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LARRE SCHLARMANN, A LESSER PARTICIPANT IN HEATH INVESTMENT  
FRAUD SCHEME, SENTENCED TO 15 YEARS IN STATE PRISON

RIVERSIDE, CALIFORNIA, November 9, 2005: Larre Jaye Schlarmann, a lesser participant in the Heath & Associates investment fraud scheme that targeted elderly victims, was sentenced today to 15 years in state prison following his guilty plea to 10 felony counts including Money Laundering, Elder Abuse and Securities Fraud. Schlarmann also gave up all of his personal assets, approximately \$1.2 million, for victim restitution and was ordered to pay an additional \$117 million in restitution.

The Heath investment scheme operated in Southern California from the early 1990's until it was shut down by the Securities and Exchange Commission in April 2004. During this time, the Heath scheme defrauded more than 1400 elderly victims out of approximately \$191 million, ignoring a 1998 Department of Corporations Desist & Refrain Order. In July 2004, the Riverside County District Attorney's Office filed a criminal action against Daniel Heath, John Heath, Denis O'Brien, and Schlarmann and seized their personal assets. Daniel Heath organized and managed the investment scheme and solicited most of the victims. John Heath, Daniel Heath's father, and Denis O'Brien were the major participants who directly defrauded victims.

Schlarmann was not involved in Heath & Associates and did not directly solicit money from the elderly victims. However, Schlarmann was a partner with Daniel Heath on real estate and other business ventures into which Daniel Heath funneled much of the victim's money. Those ventures were unprofitable, something never disclosed to subsequent victims, whose money was used to disguise the losses.

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“This sentence represents a significant victory in the ongoing battle against investment fraud and elder financial abuse. It sends a message to those involved in investment scams that they will go to state prison even if they do not directly defraud victims but only “aid and abet” others,” said Deputy District Attorney Mike Quesnel, who heads the Elder Abuse unit. “This plea by Schlarman maximizes the restitution available to victims, which even includes Schlarman’s Rolex watch. Unfortunately the Receiver has estimated total recovery from all sources to be approximately 15 cents on the dollar,” said Deputy District Attorney Michael Silverman, who heads the Major Frauds unit. “The victims I spoke to were ecstatic with the plea and sentence,” Silverman added.

The Riverside County District Attorney’s office intends to proceed to trial against the remaining defendants, who it views as more culpable because they directly defrauded the elderly victims. The preliminary hearing in this case is scheduled to begin on November 10 in Riverside Superior Court. The investigation and prosecution of this case is a result of the ongoing cooperation between the SEC and the District Attorney’s Office to combat investment fraud.

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