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MAN NAMED IN SECURITIES CEASE AND DESIST ORDER PLEADS GUILTY TO ONE COUNT OF MAIL FRAUD IN FEDERAL COURT FOR SALE OF FOREIGN CURRENCY TRADING CONTRACTS

On Monday, 12 May 2008, Leroy Hoback pleaded guilty to one count of mail fraud in connection with a fraudulent scheme first named in a cease and desist order issued by the Arkansas Securities Commissioner (Commissioner) in 2005. According to the information to which Hoback pleaded guilty, Hoback and others formed Fortress Foundation, Inc. (FFI) in August, 2003 in order to solicit money to invest in foreign currency trading. FFI, through Hoback and others, represented to investors that the minimum needed to invest in foreign currency transactions had been lowered from \$1 million to \$100,000. Investors could participate in such trading through FFI by investing a minimum of \$10,000, which FFI would pool to attain the minimum \$100,000 needed. The money invested would be transferred to GT Funds (GTF), represented to be FFI's trading agent. An accountant hired by FFI would prepare statements to send to investors based on financial information furnished by Hoback. These statements were mailed to investors.

GTF provided FFI with monthly return figures showing the profit or loss in each investor's account. From November, 2003 to October, 2004, the information alleged, Hoback and others unknown determined that they needed to report significant positive returns to FFI's investors, both to attract new investors and prevent current investors from closing their accounts and withdrawing their funds. To accomplish this end, a monthly return figure would be agreed upon, and Hoback would give the FFI accountant this figure to prepare the monthly account statements. These false statements would then be prepared and mailed. Hoback pleaded guilty to one count of placing a false FFI account statement in the mail. Sentencing will be scheduled.

This scheme was first discovered by the Arkansas Securities Department (ASD) and announced to the public in a cease and desist order issued by the Commissioner on 18 March 2005, *In the Matter of Fortress Foundation, Inc., et al.*, No. S-05-001-05-CD01, copies of which are available at the ASD website, www.securities.arkansas.gov. In addition to FFI, GTF and Hoback, O. Bruce Mikell, Raymond M. Streig, William E. Schwerdtfeger, Gloria N. Streig and

Ra'Nic Streig Schwerdtfeger were also named in that order. According to that order, Investors were told that for a minimum investment of \$10,000 with FFI, they could expect returns of anywhere from 3 % to 6 % per month to 4 % to 8 % per day from foreign currency trading, which would be conducted by GTF. Raymond M. Streig was touted as a master currency trader with a vast and extensive background in foreign currency trading. Investments were to be pooled by FFI and sent on to GTF for trading. The Commissioner found that the investments in FFI were unregistered securities. The Commissioner found several instances of securities fraud. Raymond M. Streig's vaunted background was fictitious, as was GTF's daily use of the money sent to GTF to trade foreign currencies. Of \$351,800 sent to GTF from FFI, no money came back to FFI after almost a year of supposed currency trading. During that time, Raymond M. Streig, William E. Schwerdtfeger, Gloria N. Streig and Ra'Nic Streig Schwerdtfeger all used the GTF bank account into which FFI funds were deposited as their personal property, spending some 65 % of it on personal items. Approximately 35 % of that money could not totally be accounted for, but none of it came back to FFI or its investors.

FFI owners Hoback and O. Bruce Mikell became concerned that GTF had sent them neither account statements, nor profits from GTF's currency trading for the entire time they had done business with GTF, roughly from November, 2003 to October, 2004. With approximately \$150,000 of later investors' money, they opened an account with an actual currency trading firm. That money was recovered and later distributed to investors in a subsequent lawsuit brought by the Commissioner in the Pulaski County Circuit Court.

Assistant Securities Commissioner Theodore Holder applauds this guilty plea as a great example of the cooperation of federal and state agencies, specifically the ASD, the Federal Bureau of Investigation and the Office of the United States Attorney for the Western District of Arkansas, all working together for the common good. "Although I would always prefer to have restitution to the victims of such fraudulent enterprises, where full restitution is not made, criminal sanctions are appropriate and fitting. Mr. Hoback will now have a conviction on his record that will serve as a warning to all in the future who might be asked to do business with him."