

Investors detail dealings with Heath

FRAUD CASE: Health issues prompt prosecutors to get the witnesses' testimony on record.

October 26, 2004

By DEVONA WELLS / The Press-Enterprise

Elderly investors of D.W. Heath & Associates got a chance Tuesday to share the details in court of how their money got tied up in the company and how, sometimes, they couldn't get it out.

Heath & Associates, with offices in Temecula and Hemet, lured mostly seniors with a free meal where they were promised safe investments with a return of at least 8 percent, those who testified Tuesday said.

Heath & Associates is accused of taking at least \$178 million from more than 1,800 investors, according to the latest report by receiver Robb Evans & Associates. The promised return was to come from a variety of investments made by D.W. Heath & Associates on behalf of their investors.



John Heath, 78, along with son, Daniel William Heath, 47; Larre Schlarmann, 46; and Denis O'Brien, 50, have pleaded not guilty to various charges of securities fraud and grand theft. If convicted, the men face sentences ranging from 61 to 200 years according to sentencing guidelines provided by deputy district attorney Michael Silverman.

Tuesday's testimony was taken in Riverside County Superior Court from pre-selected investors because prosecutors wanted to get it on record should the health of the witnesses deteriorate. Because each of the four chosen are at least 70 years old, the testimony can be taken before it's decided if a trial will take place.

Eighty-six-year-old William Cooper of Hemet said he wrote letters and made several phone calls to Daniel Heath attempting to get back portions of the \$190,000 he invested. Heath ultimately paid Cooper more than half of what he was owed, but \$90,000 Cooper asked for never was returned, he said.

"Mr. Heath said he couldn't do it, didn't have any money," he said.

When John Heath came to investor Armeta Paulson's house just weeks before D.W. Heath & Associates was shut down by the Securities and Exchange Commission, she testified that she was expecting him to bring a check to her sister-in-law who invested in the firm.

But instead of delivering money owed to Paulson's ailing sister-in-law, Heath took two checks from her - one written for \$4,500 and the other blank, Paulson, 87, testified Tuesday.

Paulson, however, confused dates several times and did not understand various questions. She also said she assumed John Heath headed Heath & Associates; prosecutors have said Heath was a salesman and Daniel Heath ran the show.

Paulson, a resident of Cypress, invested \$252,508 in Heath & Associates. She saw around \$77,000 returned, Silverman said. She primarily dealt with John Heath, who she said she considered an advisor.

"He looked honest, treated us real good," she said.

Had she known the defendants were taking a commission from her money, Paulson said she would not have invested. She said she also struggled to get her money returned from Heath & Associates.

Daniel Heath "said they had made investments and they weren't paying off," she said.

Before the testimony got underway, defense attorneys objected to investors being inside the courtroom because they could be future witnesses. Four investors were asked to leave because they were named in the prosecution's original complaint. Names of the 25 who remained were put on a list of those who could not testify should there be a trial.

Several family members of the defendants, also potential witnesses, exited the courtroom before the first investor began testifying.

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