



Tuesday  
March 14, 2000

- Home
- Search
- Index
- Help

NEWS

Top Stories

- News
- Sports
- Opinion
- Business
- Arts&Features
- Columns
- Cartoons
- Weather
- Religion
- Archive



INFORMATION

- Obituaries
- ClickTV Listings
- Newspaper in Education
- Events&Promotions
- Subscribe
- Advertise
- Contact Us
- About Us

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*News*

## Millions lost as scam collapses

March 12, 2000

BY MICHAEL D. SALLAH and JULIE McKINNON  
BLADE STAFF WRITERS

NAPLES, Fla. - On a cool Florida evening two months ago, more than 100 people were invited to the sumptuous penthouse office of investment adviser David Mobley to toast champagne to another stellar year.

Surrounded by tapestries and paintings, the guests - a mix of business people and retirees - huddled around the trading guru who had been boasting of spectacular returns with their money.

"People felt honored to be in his presence," recalls Naples attorney Chris Vernon.

The 43-year-old adviser and founder of the investment company had never let them down.

Ever since he had arrived in this upscale community on Florida's west coast eight years earlier, he always pledged: I will make you money.

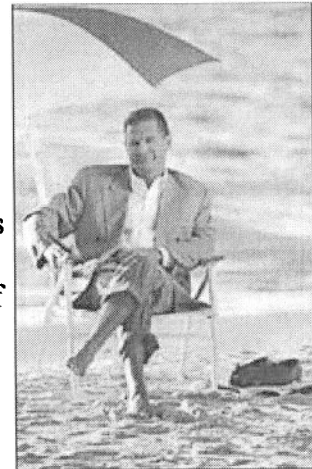
And year after year, he kept his promises, with his Maricopa Funds showing 51 per cent returns.

More impressive was his background: a poor boy from Toledo who was raised in the inner city by working-class parents.

A former Jeep assembly worker, he lacked the money to go to college but not the passion to succeed, he told his admirers. "People were impressed with him," recalls Brett Franklin. "Everyone thought they were rolling in dough."

But the only person rolling in dough was Mr. Mobley, say federal agents.

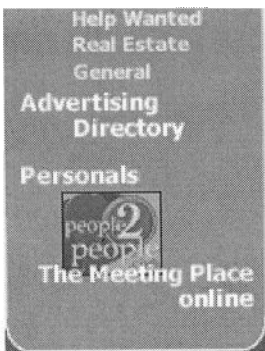
The self-styled investment guru with the boyish looks and expensive



David Mobley lived a lavish lifestyle in upscale Naples, Fla. He has admitted to using \$60 million in his clients' money.

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sports cars was charged two weeks ago in a massive civil fraud that wiped out the investment savings of scores of people, say lawyers and investigators.

Some of the victims may be forced to sell their homes and are meeting with lawyers about filing for bankruptcy.

"We may end up with some suicides by the time this is all over," said Bill Branscum, a former U.S. Treasury agent who is assisting investors. "These are people here who have lost their life's savings."



FBI and IRS agents cart off documents after they raid David Mobley's lavish office in Naples, Fla., on Feb. 23. Stunned investors stood by watching. (Scripps Howard News Service Photo)

A team of FBI agents raided the Macomber High School graduate's posh offices here two weeks ago, carting away boxes of financial records as part of an ongoing criminal probe.

What investors here never knew was the man to whom they entrusted their savings over the last eight years left a troubled past in Toledo, including a personal bankruptcy, two bad-check arrests, and a grand jury indictment for grand theft that was dropped after he agreed to return \$20,000 to a fellow church member.

"No one bothered to look into his background," said Bob Bratton, a former Northwood detective who investigated the investor in the early 1990s.

In a tearful statement to investigators last month, Mr. Mobley admitted he feigned the astronomical returns on his clients' investments and had spent large portions of their money.

Some of it went to buy a \$1.7 million chalet on a mountain in Colorado, a \$1 million home on a golf course in Naples, and homes for his sister and daughter, he told investigators.

Some of it went to buy a \$98,000 Porsche, and a \$40,000 diamond ring for his wife, Gwen.

"His was a lifestyle of conspicuous consumption," said Mr. Branscum, who was hired by investors to look into the money manager's past.

In all, federal agents charge that Mr. Mobley duped his clients out of \$59 million over the past seven years. "It's an incredible tragedy," says Mr. Vernon, the lawyer representing 30 victims.

And it is a scandal that has remarkable parallels to another fraud case involving another native Toledoan: Marty Frankel.

There is no reason to believe the two men knew each other, but there are strong similarities in their cases.

Acting as brokers, both pretended to be investing money with phenomenal returns but were actually using the funds to support extravagant lifestyles.

While Mr. Frankel has been indicted by a federal grand jury in Connecticut, Mr. Mobley is under criminal investigation by the U.S. attorney's office here. No charges have been filed.

As in many securities cases, civil fraud charges are filed first to protect any leftover assets before they can be stolen.

Of the \$140 million he once managed for 170 people - mostly Naples area residents - only \$33 million remains, records show.

More surprising to people is that Mr. Mobley had been a rising star in the Florida financial world, gaining national attention for his fund performances and hobnobbing with Gov. Jeb Bush and ESPN founder Bill Rasmussen.

"All we knew was that he was this guy from Toledo, and he was incredible with his trading," says a former neighbor.

So far, he has refused to talk to reporters and has been ducking calls from clients trying to find out what went wrong.

A Blade reporter went to Mr. Mobley's home last week in a gated community with moss-draped hickory trees and lush gardens but was escorted away by a security guard before anyone could answer the door.



David Mobley grew up in this wood-frame house on the corner of Trowbridge and Bishop streets.

"I'd have something to say to him if I had a chance," said Brett Franklin, a landscaper who turned over his savings of \$80,000 to the investor. His elderly mother's case is worse: She gave the guru \$1 million.

"It's been tough on her," he says.

The scandal has rocked this friendly enclave of retirees and snowbirds - many from the Midwest - who came here to escape the hustle bustle of Florida's east coast.

This is where neighbors still wave to one another and don't feel compelled to lock their doors.

"That's what makes this thing so tragic," said Mr. Branscum. "People trusted him. They held him in esteem."

But no one really seemed to know him.

### **Growing up in Toledo**

Growing up in a gritty, blue-collar neighborhood in Toledo, David Mobley vowed he would be a millionaire someday.

At the age of 13, he penned his goal on a piece of paper and taped it to a wall in his home at Trowbridge and Bishop streets, only to incur laughter and mockery by an older relative.

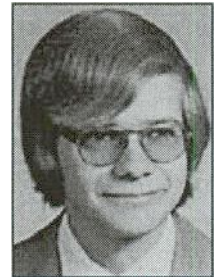
"It stung me," he later said in a speech.

But it also drove him.

The youngest of four siblings, he said years later he knew there was a better life, and that "I could achieve my dreams."

He claimed that he talked his parents into opening a brokerage account for him at Merrill Lynch in 1969. "I had to fund the account myself from lawn mowing and odd jobs," he said.

It was the start of a fascination with wealth that he said would eventually lead him to his trading career in Florida.



David Mobley in his 1974 Macomber Vocational High School class photo.

While most children from his neighborhood were expected to follow in the footsteps of their parents and work in the factories of Toledo, he said he always dreamed of rising above the drudgeries of daily existence.

"He wasn't just your normal Joe," recalls his first wife, Cathy Miller. "He was going to be somebody."

He hung out at downtown brokerage houses such as Merrill Lynch, watching the quote machines while his friends were playing baseball.

He lost an older brother, Daniel, in Vietnam, an event that would traumatize the family and affect the younger brother deeply, he later recalled.

He went to public schools, graduating from Macomber Vocational High School in 1974 with little recognition. A few months later, he married Ms. Miller.

The young family man held odd jobs, and lasted about eight months in 1976 on the assembly line at Jeep - a job he said later convinced him he was not going to spend his life toiling for others.

He wanted to work for himself - a dream that came true only after the unexpected death of his father, a truck driver, in 1978.

David ended up taking over the management of a few inner-city rental homes owned by his mother, Ethel, and soon bought more houses.

His first setback in business occurred in the late 1970s when the local economy began to take a dive and his renters were suddenly laid off from their jobs. "I fell into serious debt," he later said.

Though he claims in his Maricopa sales brochure he enjoyed a "successful 22-year business career" before moving to Florida, he filed for personal bankruptcy in 1982.

Two years later, with two young children, he was divorced.

By then, things were getting worse: He was charged twice with writing bad checks - both misdemeanors - and ordered to pay \$60 in court costs in Toledo Municipal Court.

By the late 1980s, Mr. Mobley said he recovered from his problems, and began developing real estate.

At the time, farmers were undergoing tough economic times, and Mr. Mobley saw opportunities to subdivide their land to make room for houses. He would split the proceeds with the farmers.

But again, more problems.

Though Mr. Mobley agreed to share the profits of lot sales with Paul and Kathy Piehl, who owned farmland outside Toledo, the couple claimed Mr. Mobley failed to give them their share on the sale of two lots - about \$30,000.

"He just took their money," says Bob Bratton, now a chief deputy with the Ottawa County Sheriff's Office.

The couple won a judgment in Lucas County Common Pleas Court, but only recovered about a third of the money.

Mr. Mobley was also failing to pay numerous contractors who did work for his company, said Mr. Bratton.

Shortly after Mr. Mobley moved to Florida, he was indicted by the Wood County grand jury on grand theft charges stemming from a \$20,000 business deal with a fellow member of Cornerstone Church in Toledo.

Mr. Mobley used the money for mortgage payments, a cell phone bill, and other personal expenses, reports stated.

The charges were dropped after Mr. Mobley agreed to make restitution. Others were stepping forward to say Mr. Mobley owed them money, but it was too late: He was already gone.

### **New life in Florida**

David Mobley drove a weathered, 1979 white Mercedes into Naples in 1991 and immediately called it home.

It was warm, trendy, and more than 1,200 miles from his hometown.

Now with his second wife, Gwen, and two teenage children of his first marriage, he was determined to start over, he told people.

It didn't take long before he began to rise in Naples society. He joined a local church and opened a small office known as Maricopa International Investment Corp., in 1992, records show.

What struck people immediately was his work ethic. "The guy would be in his office early in the morning and late at night," recalls Mahesh Johari, who later worked for the investor. "He was always working."

He slowly began to solicit clients.

He joined several charities, including Big Brothers/Big Sisters and was a noted contributor to Quest Educational, a group devoted to helping deprived children obtain scholarships.

He also began the first in a series of investment funds - unregistered and unaudited - that paved the way for his rise in the high-stakes world of finance.



David Mobley's Maricopa Investments occupied the 7,000-square-foot penthouse of Newgate Tower in Naples, Fla.

First, he set up his company as an umbrella for a group of investor pools known as "hedge funds." These are pools that are restricted to investors with high net worth or incomes of more than \$200,000 a year - perfect for the well-heeled retirees and snowbirds of Naples.

The funds are exempt from most disclosure laws, and the person managing the funds does not have to be a stockbroker.

"It was a perfect ploy for him," said Mr. Branscum.

Relying heavily on Treasury debt futures and stock index options, hedge funds are designed to earn money even in down times.

Indeed, Mr. Mobley's funds surpassed all expectations.

He began to post the earnings, showing 50 per cent returns even after he took out his 30 per cent fees. "It was too good to be true," said lawyer Chris Vernon. "No one knew him, but people were impressed with his numbers."

In time, he signed up investors.

He began to be invited to trading seminars and investor conferences. A noted trading psychologist, Dr. Van Tharp of North Carolina, began to tout the success of Mr. Mobley in books and on web sites.

Mr. Mobley surrounded himself with family members - wife Gwen became his chief financial officer, brother Bill was president, son David, Jr., 25, was vice president of market analysis and trading.

In 1994, he bought a \$1 million home in the posh community of Quail West and a new Jaguar, records show. He leased a private jet, and set up an office in the Cayman Islands.

Because of his ties to Quest, a Naples charity, he began to mingle with the community's elite.

Quest became a draw for national figures who spoke at its conferences, and Mr. Mobley was quickly getting his picture taken with former President Bush and retired General Norman Schwarzkopf.

When his first wife made a trip to visit her children, she was surprised at what she saw.

"I'm thinking in the back of my mind, 'How do you do this in seven years?' "

The investor began to perk the interest of financial writers wanting to know more about his spectacular trading strategies.

In an interview with the Miami Herald last year, he described his funds: "What we do is very high risk. It is a race car; it is a fighter jet. It is not your dad's four-door car."

He began to invest in personal ventures, such as a cigar lounge called Heaven and a \$100 million golf course development with a stadium at the 18th green. One of his partners: Mr. Rasmussen, founder of ESPN.

Flush with new investors - most of them flocking to him in 1996 and 1997 - Mr. Mobley's funds were on the rise.

In an almost symbolic move, he leased the penthouse of the Newgate Tower offering a sweeping view of the Gulf of Mexico.

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The office features a trompe l'oeil ceiling, golf-leaf inserts, fluted columns, Old Florida oil paintings, and ornate chandeliers.

The once poor boy from Toledo had arrived.

### **Empire starts to fail**

It took one curious man to unravel the mystery.

A Naples investor began questioning the claims of Maricopa - a firm with a hotter track record than noted investor Warren Buffet of Berkshire Hathaway fame.

Few other funds, if any, showed the same consistent returns as Maricopa. Its worst year showed 34 per cent gains. Its best: 61 per cent.

So, when the investor hired experts to look into the Maricopa Funds, they were appalled at what they saw, recalls consultant Paul McKean.

"First, the funds were not open to third-party audits," he says. "Nothing. No accounting. They simply released whatever information they wanted to about the performance of their funds."

Secondly, experts discovered the so-called guru, Mr. Mobley, had been bankrupt in Toledo years earlier.

Third, when they interviewed Mr. Mobley about his strategies, "he talked all sort of stuff that to the unsophisticated investor, it might be impressive. He said he did not want to be audited because the auditor would be able to pick up on his trading secrets. It was all smoke."

Then came the bomb.

Late last year, Barron's, the popular financial weekly began to investigate the new trading guru.

In a front-page story last month, the magazine, which referred to Mr. Mobley as the "King of Naples," concluded his claims were highly doubtful. "Would You Trust Your Money to This Guy?" was the headline.

The article questioned how Maricopa could not lose money in its 88-month history, except for a few months.

It dug up details about Mr. Mobley's past, including his failed real-estate career and brushes with the law in Toledo.

The day the story broke, Mr. Mobley spent the night in his penthouse office, phoning his clients, says Mr. Branscum.

"He was nervous. He said it was all a smear campaign and that it was



coming from jealous fund managers," said Mr. Branscum.

Days later, it all collapsed.

The U.S. Securities and Exchange Commission immediately began investigating, and discovered that another agency, the Commodities Futures Trading Commission, already was on the case.

Mr. Mobley flew to Washington several days after the article was published to answer questions by SEC investigators. During emotional sessions over two days, he admitted to diverting his clients' money for his own use and faking investment returns, according to court affidavits.

He said he spent \$60 million of his clients' money and returned \$48 million to people who wanted to cash out early.

"It was basically an old-fashioned Ponzi scheme," said Tom Grady, of Naples, a lawyer for the victims.

Mr. Mobley said he doled out \$3.5 million to charities. He paid himself \$3 million in salary and bonuses in the last year, and said he was collecting \$1 million a year before that in personal salary.

He said he lost \$4 million in the Stadium Naples venture, a deal now under a federal bribery investigation because of the involvement of a Collier County commissioner.

Over the past two weeks, Mr. Mobley has been holed up in his house, telling neighbors that he and his wife are living apart.

He has not returned repeated calls from The Blade. When a Blade reporter went to the home of his brother Bill last week, the brother declined to comment. "I just can't say anything to you," he said as he closed the door.

Mr. Mobley's mother, Ethel, who now lives in Naples, did not want to talk about her son's troubles.

David Mobley issued a statement to the local press, saying only he was working to "seek every cent possible for the investors."

### **How did it happen?**

With most of his money gone, investor Brett Franklin is asking: How did it happen?

How did a businessman with a checkered past from Toledo ride into town and convince dozens of people to hand over their savings? "He just took everyone," says Mr. Franklin.

With more than \$33 million frozen by the government, victims could

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recover some of their money. But federal agents do not even want to speculate on how much.

"There's not much I can say to make people feel any better," says Bill Baker, associate director of enforcement for the SEC.

SEC officials are trying to find the assets under the direction of a receiver, Otto Obermier, who was appointed last week. Some say the victims may receive 30 cents on the dollar.

A few former Maricopa employees, who number about a dozen, say they are dumbfounded over the events unfolding. "Totally surprised," said Mahesh Johari, a mathematician who helped Maricopa design a computer program to develop investment strategies.

"I never knew Dave to scam anyone," said Mr. Johari, 28. "I thought he was a good guy. He spent so much time on his charity work, Big Brothers, the homeless."

Several times, the former employee said Mr. Mobley talked to him about God and the role of prayer in his life. "You got the feeling that he was religious."

One Naples resident is less than impressed. "He was a con artist," fumes Mr. Branscum. "We've had a lot of fraud cases in this community, but this could end up being the biggest."

Some critics say investors should have demanded audits or looked far more carefully at the man entrusted with their nest eggs.

Mr. Mobley is like so many others who get in trouble elsewhere, and move to Florida to reinvent themselves, says Mr. Branscum.

"They come into communities where so many people are from all over, and no one knows each other."

Mr. Branscum attributes much of Mr. Mobley's success in Florida to his charisma. "He knew how to charm people," he says.

Investigators say those investors who redeemed their money from Mr. Mobley over the years may have to return some of it. "This thing could go on for a long time," said Mr. Branscum.

In retrospect, Mr. Grady, the securities lawyer, said that investors were impressed by Mr. Mobley's apparent success and wealth. "No one really caught on to him, not right away," he said.

"I represent a family that once had \$10 million. Now they're broke."

That doesn't come as a surprise to Bob Bratton, the former detective who

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trailed Mr. Mobley a decade ago in the Toledo area.

"There were a lot of people in Toledo who were hurt, and who were owed money," said Mr. Bratton. "But this is so much bigger. Somehow, I knew Dave's name would come up again. I just didn't know when, or that it would be in such a big way."



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