

Scam 'mastermind' Daniel W. Heath sentenced to 127 years in prison

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By LOU HIRSH / The Press-Enterprise



D.W. Heath & Associates Trial

Capping proceedings filled with emotional and sometimes angry testimony, a judge Friday ordered the key defendant in a \$190 million investment fraud scheme that bilked nearly 1,600 victims to serve 127 years in state prison.

Calling him "the mastermind of this criminal enterprise," Riverside County Superior Court Judge Ronald Taylor gave Daniel W. Heath, 51, the maximum sentence, as requested by prosecutors.

The former president of the defunct D.W. Heath & Associates was convicted in January on 400 criminal counts stemming from a Ponzi scheme that spanned nearly 10 years before the firm was shuttered by a court in 2004. Prosecutors said Heath's firm took money from new investors to pay earlier ones, investing most of it in failing real estate and business startups in which Heath had a controlling interest.

The firm continued to take investments even after the state ordered it to cease in 1998 because it didn't have the proper licenses to sell securities. A court-appointed receiver, through three disbursements over the past two years, was able to retrieve only about 22 cents on each dollar of investors' money.

Many of Heath's victims were elderly retirees who turned over their life savings after being told their money would be placed in safe securities.

Several of those investors spoke Friday, some choking back tears and others unleashing their wrath.

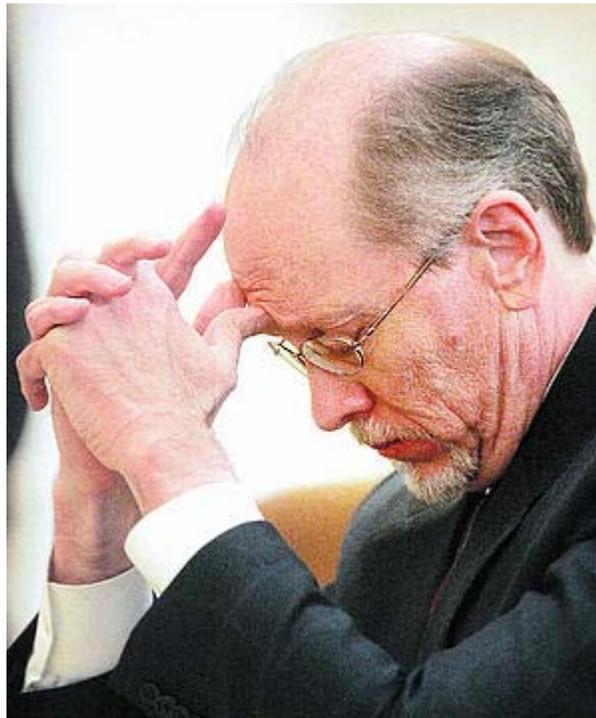


(David Bauman / The Press-Enterprise)

Victim John Joy berated Daniel Heath during Heath's sentencing.
"You're a filthy, rotten rat --that's exactly what you are!" Joy said.

John Joy, a retiree in his 70s from Williams, Ariz., recounted how he and his wife, Penny, were forced to sell their home in Prescott, Ariz., and move to lesser dwellings after losing nearly all their life savings and half their monthly income. They've since been forced to rely on Salvation Army and food bank offerings, and deal with mounting medical problems and doctors' bills they can't pay.

"You're a filthy, rotten rat -- that's exactly what you are!" Joy shouted at Heath, raising his fist in the air. "Every year of your life in prison should be hell on Earth."



Daniel Heath showed little emotion in court, mostly looking down at the defense table or toward the front of the room.

After years of saving and sacrifice, retiree Patricia Patterson said she and her husband lost most of the more than \$500,000 they invested through Heath's firm. She and other victims said they were taken in by Heath's charm and discussions about religious values and teachings.

"It was disgusting to see how someone could use his God-given abilities to wreak havoc in the lives of so many people," Patterson said.

Siblings Defend 'Good Man'

Deputy District Attorney Michael Silverman read excerpts from the more than 130 victim statements submitted to the court before sentencing. They told of investors having to file for bankruptcy, let homes fall into foreclosure, move in with relatives and keep working well past their intended retirement age, several into their 70s.

Heath, who chose not to speak during the hearing, listened stoically as victims testified, looking down at the defense table or toward the front of the courtroom. He didn't register a visible response until about two hours into proceedings when his defense attorney mentioned his father, convicted defendant John W. Heath, who died of cancer Aug. 17 on his 82nd birthday, in a hospital near the state prison in Delano where he had been transferred in March.

Daniel Heath placed his head in his left hand, apparently choking back tears. He had a similar reaction when three of his younger siblings spoke on his behalf before the sentence was handed down.

Phillip Heath described his brother as a "good man" who had a sense of denial and a gambler's tendency to try to make back earlier fortunes when his firm's investments started to go sour.

He said he and his sisters, Esther and Elizabeth, as well as their father also lost large amounts of money in their brother's ventures, and they sympathized with investors in the courtroom.

"It's very hard to explain to people who have lost so much that this man is not a monster," Phillip Heath said to the audience.

'Shows No Remorse'

Addressing a hushed court audience of about 60, consisting mostly of elderly investors, Judge Taylor noted that the Heath debacle is the largest case of elder-targeted investment fraud in Riverside County history and among the largest ever in California.

As with the two others convicted and sentenced in the Heath case -- John Heath and business associate Dennis T. O'Brien, 53 -- the judge ordered Daniel Heath to join in paying \$117 million in restitution to victims, including promised interest payments on investments and other money that the court-appointed receiver has been unable to retrieve through asset liquidation. The receiver has seized and liquidated the bulk of Heath's real estate holdings and financial accounts.

An October hearing is slated on Taylor's order that Heath also pay \$20.85 million to the state franchise tax board.

Heath's defense attorney, Christopher Oliver, said during the hearing that a maximum sentence would prohibit his client from paying back the victims. Oliver said during a break in proceedings that he plans to file an appeal.

Silverman said prosecutors were pleased that the judge ordered Heath to serve the requested maximum prison term of 127 years and four months.

"For someone who shows no remorse for what he has done, the only right thing to do is to keep him away from society for as long as possible," Silverman said.

The Heath trial lasted nearly five months and saw testimony from more than 100 witnesses.

The sentences

Daniel W. Heath, 51: President of the shuttered D.W. Heath and Associates, which operated from offices in Hemet, Brea and Pasadena. Convicted in January on 400 criminal accounts and sentenced Friday to 127 years and four months in state prison.

John W. Heath, 82: A salesman at the investment firm. Convicted on 52 counts and sentenced in February to 28 years and four months in prison. Died Aug. 17 of cancer in a hospital near North Kern State Prison in Delano.

Dennis T. O'Brien, 53: A salesman at the investment firm. Convicted on 70 counts and sentenced in April to 40 years and four months in prison.

Larre Schlarmann, 52: Former business partner of Daniel Heath. Pleaded guilty in 2005 to 10 felony counts involving money laundering and fraud, and is serving a 15-year state prison sentence. Testified for the prosecution in the Heath trial.

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