



U.S. SECURITIES AND EXCHANGE COMMISSION

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People of the State of California v. Daniel William Heath, Denis Timothy O'Brien, John William Heath, and Larre Jaye Schlarmann, Superior Court of California, County of Riverside, Case No. RIF117775

Defendants Convicted of 522 Felonies After Commission Action Against Securities Fraud Scheme Targeting Senior Citizens and Elderly Victims in Southern California

The Securities and Exchange Commission announced today that on January 10 and 11, 2008 a jury in Riverside County, California, convicted three men on felony charges involving a fraudulent scheme that was the subject of a prior enforcement action brought by the Commission, which raised more than \$187 million from over 1,800 victims, mostly senior citizens and the elderly. Convicted for their role in the scheme were Daniel William Heath, 51, formerly of Chino Hills, California, Denis Timothy O'Brien, 53, formerly of Yorba Linda, California, and Heath's father, John William Heath, 81, formerly of Covina, California. Daniel Heath was found guilty on 400 felony counts, O'Brien on 70 felony counts, and John Heath on 52 felony counts. In 2004, the Riverside County District Attorney's Office arrested and charged them with committing securities fraud, elder abuse, grand theft, money laundering, tax fraud, and conspiracy, all under California law. Larre Jaye Schlarmann, 52, formerly of Carlsbad, California, was also arrested, pleaded guilty to securities fraud, elder abuse, money laundering, and tax fraud, and was sentenced to serve 15 years in state prison.

Daniel Heath faces a maximum of 117 years in state prison, O'Brien 37 years, and John Heath 28 years. Sentencing hearings are scheduled for John Heath on February 22, O'Brien on February 27, and Daniel Heath on March 21, 2008.

In April 2004, the Commission filed a complaint against Daniel Heath and his entities, and O'Brien, alleging they fraudulently induced elderly investors through "free lunch" seminars to invest in "secured" notes that paid a "guaranteed" return. The court appointed a permanent receiver over the Heath entities. Final judgments of permanent injunction and other relief were entered against Heath and O'Brien enjoining them from violating the antifraud, securities registration, and broker-dealer registrations provisions of the federal securities laws for their role in the scheme. The judgments ordered Heath and O'Brien to disgorge to the receiver their ill-gotten gains plus prejudgment interest. The Commission then instituted administrative proceedings against Heath and O'Brien barring them from association with a broker or dealer.

Heath and O'Brien consented to the entry of the final judgments and administrative orders without admitting or denying the Commission's allegations and findings. In September 2007, the Commission instituted administrative proceedings against Martin S. Duffield, 52, of West Covina, California, and Raul A. Jordan, 52, of Pasadena, California, for violating the antifraud, securities registration, and broker-dealer registrations provisions for their role in the scheme. Duffield was barred association with any broker or dealer and Jordan was barred from association with any broker or dealer, with the right to reapply for association after five (5) years to the appropriate self-regulatory organization, or if there is none, to the Commission. Duffield and Jordan were ordered to disgorge ill-gotten gains to the receiver plus prejudgment interest. Duffield and Jordan consented to the entry of the orders without admitting or denying the Commission's findings.

Administration of the court-order receivership over the Heath entities will continue.

The Commission wishes to acknowledge and thank the Riverside County District Attorney's Office for their assistance in this matter.

<http://www.sec.gov/litigation/litreleases/2008/lr20438.htm>