



*United States Attorney
Southern District of New York*

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

**MANAGER OF INVESTMENT PARTNERSHIP SENTENCED TO 97
MONTHS IN PRISON FOR 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 was sentenced to 97 months in prison for defrauding investors -- many of whom were family members -- out of millions of dollars that they had invested in an investment partnership SCHNEIDER founded and managed. The sentence was imposed today in Manhattan federal court by United States District Judge LEWIS A. KAPLAN.

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.

In addition to the prison term, Judge KAPLAN ordered SCHNEIDER, 64, of Los Angeles, California, to forfeit \$14 million. SCHNEIDER is to surrender to begin his sentence by May 12, 2008.

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.

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