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## Investment firm CEO charged in pyramid scheme pleads guilty

Baltimore Business Journal - by [Rachel Sams](#) Staff

David McDowell Robinson of Baltimore pleaded guilty Wednesday to 27 counts of mail and wire fraud, according to the Maryland U.S. Attorney's office.

The plea came as jury selection was set to begin today for Robinson's federal trial, the U.S. Attorney's office said.

Robinson, 56, was indicted in March in an alleged \$8 million Ponzi scheme affecting more than 900 investors, including victims of Hurricane Katrina.

The case "demonstrates how important it is for people to be cautious about investment proposals that sound too good to be true," said U.S. Attorney Rod J. Rosenstein in a news release.

The indictment claims that Robinson told investors his company, **Liberty Trade International**, would provide short-term financing to home buyers or people refinancing their homes, which would generate the returns necessary to pay the promised interest rate on their investments. Robinson told investors the loans would be secured by liens against real estate with substantial value, and Liberty Trade would also create a reserve account to repay investors, according to the indictment.

But instead, investors allegedly received promissory notes with no collateral and no insurance. Robinson made only about \$300,000 in loans to people who were personal acquaintances of his, the indictment claims. To pay returns to investors, Robinson allegedly began a "Ponzi scheme," a pyramid scheme in which money from newly recruited investors is used to pay a return to earlier investors.

Liberty Trade began to run out of funds to pay its investors in November 2005, the indictment claims. Liberty Trade then allegedly sent an employee to Gulfport, Miss., to solicit investors, and took in about \$80,000 from investors in the area, including many people who had recently been affected by Hurricane Katrina.

The securities division of the **Maryland Attorney General's Office** began investigating Liberty Trade in February 2006, according to the indictment, and the company's assets were put under the control of a court-appointed receiver in March 2006.

Liberty Trade's only assets were bank accounts of \$1.4 million; \$300,000 in outstanding loans;

and ownership interests in properties in Georgia and North Carolina worth less than the amount paid to acquire them, the indictment claims.

Robinson allegedly spent more than \$600,000 of investor money on personal items, leases of luxury automobiles and a mink coat for a girlfriend, the **U.S. Attorney's Office** said.

Robinson faces a maximum sentence of 20 years in prison and a \$1 million fine on each of the 27 counts of mail and wire fraud. His sentencing date has not yet been scheduled.

The **FBI** investigated the case along with the Maryland Attorney General's securities division. Assistant U.S. Attorney Jefferson Gray and Special Assistant U.S. Attorney Lori Leonovicz are prosecuting the case.

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