

## Hotel venture didn't check out

**NORTHWOODS: The Big Bear Lake project never generated enough income to pay Heath investors.**

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By DEVONA WELLS and JOHN WELSH / The Press-Enterprise

By the busload, investors were shuttled to Northwoods Resort in Big Bear Lake to see its snow-edged pool, a giant fireplace warming the lobby and the Adirondack-style furniture.

This, Clayton Olson recalls thinking, looks like a good place to put money.

"It was a pretty fancy affair. They wine and dined everyone pretty nice," he said.

Olson, however, couldn't see that more than one-third of the money invested in Northwoods did not stay there, according to Robb Evans & Associates LLC, the company appointed to analyze Heath business records after a federal judge shut down the firm. Instead, authorities say, the funds paid off earlier investors as part of a Ponzi scam.

Of Heath & Associates' many business ventures, Northwoods became one of its most ambitious. The firm succeeded in resurrecting the unfinished property and, ultimately, raised \$35.1 million from Olson and hundreds of others.

But like most of the Heath ventures, Northwoods never generated enough income to make promised payments to investors, according to Robb Evans.

Heath was gathering investor money for the hotel, which sat abandoned along Highway 18, by 1994.

That same year, Heath went looking for public money to jump-start the project. Heath told the Big Bear Lake City Council that he and Larre Schlarman, who helped to develop the hotel, were partners in putting together \$7 million in private loans.

"As an investment specialist for over 10 years, I know what appeals to potential investors and what doesn't," Heath wrote to the council. "Uncertainty definitely does not."

He won \$500,000 from the council acting in its role as the Improvement Agency, a redevelopment agency.

Olson, 78, must wait along with more than 1,600 other investors to get what little will be returned as companies in which Heath & Associates invested are sold. The hotel is expected to bring the biggest payoff, selling at auction last month for \$10.3 million -- just more than half of the \$19.3 million investors were owed from the venture.

Overall, Robb Evans has predicted that Heath-investor refunds will amount to around 14 cents for every missing dollar. Olson, for example, put in \$180,882 -- his life savings -- and is expected to get back about \$25,300.

Nearly a year after Heath & Associates was shut down, former resort manager Thomas A. Johnson said he was still fielding calls from angry investors.

Johnson, who owned 12.5 percent of Northwoods, declined to say how much he put into the venture but said in March he had yet to pocket any return. When asked if he will, Johnson shrugged. "Not likely," he said.