

## Heath figures deny guilt

**ALLEGATIONS: A report says possibly up to 1,848 people gave money to the company.**

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By DEVONA WELLS / The Press-Enterprise

Four men accused of defrauding hundreds of Inland-area investors pleaded not guilty on Wednesday to various counts of securities fraud and grand theft.

Daniel William Heath, 47; his father, John William Heath, 77; Denis Timothy O'Brien, 50; and Larre Jaye Schlarmann, 46, remained in custody. Bail for each was set at \$144 million. The Riverside County district attorney's office says the foursome sold themselves as senior advocates while running an illegal Ponzi scheme - using money from new investors to pay off original ones.

District attorneys have called the case the biggest fraud ever prosecuted by the county.

Estimates of the amount brought in by D.W. Heath & Associates grew last week from \$145 million to more than \$178 million, according to a new report by Robb Evans & Associates, the receiver appointed to recover assets and repay investors. As many as 1,848 people, up from original estimates of 803, turned over money to Heath & Associates, the report said.



*(The Press Enterprise)*

**Clockwise L-R, Daniel William Heath, Denis Timothy O'Brien, Larre Jaye Schlarmann and John William Heath are accused of bilking hundreds of elderly investors.**

The defendants entered court wearing orange jail jumpsuits and handcuffs. Investor Judy Miller said hello to O'Brien, to whom Miller and her husband gave more than \$600,000, as he walked by the courtroom's first row of seats. O'Brien nodded to her before sitting.

Miller, who said she will follow the case in person, said O'Brien ran a professional, cheerful office.

"You have a good feeling, and then all of a sudden you have a feeling of how could this happen? I think maybe I'll wake up tomorrow and none of this will have happened to anybody," said Miller, 62, who dabbed tears from her eyes throughout the morning hearing.

Because O'Brien and John Heath cannot afford attorneys, they will be assigned ones, said attorney Steve Harmon. Representation will be selected from a panel of criminal defense lawyers who take cases the public defender's office cannot, said Harmon, who heads the panel.

Harmon, who also is co-counsel for Schlarmann, said experienced lawyers will represent O'Brien and John Heath, because "it's a very complicated case." The public defender's office said it was not available because of the magnitude of the cases, Harmon said.

Daniel Heath and Schlarmann are charged with 232 counts and face up to 200 years of jail time if convicted. O'Brien and John Heath have been charged with 77 counts and are looking at up to 61 years in prison, according to sentencing guidelines provided by deputy district attorney Michael Silverman.

At Wednesday's hearing, Harmon requested a wheelchair for John Heath, who he said suffered "from a variety of very serious medical issues and problems." Silverman questioned whether Heath has medical problems, because the 77-year-old gave a glowing health report to a district attorney investigator the day he was arrested.

Riverside County Superior Court Judge Gordon R. Burkhart ordered John Heath to be seen by a doctor with special attention paid to whether he needs a wheelchair.

Robb Evans & Associates, the receiver brought on through lawsuits filed against Heath & Associates and Daniel Heath by the Securities and Exchange Commission, also was given control of several Schlarmann business properties and entities.

Investors were lured to Heath & Associates by guarantees of safe notes offering 5.5 percent to 8 percent yearly, though some say they received better returns. Heath & Associates operated out of Hemet, Temecula, Pasadena and Brea.

The defendants are next scheduled to appear in court Aug. 20 to set a date for a preliminary hearing and to schedule in-court interviews prosecutors want to conduct.

Reach Devona Wells at (909) 368-9559 or [dwells@pe.com](mailto:dwells@pe.com).

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