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Mobley: Residents recall similar investment fraud case from 13 years ago

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By GINA EDWARDS, Staff Writer

The pain from 13 years ago came flooding back for Naples resident Audrey Ray in recent days.

She's been there.

She knows what it's like to lose hundreds of thousands of dollars to a con man. Thirteen years ago, the Naples con man was named Phillip Elliott, a local investment broker convicted of cheating investors out of \$60 million.

Tuesday, word spread that Naples investment manager David Mobley had confessed to orchestrating a massive securities fraud that authorities say cheated investors out of at least \$59 million.

"I feel for those people," Ray said. "I thought, 'Uh-huh, I know what that's like.' We were down there in the parking lot too," Ray said, referring to the handful of Naples investors who made a trip to the parking lot outside Mobley's offices on Tuesday. The alarmed investors watched FBI agents load boxes of evidence into a moving truck.

In this fast-growing community, memories can be short. Naples' wealthy retirees and trust fund heirs have long attracted con artists, and local professionals in the business of exposing fraud are issuing fresh warnings to investors.

In the last year, fraud indictments and securities regulatory complaints have filled local headlines.

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In July, Naples stock brokerage owner Anthony Marchiano was indicted for running a corrupt enterprise prosecutors say bilked investors out of \$100 million over six years. He's fighting the charges. In August, Naples real estate broker Sid Tweedy pleaded guilty to running an investment scam that federal prosecutors say cheated investors out of \$9 million.

In October, federal securities regulators named Marco Island resident Bill Short Jr. in a civil complaint as a participant in a \$300 million pyramid scheme. Short denies wrongdoing. Naples stockbroker Terry Van Zuidam is under investigation for stealing nearly \$3 million from his clients.

"Naples is a mecca for these characters who are drawn from the corners of the globe to prey on our families, friends and neighbors," said Bill Branscum, a local private investigator.

Branscum, of the firm Oracle International, opened an investigation of Mobley on behalf of several former investors in June 1999. He dug into Mobley's past and discovered red flags about his character and holes in Mobley's investment claims that suggested he shouldn't be trusted. Branscum said he passed along information uncovered in his investigation to federal authorities and regulators.

"This community should be outraged, and they should remain outraged until Mobley is in a concrete box," Branscum said.

Mobley hasn't been arrested, but he's provided sworn testimony to federal securities regulators admitting that he sunk millions of investors' dollars into his opulent lifestyle and failed business ventures while purportedly trading their money in the stock market.

Investors must protect themselves by knowing who they're dealing with instead of conducting business on the golf course, accepting someone's word as a bond and closing on a handshake, Branscum said.

James Hedges, managing director of LJH Global Investments, advises wealthy families and institutions on hedge fund investing by providing due diligence services. Hedges, who good-naturedly takes jokes about his name, said Maricopa approached his firm several times over the years to solicit investors but failed LJH's smell test.

"They weren't having audits so they had a license to steal," Hedges said.

Mobley told investors that audits would compromise his secret trading system. And Hedges said it appeared Mobley only managed investors' money part-time because of his other dalliances in real estate development and bar and restaurant ownership.

Based on the database his firm has compiled, hedge funds rarely offer returns greater than 25 percent a year, Hedges said. Mobley, who has admitted to creating bogus statements for clients, told investors his funds were generating 51 percent a year on average.

"It's naive investors with unrealistic expectations and it's fundamentally greed," Hedges said.

A hedge fund is comprised of high net-worth investors who pool their money and "hedge" bets on the ups and downs of the market. But Mobley used investors, some of them with just modest means, to line his own pockets, regulators claim. The majority of Mobley's clients live in Naples.

"The hedge fund world is not some dark mysterious world," Hedges said. "The term hedge fund was the guise he used to obscure information and get away with it."

Thomas Benson, president of Naples-based Diogenes Group Inc., said investors should avoid mysterious trading systems and instead demand quantifiable facts and figures from investment advisers.

"Markets like this bring out the crooks," said Benson, whose company provides the service Stockbroker Analysis that specializes in historical analysis of brokerage accounts for individual investors.

Regulators with the Florida Division of Securities say growth of fraud in Southwest Florida necessitated the expansion of a regional branch office in Fort Myers recently.

Both regulators and industry professionals say prevention is key because recouping money after a fraud occurs can turn into a slow nightmare for duped investors.

That was the case for victims of Elliott's scheme 13 years ago. Elliott, like Mobley, had created a so-called Ponzi scheme where new investors' money is used to pay off earlier investors.

Ray said she has received just pennies on the dollar from the court-appointed receiver brought in to oversee the liquidation of Elliott's assets. She still receives occasional letters from the receiver 13 years after the Elliott scam collapsed.

Her biggest distribution check has been a mere \$850. A jury convicted Elliott of multiple counts of fraud and one count of conspiracy in 1990. After exhausting all appeals, Elliott began serving a 15-year sentence in 1996.

For some of Elliott's 900 investors, the financial devastation was too much to bear.

"A friend of mine committed suicide. She lost her daughter's college education," Ray said.

Ray said many of Elliott's victims thought it could never happen to them. Elliott had cloaked himself in the outward signs of Naples' legitimacy.

"He threw wonderful parties. He had cars and a home on Gordon Drive."

All of it was impressive.

Bob Long, president of the private investigative firm Legal, Corporate and Financial Investigations, said typically con men are likable and personable. They heap compliments on those around them and flash money to gain credibility.

People often devote more energy to car shopping than checking out an investment professional to whom they trust hundreds of thousands of dollars, Long said.

In today's marketplace, neglecting to check out business partners can be just plain reckless, he warned.

"Naples, are you ready to listen?" Long said.



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