

Judge delays hearing for 4

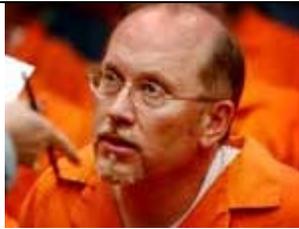
PONZI: The defendants in an alleged investment scam will be arraigned today in Riverside.

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By **DEVONA WELLS / The Press-Enterprise**

Expected hearings Wednesday for the men accused of running a \$144 million Ponzi scheme through D.W. Heath & Associates were rescheduled for this afternoon.

Daniel William Heath and Denis Timothy O'Brien appeared in Riverside County Superior Court on Wednesday wearing orange jumpsuits and handcuffs, awaiting their arraignment. But after an hour, the arraignments were continued to today, when defendants Larre Jaye Schlarmann and Daniel Heath's father, John William Heath, also are expected to appear.



Valerie Berta / The Press-Enterprise

Daniel Heath, above, appears in Department 53 of Riverside Superior Court on Wednesday along with co-defendant Denis O'Brien, below.



The one-day delay simplified scheduling by arraigning all four on the same day, said Michael Silverman, deputy district attorney. He expects the defendants' attorneys to ask for another delay Thursday in entering pleas for their clients so they can more fully examine the district attorney's complaint filed last week.

"By the time we get to motions and trials, we'll be wanting to pick the same day together," Silverman said.

The case marks the biggest alleged fraud ever prosecuted by Riverside County.

More than 800 seniors were bilked of at least \$144 million by the foursome, according to Silverman and the Securities and Exchange Commission, which sued Heath & Associates in April. Silverman and the SEC say the defendants ran a Ponzi scheme, which pays earlier investors with money from later ones.

All four have been charged with elder abuse - grand theft from someone 65 years old and older - and securities fraud. Daniel Heath, 47, and Schlarmann, 46, face 200 years in prison if convicted; O'Brien, 50, and John Heath, 77, could see around 61 years, according to sentencing guidelines from Silverman.

"Daniel Heath is innocent of the charges, and we are going to vigorously defend against them," said Stephen Mansfield, Heath's new attorney, when contacted by phone late Wednesday. O'Brien's attorney could not be reached.

Bail for each defendant has been set at \$144 million.



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Larre Jaye Schlarmann, above, and John William Heath, below, are expected to be arraigned today along with fellow co-defendants Daniel Heath and Denis O'Brien on charges related to an alleged Ponzi scheme in which more than 800 elderly investors are said to have been victimized.



Around a dozen investors showed up for the arraignment, but few made it into the courtroom before the continuance was granted by Riverside County Superior Court Judge Robert McIntyre.

Investor Marjorie McIntosh, who gave \$40,000 to Heath & Associates, said she was disappointed to not get into the courtroom and see the defendants. She had driven from Hemet. Others who'd come from Orange County also were not able to make it inside.

"Hopefully something will happen. Hopefully we're going to see our money," McIntosh said.

Investors were lured to Heath & Associates, with offices in Temecula and Hemet, by the promise of a safe investment that returned at least 5.5 percent to 8 percent yearly, though some say they received even higher returns. Of the \$144 million brought in, receiver Robb Evans & Associates has said just \$40 million made it back to investors.

On Wednesday, O'Brien walked into the courtroom at just before 2 p.m. followed by Heath, who took a deep breath as he entered. The two talked intermittently with their lawyers while sitting in the first row of courtroom seats.

After the hearing concluded, both walked swiftly out, though Heath glanced at relatives seated three rows back before exiting.

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