

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MARYLAND
(Northern Division)**

| | | |
|---------------------------------|---|---------------------------------------|
| UNITED STATES OF AMERICA |) | CRIMINAL NO. RDB-07-087 |
| |) | |
| v. |) | (Wire Fraud, 18 U.S.C. § 1343; |
| |) | Mail Fraud, 18 U.S.C. § 1341; |
| DAVID McDOWELL ROBINSON, |) | Causing an Act to be Done, |
| |) | 18 U.S.C. § 2(b)) |
| <i>Defendant.</i> |) | |
| <hr/> | | |

INDICTMENT

COUNTS ONE THROUGH FIVE
(Wire Fraud)

The Grand Jury for the District of Maryland charges that:

GENERAL ALLEGATIONS COMMON TO ALL COUNTS

At all times relevant to this Indictment, or at the dates and times indicated:

1. Liberty Trade International, Inc. (LTI), was a Maryland corporation that was originally incorporated on or about April 8, 2003, and that was put into a court-ordered receivership on or about March 24, 2006. LTI purported to be a real estate investment trust (REIT) that offered extremely high rates of return on short-term investments. LTI originally operated out of a condominium residence located at 7208 Bogley Road, # 202, Windsor Mill, Maryland, although this was identified as "Suite 202" in LTI's communications with investors. In early March 2006, LTI moved to an office at 2 East Rolling Crossing Road, Suite 251, Baltimore, Maryland.

2. Defendant **DAVID MCDOWELL ROBINSON (ROBINSON)** was LTI's sole shareholder, President, Chief Executive Officer, original director, and one of its incorporators.

3. As LTI's President, Chief Executive Officer, and sole shareholder, **ROBINSON** made all of the significant decisions about the company's operations, including how to advertise for new investors; what representations would be made to new investors; and what would be done with the funds received from new investors. **ROBINSON** also determined what representations and additional solicitations would be made to LTI's existing investors.

4. Until LTI was placed into receivership by the Baltimore County Circuit Court on March 24, 2006, **ROBINSON** controlled all of LTI's assets. **ROBINSON** also controlled bank accounts that he established in LTI's name at Bank of America and M&T Bank.

5. Financial Destination, Inc. (FDI) is a multi-level marketing company based in Derry, New Hampshire. FDI charges its members a monthly membership fee, in return for which they obtain access to information about various financial education and investment opportunities. FDI offers seminars, workshops, and conferences and represents that it has affiliates in almost thirty states nationwide. FDI also pays some of its members "residual income" based upon a portion of the membership fees generated by others whom those members have persuaded to subscribe to its programs. Many of LTI's investors were also members of FDI.

6. From in or about September 2004, when LTI began accepting investments, until the court-appointed receiver took control of LTI's affairs on March

24, 2006, LTI received funds totaling in excess of \$8 million, more or less, from over 900 investors. These funds were typically transferred to LTI from the investors' bank accounts or other investment accounts by means of wire transfers.

7. In February 2006, the Securities Division of the Maryland Attorney General's Office commenced an investigation of **ROBINSON** and LTI. This investigation caused the Securities Division to seek a Temporary Restraining Order against LTI, which was granted by the Baltimore County Circuit Court in mid-March, 2006. The Securities Division then sought a Permanent Injunction against LTI and an order placing LTI and its assets under the control of a Court-appointed receiver. The Circuit Court granted both of these requests on March 24, 2006.

8. After the court-appointed receiver took control, it calculated that LTI owed its investors \$4.424 million in principal and \$2.658 million in interest payments, for a combined total owed to its investors of approximately \$7.082 million, more or less. The receiver calculated that by February 2006, LTI's obligations on its investors' funds were accruing at a rate of over \$600,000 a month. In contrast, LTI's assets at the time it was taken over by the receiver in late March 2006 consisted of balances totaling approximately \$1.4 million in its bank accounts; approximately \$300,000.00 in outstanding personal and business loans of varying collectibility; and ownership interests in real estate that were worth substantially less than the approximately \$2 million LTI expended to acquire them.

THE SCHEME AND ARTIFICE TO DEFRAUD

9. From in or about September 2004 and continuing until on or about March 24, 2006, in the District of Maryland and elsewhere,

DAVID MCDOWELL ROBINSON,

the defendant herein, did knowingly and willfully devise and attempt to devise a scheme and artifice to defraud hundreds of investors and to obtain money and property totaling approximately \$8 million, more or less, by means of false and fraudulent pretenses, representations, and promises, including failures to disclose relevant and material facts, as set forth in paragraphs 10-27 below.

MANNER AND MEANS OF THE SCHEME AND ARTIFICE TO DEFRAUD

10. It was a part of the scheme and artifice to defraud until shortly before LTI was taken into receivership, LTI offered investors three different investment options in what it called "Phase I" of its investment program: invest \$2,500 at a 20% rate of return over sixty (60) days; invest \$5,000 at a 25% rate of return over ninety (90) days; or invest \$10,000 at a 30% rate of return over one hundred and twenty (120) days. LTI represented to investors that their funds would be used to provide short-term "gap financing" to home buyers who were purchasing, or home owners who were refinancing, their homes. **ROBINSON** made these representations even though **ROBINSON** knew that LTI was a new and untested company with no track record of investment success, no significant cash reserves, and no realistic expectations of being able to invest funds itself at the necessary rates of return of 90% to 120% annually required to pay its investors the returns it advertised.

11. It was further a part of the scheme and artifice to defraud that in return for their investments, LTI investors received unsecured, uncollateralized, and uninsured promissory notes whereby LTI guaranteed that it would pay the investor their chosen rate of return over the time period selected by the investors. Other than LTI's representation that it could pay the advertised rates of return, there was nothing standing behind the notes. LTI never registered its activities with either the United States Securities & Exchange Commission (SEC) or the Division of Securities of the Office of the Maryland Attorney General, and thus neither agency ever reviewed the representations LTI made to potential investors.

12. It was further a part of the scheme and artifice to defraud that, having devised the aforementioned scheme and artifice to defraud, and for obtaining money and property by means of materially false and fraudulent pretenses, representations, or promises, **ROBINSON** and LTI: (a) caused electronic mail messages to be sent to potential investors soliciting investments in LTI or providing materially false, fraudulent, or incomplete information about **ROBINSON** and LTI, and otherwise communicated with LTI investors by means of electronic mail; and (b) utilized facsimile (fax) machines to transmit various materials about **ROBINSON** and LTI to investors and potential investors that were materially false, fraudulent, and misleading, including LTI's mission statement, biographical information about **ROBINSON**, and signed promissory notes and copies of checks supposedly reflecting payment of interest and/or principal. **ROBINSON** and LTI also received communications from LTI investors by facsimile.

13. It was further a part of the scheme and artifice to defraud that **ROBINSON**, who became a member of FDI, and another LTI employee attended FDI meetings and solicited other FDI members to invest in FDI. Some individual FDI members who joined LTI also urged other FDI members to invest with LTI. LTI also made use of FDI's communications network – particularly a voice-mail message service called "VoiceAmerica" and FDI's website – to publicize its investment program. FDI eventually directed **ROBINSON** to advise investors that LTI was not part of FDI.

14. It was further a part of the scheme and artifice to defraud that LTI further represented to investors that "Phase I" of its investment program would eventually be replaced by "Phase II," in which LTI would build, buy or renovate single family homes. LTI further represented to investors that in "Phase III" of its development, it would purchase commercial real estate; and that in "Phase IV," it would establish its own bank for the purpose of real estate lending.

15. It was further a part of the scheme and artifice to defraud that during "Phase I," LTI made only a small number of loans totaling approximately \$300,000.00, more or less, to individuals and a small business at rates of interest that were far lower than those cited in its representations to potential investors. The individuals and small business who received these loans – most of whom were personal acquaintances of **ROBINSON**'s – were not creditworthy, and **ROBINSON** did little to verify their ability to repay the loans they received. None of the loans was extended until late October, 2005, shortly before the original announced termination date of "Phase I," and almost none of the loans had been repaid when LTI was taken into receivership in late March 2006. Thus, the loans to individuals that **ROBINSON** caused LTI to make were

not reasonably capable of generating the returns necessary to cover LTI's obligations on the promissory notes it tendered to investors, and these loans did not in fact generate such returns.

16. It was further a part of the scheme and artifice to defraud that because LTI's actual commercial activity during "Phase I" was incapable of generating the returns **ROBINSON** needed to meet LTI's obligations to its investors, **ROBINSON** used the bulk of the invested funds received by LTI to make the promised "interest payments" to earlier investors. Between September 2004 and March 2006, LTI made payments of principal or "interest" totaling approximately \$3.589 million, more or less, all of which was derived from principal invested by other LTI investors. LTI therefore constituted a classic Ponzi scheme in which an initial group of investors receive outsized returns and then promote the investment opportunity to others, whose own subsequent investments make it possible for a period of time to continue to pay the extraordinary rates of return offered, until eventually the amounts owed as principal and interest mushroom to such an unsustainable level that the entire scheme collapses.

17. It was further a part of the scheme and artifice to defraud that **ROBINSON** represented to investors that in "Phase I" of LTI's investment program, "trust investments are only made to assist property owners purchase or refinance property when they find themselves in desperate need of additional funding resulting from last minute circumstances beyond their control and they cannot liquidate other assets in a timely manner to settle a mortgage loan," even though **ROBINSON** knew that LTI had few lending opportunities of the type he described, and none of the loans that LTI did extend matched the circumstances described.

18. It was further a part of the scheme and artifice to defraud that although **ROBINSON** represented that during “Phase I,” LTI investments would be secured by placing liens against real estate having existing equity of at least \$75,000.00, as well as by a separate reserve account owned by LTI established for the purpose of ensuring timely repayments and interest to investors, no liens were in fact placed on behalf of LTI against any real estate prior to the establishment of the Court-ordered receivership, and no reserve account was established for LTI until February 2006.

19. It was further a part of the scheme and artifice to defraud that **ROBINSON** and LTI represented that it was a “Real Estate Investment Trust,” although no trust documents had been executed, and **ROBINSON** could and did make personal use of invested funds as he desired.

20. It was further a part of the scheme and artifice to defraud that **ROBINSON** caused LTI’s promotional literature to provide false and misleading information about his credentials and experience, including the following:

(a) that **ROBINSON** had “over 30 years experience in both residential and commercial real estate transactions,” when in fact **ROBINSON** had worked in a variety of legal and government jobs that did not involve real estate between 1978 and 1989, and he was incarcerated both in 1989-90 and again from 1995-2003;

(b) that **ROBINSON** was “certified by the prestigious National Development Council as an Economic Development Finance Professional,” when in fact this was not the case;

(c) that **ROBINSON** was a “Dr.,” whereas **ROBINSON** did not hold a Ph.d., and law school graduates like **ROBINSON** are not typically addressed as “doctor”;

(d) that **ROBINSON** had developed “a nationally recognized pension plan under Section 403(b) of the U.S. Internal Revenue Code” while he was associated with Financial Diversified Services, when this was not the case; and

(e) that **ROBINSON’s** tenure as President and Managing Partner of Financial Diversified Services (FDS) was a “highlight” of his career, when in fact **ROBINSON** pled guilty in federal court to defrauding FDS and its founder, received an 85-month federal prison sentence partly based upon his conduct at FDS, and FDS and its founder had obtained a civil judgment against **ROBINSON** for over \$450,000.00.

21. It was further a part of the scheme and artifice to defraud that **ROBINSON** allowed LTI’s promotional materials to suggest that he was a licensed attorney, and **ROBINSON** told some LTI investors that he was an attorney, when in fact **ROBINSON** was never licensed to practice law in Maryland or any other state.

22. It was further a part of the scheme and artifice to defraud that LTI’s promotional materials omitted relevant and material facts about **ROBINSON** that would reasonably be expected to be of concern to a reasonable and prudent person in making the decision to invest with LTI, such as the facts that **ROBINSON** had served a combined sentence of 106 months in federal prison after pleading guilty to charges of mail fraud arising from three different fraud schemes in 1996, one of which involved a real estate investment fraud; that **ROBINSON** also had a another prior criminal conviction in Anne Arundel County Circuit Court in 1989 for fraudulent misappropriation by a fiduciary and misconduct in public office; and that **ROBINSON** was serving a term of supervised release resulting from his federal criminal convictions throughout the nearly three years in which he operated LTI.

23. It was further a part of the scheme and artifice to defraud that in the latter part of 2005 and the first part of 2006, **ROBINSON** caused LTI to begin to advertise that it was about to commence “Phase II” of its plan of operations, whereby individuals who invested between \$5,000 and \$25,000 for a nine-month period would be guaranteed a 25% rate of return. Because this rate of return was not as attractive as those offered under “Phase I,” however, few persons invested in “Phase II” before the Baltimore County Circuit Court placed LTI in receivership.

24. It was further a part of the scheme and artifice to defraud that starting in November 2005, as part of its planned transition to “Phase II,” **ROBINSON** caused LTI to begin investing in real estate in the Atlanta, Georgia area and in Davidson County, North Carolina. Between November 2005 and March 2006, **ROBINSON** expended approximately \$2.035 million in payments of earnest money and in acquiring properties and interests in properties, and in making loans to developers. Once again, however, **ROBINSON** did little in the way of due diligence before making these purchases and loans. Many of these purchases and loans were ill-considered or inadequately secured, and the court-appointed receiver ultimately found that the actual market value of these properties and the effective return on the loans was far less than the over \$2 million **ROBINSON** caused LTI to expend.

25. It was further a part of the scheme and artifice to defraud that although **ROBINSON** represented to investors and the LTI Board of Directors that he did not take a salary from LTI and that “100%” of investments in LTI were “used for legitimate business expenses (including operating expenses and monthly salary for corporate secretary),” **ROBINSON** in fact depleted LTI’s financial resources and violated his own

fiduciary obligations to LTI's investors by expending investment funds on personal items, presents for female friends and a family member, and costly leases of luxury, high-end automobiles. These expenditures, which between September 2004 and March 2006 totaled in excess of \$600,000.00, more or less, included:

- (a) over \$134,000.00 for automobile-related expenses, including down payments and lease payments on a 2005 Chrysler 300, three different Mercedes Benz vehicles, a Jeep, and an Acura;
- (b) cash withdrawals totaling almost \$417,000.00, of which more than \$112,000.00 went into Robinson's personal account;
- (c) over \$30,000.00 in jewelry and furs, including but not limited to a Mikimoto pearl pendant, a Mikimoto pearl and diamond pendant, and a mink coat for a woman with whom **ROBINSON** was romantically involved;
- (d) over \$10,000.00 for items of clothing other than fur coats;
- (e) \$42,000.00 as a down payment on a townhouse in Owings Mills that was purchased by **ROBINSON**, and almost \$15,000.00 in mortgage payments;
- (f) over \$5,300.00 to opticians and eye care professionals for himself and a female friend;
- (g) over \$45,000.00 in furniture for his town house, the apartment he rented prior to living in the town house, the home of a female friend, and his office at a mortgage firm where **ROBINSON** also worked during the period he was operating LTI; and
- (h) roughly \$3,700.00 on collectible statuary items.

26. It was further a part of the scheme and artifice to defraud that by late November 2005, as a result of its payments of principal and “interest” to earlier investors and **ROBINSON’s** personal expenditures, LTI was starting to run short of funds. This threatened to make it impossible for LTI to meet the demands of its investors for scheduled interest payments and the return of their principal.

ROBINSON therefore caused LTI to extend the “Phase I” investment program until the end of January 2006. **ROBINSON** also caused LTI to conduct a special investment solicitation in December 2005. These efforts generated more than \$4 million in new investments for LTI in December 2005 and January 2006 alone.

27. It was further a part of the scheme and artifice to defraud that in January 2006, as part of this search for additional new investors, **ROBINSON** paid for an LTI employee to travel to Gulfport, Mississippi to make a presentation about LTI. Some of those who attended this presentation were victims of Hurricane Katrina in September 2005. LTI received approximately \$80,000 in investments from residents of the Gulfport, Mississippi area as a result of this presentation.

THE CHARGES

28. On or about the dates set forth below, in the District of Maryland and elsewhere,

DAVID MCDOWELL ROBINSON,

the defendant herein, having devised and intending to devise a scheme and artifice to defraud and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises, knowingly and willfully transmitted and

caused to be transmitted by means of wire communication in interstate commerce writings, signs, signals, pictures, and sounds, namely, the wire transmissions set forth below:

| COUNT | DATE | DESCRIPTION OF WIRE TRANSMISSION |
|--------------|-------------|--|
| 1 | 8/3/2005 | Electronic mail transmission sent from an LTI employee in Baltimore, Maryland to T.R.W., a potential investor in West Orange, New Jersey, responding to T.R.W.'s questions about LTI |
| 2 | 8/27/2005 | Electronic mail transmission containing background information about LTI and its investment program sent from an LTI employee in Baltimore, Maryland to J.M., a potential investor in Pittsburgh, Pennsylvania |
| 3 | 11/30/2005 | Electronic mail transmission relating to the closing of Phase I of LTI's investment program and the start of Phase II sent from an LTI employee in Baltimore, Maryland to A.V., an LTI investor in San Jose, California |
| 4 | 12/10/2005 | Electronic mail transmission relating to a special LTI investment opportunity closing on December 12, 2005 sent from an LTI employee in Baltimore, Maryland to A.V., an LTI investor in San Jose, California |
| 5 | 2/22/2006 | Electronic mail transmission sent on behalf of LTI by a computer consultant who was an independent contractor to LTI in Catonsville, Maryland to E.D., an LTI investor in Miami, Florida, transmitting "LTI's History of Financial Transactions from April 8, 2003 to February 16, 2006" |

18 U.S.C. § 1343
18 U.S.C. § 2

COUNTS SIX THROUGH NINETEEN
(Mail Fraud)

The Grand Jury for the District of Maryland further charges:

1. The allegations contained in Paragraphs 1 through 27 of Count One are realleged and incorporated by reference as though fully set forth herein.
2. On or about the dates set forth below, in the District of Maryland and elsewhere,

DAVID MCDOWELL ROBINSON,

the defendant herein, for the purpose of executing the scheme and artifice to defraud and attempting to do so, knowingly and willfully caused to be placed in any post office or authorized depository for mail matter to be delivered by the Postal Service according to the directions thereon the following mail matter from LTI, 7208 Bogley Road, Suite 202, Windsor Mill, Maryland, as set forth below:

| COUNT | DATE | ADDRESSEE'S INITIALS & LOCATION | ITEM MAILED |
|--------------|-------------|--|--|
| 6 | 6/23/2005 | JPW Baltimore, MD | Two Promissory Notes Reflecting Principal Investments of \$2,500 each in LTI |
| 7 | 9/9/2005 | JPW Baltimore, MD | Two Promissory Notes Reflecting Principal Investments of \$3,000 each in LTI |
| 8 | 11/9/2005 | NOA Brandywine, MD | Two Promissory Notes Reflecting Principal Investments of \$3,000 each in LTI |
| 9 | 12/20/2005 | NOA Brandywine, MD | Three Promissory Notes Reflecting Principal Investments of \$3,600 each in LTI |

| | | | |
|----|------------|--------------------------|---|
| 10 | 12/20/2005 | BO Reidsville, NC | One Promissory Note Reflecting Principal Investment of \$6,480 in LTI |
| 11 | 1/2/2006 | CCA Brandywine, MD | One Promissory Note Reflecting Principal Investment of \$2,500 in LTI |
| 12 | 1/10/2006 | TB Elizabeth, NJ | Two Promissory Notes Reflecting Principal Investments of \$2,500 each in LTI |
| 13 | 1/21/2006 | EMG Essex, MD | Two Promissory Notes Reflecting Principal Investments of \$2,500 each in LTI |
| 14 | 1/21/2006 | SR Baltimore, MD | Promissory Note Reflecting Principal Investment of \$5,184 in LTI |
| 15 | 1/26/2006 | DR Baltimore, MD | Promissory Note Reflecting Principal Investment of \$2,500 in LTI |
| 16 | 1/26/2006 | CCA Brandywine, MD | Three Promissory Notes Reflecting Principal Investments of \$2,500 each in LTI |
| 17 | 2/3/2006 | WR & SR Baltimore, MD | Promissory Note Reflecting Principal Investments of \$2,500 in LTI |
| 18 | 2/15/2006 | OA Brandywine, MD | Two Promissory Notes Reflecting Principal Investments of \$2,500 each in LTI |
| 19 | 3/15/2006 | TB Elizabeth, NJ | Two Promissory Notes Reflecting Principal Investments of \$3,000.00 each in LTI |

18 U.S.C. § 1341
18 U.S.C. § 2

A TRUE BILL:

ROD J. ROSENSTEIN
United States Attorney

Foreperson

Date