

**FOR FURTHER INFORMATION CONTACT**

**AUSA VICKIE E. LEDUC or  
MARCIA MURPHY at 410-209-4885**

**JUNE 26, 2007**

**FOR IMMEDIATE RELEASE**

<http://www.usdoj.gov/usao/md>

---

**FORMER CEO OF BETHESDA INVESTMENT COMPANIES PLEADS GUILTY  
TO STEALING \$1.261 MILLION AND TO INCOME TAX EVASION**

**Evaded \$388,798 in Taxes on Stolen Funds**

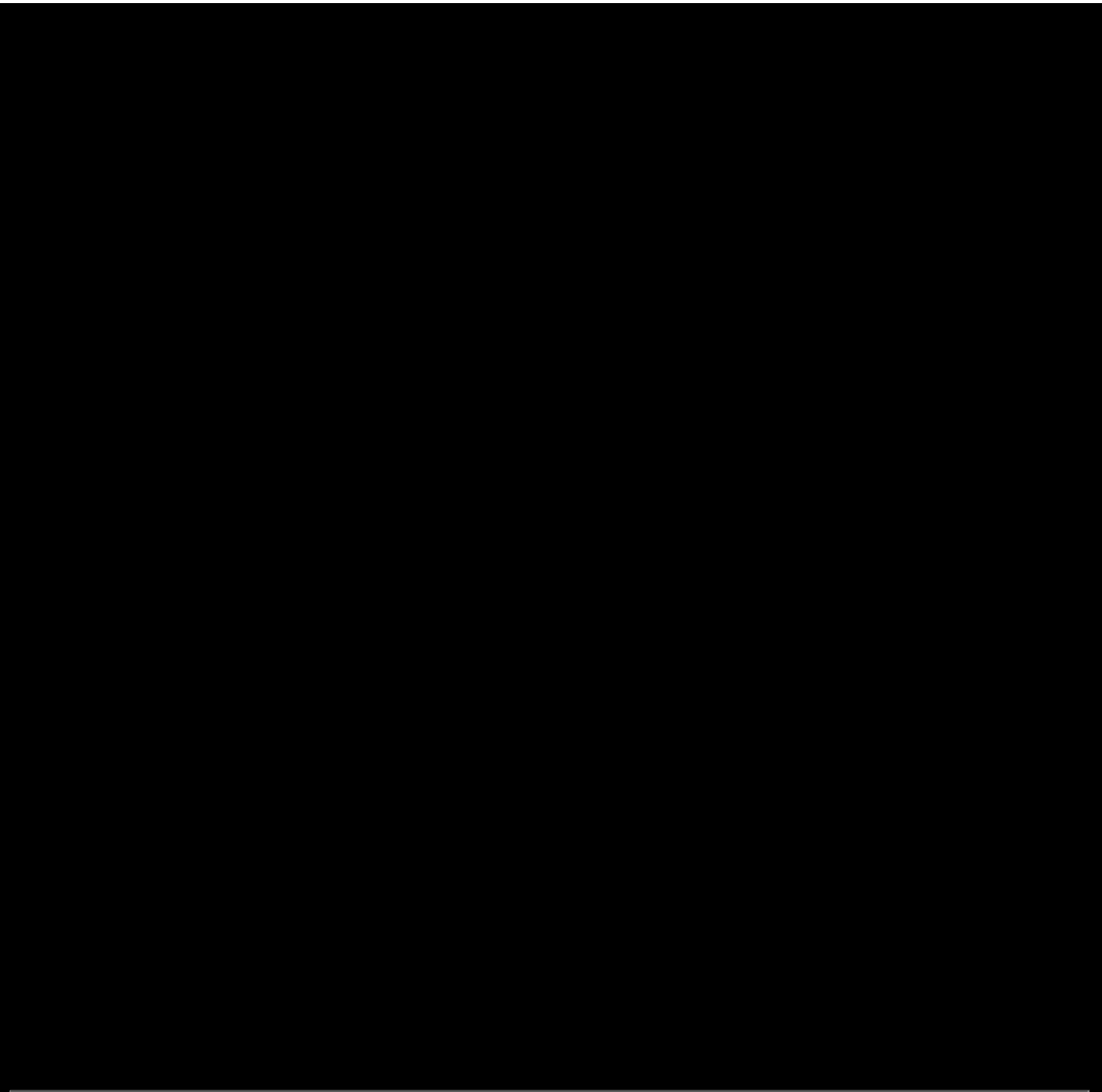
Greenbelt, Maryland -- John J. Lawbaugh, age 37, of Poolesville, Maryland, pleaded guilty today to wire fraud, theft from a registered investment company and income tax evasion, announced United States Attorney for the District of Maryland Rod J. Rosenstein.

United States Attorney Rod J. Rosenstein stated, "By abusing his authority as chief executive officer of two investment companies, Mr. Lawbaugh stole more than \$1.2 million. It is essential for us to protect investors in order to preserve public confidence in our financial markets."

Special Agent In Charge, Francis L. Turner, IRS - Criminal Investigation stated "We view schemes as organized tax evasion and it is a top priority for us to stop promoters of schemes."

According to the plea agreement, Lawbaugh was the chairman of the board (COB), chief executive officer (CEO) and majority stockholder of 1st Atlantic Guaranty Corporation from 1997, and COB and CEO of SBM Certificate Company from July 2000, until August 2002 when he was removed by each company's respective board of directors. 1st Atlantic and SBM are face-amount certificate companies that are registered with the United States Securities & Exchange Commission (SEC). Face-amount certificate companies issue certificates to investors promising to repay their invested principal (the face amount) plus accrued interest at a specified rate when the certificate matures. The certificate companies in turn seek to earn their profits by investing the funds at a higher rate of return. 1st Atlantic and SBM both maintained their offices in Bethesda, Maryland.

Lawbaugh admitted that between August 1999 and October 2001, he misappropriated \$1,261,882.40 in 1st Atlantic and SBM funds and diverted those funds to unauthorized uses, including for his personal benefit and for the benefit of his family. Lawbaugh carried out these thefts mainly in three ways. First, on seven occasions, Lawbaugh caused 1st Atlantic or SBM to issue cashier's checks or wire transfers of funds in amounts that were greater than were actually needed to carry out particular investment transactions. Lawbaugh then diverted the excess funds to pay for various personal expenses and purchases, including clothes, books, car repairs, gasoline, restaurants, country club and golf expenses, and a trip to Mexico. By this means, Lawbaugh fraudulently obtained funds totaling



---

[HOME](#)