoff scam. The trick for the crook is to be gone by then.

Harbour, 51, like Madoff before him, failed at that. He was arrested and last year sentenced to eight years in prison by a federal court in Arizona.

But by then, investors—including sophisticated, successful business people—had lost their savings. Here are the mechanics of how that happened. They provide a glimpse into the sociopathy of a criminal and the manipulated emotions of those who fall for a fraud.

Part of Harbour's allure was that he radiated an aura of success. He golfed at exclusive clubs. He threw elaborate parties where big-name entertainers performed. By the time he casually mentioned that his money came from investing in ventures ranging from dollar stores to hospitals to online payday lending operations, it could feel like he was doing you a favor to let you in on it.

That was the case with wealthy Hollywood insider Mark Burg, who produced the film *Bull Durham*, the *Saw* horror film franchise, and the long-running TV sitcom *Two and a Half Men*. Burg, 65, met Harbour in 2012 while golfing at the members-only El Dorado Golf & Beach Club in San José del Cabo, Mexico. "I was like, I don't know who this guy is, but he has a ton of money," Burg told the court during Harbour's criminal trial in 2023. The two men soon become close friends, going on family outings and vacations together.

Marie Springer, a New York City criminologist who wrote *The Politics of Ponzi Schemes*, says the Harbour-Burg relationship is a classic example of the early stages of a scam. Harbour seemed like a charismatic "nice guy" with wealth and status. He could play that role because he believed it himself, Springer says. "They genuinely believe that they are smarter than everyone else and that they are going to get away with it."

Of course Burg didn't know that Harbour's glittering facade was financed with money stolen from earlier victims. It all seemed very real.

On little more than Harbour's word, Burg wired him $1 million and was promised a minimum 20 percent return. Far from worrying, Burg said, he was focused on his returns. "So my attitude was, I give this guy a million dollars. Three years later, I get back a million six," Burg said at the trial.

He was a link in a long chain. Harbour's Ponzi scheme lasted 14 years, according to prosecutors. In that time, he defrauded investors, including several older Americans, out of more than $20 million.

Even to Harbour's educated, accomplished targets, the particulars of the investments guaranteeing up to 30 percent returns

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ILLUSTRATION BY ANUJ SHRESTHA

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seemed a bit mysterious, but that was part of the scam. “Ponzi perpetrators are experts at talking in a vocabulary that most people can’t understand,” Springer says. “Victims are starstruck and assume ‘I have to trust them because they know so much more than I do.’”

Over those 14 years, Harbour was often broke, scrambling to find new investors who could pony up to pay his overdue credit card bills and allow him to keep the illusion intact, and the Ponzi wheel spinning.

Brandon Lopez, a supervisory special agent with the Phoenix IRS criminal investigation office who worked on the Harbour case, confirms that this juggling act is a classic con-man tactic. “All along, they are scrambling for their next victim, constantly thinking, *How do I keep this thing afloat as long as possible?*”

The answer was that his earlier clients, still “under the ether” as law enforcement members call the suspension of disbelief, were his best asset, recruiting their friends and family members into the scheme.

The illusion even worked on people like Rich Turasky, 55, a successful Chicago financial executive, who invested $500,000 and also worked on a funding deal that could have netted Harbour $10 million.

Soon after meeting Turasky at his Phoenix-area office, Harbour invited him to watch Arizona State University play Notre Dame from his private box at ASU’s football stadium, where Turasky testified he mingled during another game with professional golfer Phil Mickelson. Harbour also hosted Turasky in his suite at the WM Phoenix Open, a stop on the PGA Tour. And it worked on Ken Bobrow, 86, who lost more than $2 million through multiple investments with Harbour over more than a decade, money he thought was funding business ventures.

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>
> **—Brandon Lopez,** IRS criminal investigator, Phoenix

When Harbour didn’t pay the money back, he told Bobrow it had gone to a man named Pat Spaulding, and forged email messages from Spaulding to Bobrow in response to Bobrow’s questions. But Spaulding, who was not involved in the scam, had died a few years earlier, federal agents say.

Prosecutors say Harbour also defrauded Rhonda Gray out of nearly all her money. When Gray’s husband, who had Huntington’s disease, committed suicide in 2009, she was left with bills she couldn’t afford.

Harbour promised her he would deal directly with banks and bill collectors if she paid him $10,000 a month. When she later received payment for a $1 million life insurance policy taken out by her husband, Harbour persuaded her to invest it with him.

In court, Gray said she considered Harbour her “knight in shining armor” and believed their relationship was becoming romantic. Harbour took Gray to dinners, preying on her vulnerability. “I thought he was wonderful because he was helping take so much pressure off of me,” she testified.

Such behavior may seem naive. But psychologists say it is the way humans are wired.

Stacey Wood, a forensic neuropsychologist at Scripps College in Claremont, California, says major life events, such as retirement, divorce or a death in the family, can make people vulnerable. But Wood says people often fail to understand how quickly and easily they can become trapped. “I think most humans underestimate what poor decision-makers they are on their worst days,” Wood says.

Gray didn’t receive the money promised from her investment. When her father needed surgery, she couldn’t help him. Harbour strung her along for more than five years.

Harbour even stole money from his assistant, Carol Hill, who withdrew her $81,000 retirement fund and $500,000 her husband had inherited for Harbour to invest.

Most Ponzi schemes eventually fall apart. The beginning of the end for Harbour came in 2016, when he caught the eye of the Phoenix office of the FBI, who were initially investigating Joel Tucker, a Harbour associate later sentenced to 12 years in prison for tax evasion and running a phony debt-selling scam.

An FBI forensic accountant tracked down 50 bank accounts associated with Harbour and his associates, and began looking for mail fraud, wire fraud and money laundering. The accountant tracked receipts and noted extravagant purchases, including a $104,000 6-carat platinum ring, a $53,000 Rolex watch, and an $18,000 diamond cuff bracelet.

When Missouri IRS agent Lionel Green traveled to Scottsdale to interview him as part of a tax audit, Harbour tried to charm the agent, who is a baseball fan. He told Green he could arrange a visit to the players’ dugout during an Arizona Diamondbacks game or golf with baseball Hall of Famer George Brett, according to Green’s court testimony.

“Mr. Harbour was one of the most sophisticated individuals I’ve come across, and he had the gift of gab,” says IRS agent Lopez.

Harbour’s day of reckoning came in federal court in March 2023, when a jury found him guilty of felony wire fraud and money laundering, and he later pleaded guilty to evading more than $4 million in taxes. The following January, he was sentenced to eight years in prison. His attorneys, who did not return calls for comment, have filed an appeal.

Harbour’s victims struggle to understand what makes a person like him tick. He may not know himself, Springer says.

“Some of them convince themselves that what they’re doing is OK. They lie to themselves,” she says. “Some of them know very well that what they are doing is wrong, and they do it anyway, because they can.”

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