

# THE PRESS-ENTERPRISE COMPANY

## Stung investor reaches out to those sharing her loss

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By DEVONA WELLS / The Press-Enterprise

### HEATH MEETING

**What:** D.W. Heath & Associates investors meeting

**Where:** 25645 Sharp Drive, Hemet

**When:** 10 a.m. Wednesday

**Information:** (800) 476-7506

Marjorie McIntosh so badly wanted to talk to fellow investors that she wrote her home number on a scrap of paper and taped it to the door of an office in Hemet.

McIntosh had just found out that D.W. Heath & Associates, to which she had given \$40,000, was being sued by the Securities and Exchange Commission. The SEC accuses Heath & Associates of running a Ponzi scheme - paying original investors with money from new ones - that took at least \$69.9 million from 803 elderly investors.

Like McIntosh, others drove by the Hemet office where they had handed over their savings and retirement accounts to Heath & Associates. In a few weeks, McIntosh said, she has talked to at least 40 investors, all grasping for new details about their money, the company they invested in and what they can do.



*(William Wilson Lewis III / The Press Enterprise)*

Marjorie McIntosh, of Hemet, is organizing a meeting of D.W. Heath & Associates investors. The SEC alleges that the firm ran a scheme that took at least \$69.9 million from investors.

"You feel like you're all by yourself, you've been victimized, and you're stupid, and how could you get sucked in?" said McIntosh, who lives in Hemet. "People want to vent. Who do you talk to?"

Several dozen are expected to gather next week at a meeting organized by McIntosh to put investors in touch with one another. Court-appointed receiver Robb Evans & Associates will be on hand to answer questions, according to the company's Web site. And representatives from Riverside County's Curtailing Abuse Related to the Elderly, or C.A.R.E., plan to attend.

The C.A.R.E. staff began taking calls from Heath investors last month. More than 210 have phoned, several who depended on interest from their investment to live on, said Margo Hamilton, regional manager.

"We've been hearing people are putting their houses up for sale. They can't pay regularly monthly bills because the income stream stopped," she said. "It's about the saddest thing. I'm frustrated for them."

The C.A.R.E. staff tries to help by listening to investors and explaining the receivership process takes time. In a document dated June 15, the receiver says on its Web site that it is analyzing the recovery of Heath's investments and will file a report in U.S. District Court in the next several weeks.

"All of us are wringing our hands wondering what the next step is," Hamilton said.

Last month, the assets of Heath & Associates, along with PCM Fixed Income Fund 1, Private Capital Management and Private Collateral Management, were frozen and the companies placed into receivership. The SEC's suit accuses Daniel William Heath, 47, of Chino Hills, and Denis Timothy O'Brien, 49, of Yorba Linda, of running the Ponzi scheme.

The Riverside district attorney's office also is investigating Heath and has served search warrants at offices in Temecula, Brea and Pasadena.

David Bortman, Heath's attorney, could not be reached Wednesday, but he previously said that Heath did not run a Ponzi scheme. He said last month that Heath was working with Robb Evans to get money returned to investors.

The receiver's May review found \$92.3 million in PCM investments and outside loans. Of those, more than half involved third party Larre Schlarmann, who could not be reached. In 1998, Schlarmann and Heath & Associates were ordered by the state Department of Corporations to stop acting as unlicensed securities brokers.

Investors were lured to Heath & Associates with free lunches and promises of a safe investment that returned 5.5 percent to 8 percent yearly on notes said to mature in two to six years, according to the SEC suit.

Court records say PCM raised \$69.9 million starting in 1996. But a report by the receiver begins its accounting three years earlier and says investors gave PCM \$144 million. Heath & Associates operated as PCM's servicing and marketing agent.

Mary Anne Hughes, of Canyon Lake, checks the Web site of Robb Evans daily, hungry for new information. She and her husband invested \$275,000 with Heath & Associates.

Hughes, who's raising her 16-year-old grandson, thinks some of her money will likely be recovered.

"I would sure love to get 50 percent on my dollar. But I'm not counting on anything right now," said Hughes, 61.

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