



*United States Attorney
Southern District of New York*

FOR IMMEDIATE RELEASE
SEPTEMBER 7, 2007

CONTACT: U.S. ATTORNEY'S OFFICE
YUSILL SCRIBNER
REBEKAH CARMICHAEL
PUBLIC INFORMATION OFFICE
(212) 637-2600

**MANAGER OF INVESTMENT PARTNERSHIP PLEADS GUILTY
TO DEFRAUDING FAMILY MEMBERS AND OTHERS
IN MULTI-MILLION DOLLAR SCHEME**

MICHAEL J. GARCIA, United States Attorney for the Southern District of New York, announced that HOWARD SCHNEIDER pleaded guilty today in Manhattan federal court to wire fraud charges. The Indictment to which he pleaded charged him with defrauding investors -- many of whom were family members -- out of millions of dollars they had invested in an investment partnership SCHNEIDER founded and managed. According to the Indictment, other documents filed in this case, and statements made in court:

Beginning around 1997, SCHNEIDER was the general partner of Gateway Capital Partners, L.P. ("Gateway Capital"), a limited partnership organized under the laws of the State of California. In that capacity, SCHNEIDER was responsible for managing Gateway Capital's operations. SCHNEIDER purported to manage Gateway Capital as an investment fund, soliciting money from investors by representing that the money would be invested in various assets and business endeavors in an effort to earn profits for Gateway Capital and its investors. During the life of Gateway Capital, SCHNEIDER induced various individuals to invest a total of approximately \$19 million.

In his role as general partner, SCHNEIDER reported to Gateway Capital's accountant and investors that he had invested approximately \$11 million of Gateway Capital's money in an offshore investment account held in the name of Gateway Capital. In fact, SCHNEIDER transferred only approximately \$4 million of Gateway Capital's funds to this account. Instead, he transferred a net of approximately \$5 million of Gateway Capital's funds to accounts he held in his own name. In order to conceal the difference between the \$11 million SCHNEIDER claimed he had

transferred and the actual amount, SCHNEIDER produced phony receipts falsely purporting to be from the overseas brokerage and acknowledging receipt of the full \$11 million. Once in SCHNEIDER's personal accounts, these funds were spent on SCHNEIDER's personal expenses and investments, including personal investment trading, a deposit on a house, car purchases and leases, and the payment of personal credit card bills.

In addition, of the \$4 million that SCHNEIDER wired overseas, he embezzled approximately \$3.7 million by having the overseas brokerage wire the money back into his own personal account.

SCHNEIDER also used Gateway Capital's funds to purchase and take physical possession of approximately \$3 million in gold coins, the whereabouts of which are presently unknown.

SCHNEIDER, 63, of Los Angeles, California, pleaded guilty today to one count of wire fraud. He faces a maximum sentence of twenty years' imprisonment and a maximum fine of the greater of \$250,000, or twice the gross gain or gross loss from the offense.

Mr. GARCIA praised the Federal Bureau of Investigation for its work in this investigation.

This prosecution is being handled by the Major Crimes Unit of the United States Attorney's Office. Assistant United States Attorney MICHAEL A. LEVY is in charge of the prosecution.

07-222

###