



Big Bear GRIZZLY

June 25, 2004

Heath companies probe continues

By JUDI BOWERS

The Riverside district attorney's office, as well as the Securities Exchange Commission and an appointed receiver are continuing their investigation into companies owned by Daniel William Heath and Denis O'Brien. The investigation revolves around an alleged Ponzi financial scheme.

Investments into several Big Bear companies came to light during the early stages of the investigation, including a \$15.8 million investment into Prestige Resort Development, LLC, which is developing The Club at Big Bear Village.

Also listed on the balance sheet for Private Capital Management, Inc., in a report issued by Robb Evans, LLC, the permanent receiver appointed by the SEC to investigate the assets of Heath and associated companies, are several Big Bear Valley companies, including three escrow companies and a title company. They are shown as assets of PCM.

Two of the escrow companies are listed under a section titled Long Term Loans, while the other and the title company are listed under Other Assets. Kenton Johnson, deputy to the receiver with Robb Evans, said his office has not thoroughly investigated the companies listed with smaller dollar amounts in the reports, but are working to do so. The three escrow companies and the title company each are listed as assets for PCM in amounts ranging from \$15,000 to \$323,000. Johnson said what is being learned is that in some cases, the companies listed with the larger figures on the balance sheet were listed as an asset rather than payment for a property, for example. He said the investigation is discovering that many times a check was written and listed on the balance sheet instead of another accounting line item. It might have been payment for something and might not have been an asset at all, Johnson said. He said that most likely the figures associated with the escrow companies fall into the same category, and are not investments or assets of the PCM or Heath companies.

Johnson told The Grizzly that the investigation is ongoing and at this point the receiver's office has not had time to get down to the details of the smaller balance sheet listings.

Tina Thompson, owner of Silver Pines Escrow, Inc., which was listed in the Big Bear Grizzly story appearing June 16, said in a phone conversation with The Grizzly June 18 that her company has never had a loan with any of the Heath companies under investigation. She said Silver Pines Escrow, Inc., has done escrows for the company, but never dealt with any loans. When asked what company, Thompson declined to answer. In a letter to The Grizzly publisher in reference to the phone conversation with this reporter regarding the question about which company Silver Pines may have processed escrows for, Thompson stated fiduciary responsibility of an escrow officer prohibits her from discussing the affairs of a client.

"An escrow company's main function is to safeguard people's money," Thompson said in the June 18 phone conversation with The Grizzly. She added that she is audited regularly and the story in The Grizzly was devastating to her business. "Integrity is what I have to offer," Thompson said.

Silver Pines Escrow, Inc., is not part of any of the conglomerate of companies associated with Prestige Resort Development, LLC, Larre Schlarman, Northwoods Resort and Conference Center, The Club at Big Bear Village, Alderwood Management or Hotel Management, Inc., which Thompson said The Grizzly of June 16 story grouped her with.

Schlarman is involved in the investigation of the Heath companies, as he or his company Schlarman and Associates, is listed as being part owner in many of the companies allegedly invested in by Heath. According to Mark Mandio, Riverside deputy district attorney, both Heath and Schlarman were served with Desist and Refrain orders in 1998. Information as to what the orders involved was not available as of press time.

Mandio said the case involving the Heath companies is a complex one that will take some time to review. He said there is no timeline as to when the investigation should be complete, as it is driven by the facts as they are uncovered.

Evans issued a statement dated June 15 and currently posted on his Web site stating, "My colleagues and I are currently analyzing and evaluating the recovery potential for every asset in which Mr. Heath invested. I anticipate filing a comprehensive report with the U.S. District Court in the next several weeks. That report will be posted on this website and will be mailed to all investors."

Kenton Johnson of Evans' office told The Grizzly the goal is to clarify as much as possible within 30 days.