

Four accused in Ponzi scheme to be arraigned

July 7, 2004

By DEVONA WELLS / The Press-Enterprise

THE DEFENDANTS

Daniel William Heath, 47; Denis Timothy O'Brien, 50; and Larre Jaye Schlarmann, 46; as well as John William Heath, 77, are accused of bilking about 800 elderly investors.

Four men accused of running a Ponzi scheme alleged to have duped more than 800 investors are expected to be formally charged with elder abuse, grand theft and money laundering today.

Daniel William Heath, 47, and Denis Timothy O'Brien, 50, are slated to be arraigned today. Arraignment of Heath's father, John William Heath, 77, and of Larre Jaye Schlarmann, 46, are tentatively scheduled for today, said Ingrid Wyatt, public information officer for the Riverside County district attorney's office.

The arraignments will give the defendants a chance to enter pleas; reducing the \$144 million bail that each faces might also be addressed.

Last week, the district attorney's office arrested the four in a coordinated morning roundup at their homes in Yorba Linda, Covina, Carlsbad and Chino Hills. Deputy District Attorney Mike Silverman accused the men of pretending to be senior advocates while stealing the life savings of hundreds of Inland investors. If convicted, Schlarmann and Daniel Heath face up to 200 years in prison, with John Heath and O'Brien looking at around 61 years, according to sentencing guidelines from Silverman.

Michael Lipman, Schlarmann's attorney, said Tuesday his client "is going to vigorously contest the charges." Lipman said he expects to ask for Schlarmann's bail to be reduced but probably not this week. Daniel Heath's attorney, David Bortman, said last week that Heath assured him he ran legitimate businesses. But Bortman said Tuesday he is no longer working on Heath's criminal case.

Investors may attend today's hearing, but Wyatt warned that the courtroom is small and the arraignments will be brief. Of the courtroom's 62 seats, some are expected to be filled by attorneys, defendants and the media.

"It's good when people attend, because it shows support for the criminal-justice system," she said.

But a typical arraignment, she said, takes 30 seconds to a minute, with no opportunity for investors to speak.

Investor Sal Locicero, 74, made the drive Tuesday from Orange to the Riverside courthouse because the arraignments were originally scheduled for Tuesday. Locicero invested \$200,000 in Heath & Associates.

"I want to see their faces. I want to see them incarcerated. I'm just pretty bitter about the whole thing," he said.

Investors were lured by promises of safe notes guaranteeing 5.5 percent to 8 percent returns yearly.

Through D.W. Heath & Associates, which had offices in Temecula and Hemet, the district attorney's office says the defendants raised at least \$144 million, making the case the county's largest fraud ever prosecuted. Both the district attorney and Securities and Exchange Commission, which sued Heath & Associates in April, say the men operated a Ponzi scheme - paying early investors with money from later ones.

Receiver Robb Evans & Associates has been working to recover assets to return money to investors.

Today's hearing is expected to get under way at 1:30 p.m. in Department 53 of the Riverside County Superior Court, 4100 Main St.

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