

Exec in Hollenbeck trial says he lied

Billboard sales untrue, he says

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A former Mobile Billboards of America executive testified last week that he misled agents recruited to sell an investment scheme that went awry in 2004.

The testimony by Michael Lomas, who was Mobile Billboards' chairman, came during the third week of the criminal trial of Scott Hollenbeck, a former Mobile Billboards sales agent who used to live in Kernersville.

Hollenbeck and two other people are being tried in federal court in Raleigh on one count of conspiracy and 17 counts of mail fraud.

Hollenbeck, who now lives in Florida, has always said that he didn't know there was anything unsound about Mobile Billboards of America before the investment plan went sour. Mobile Billboards of America went under in 2004 amid allegations that it was a Ponzi scheme.

Lomas testified Thursday that he lied to his sales agents about Mobile Billboards' financial performance, advertisement sales and the guarantees that were supposed to protect the assets of investors. He said he made the company's prospects look rosy to sales agents, when in fact few advertisers were under contract to hawk their goods on the company's truck-mounted billboards.

Although the testimony appeared to lend support to Hollenbeck's claim that he was duped, Lomas said that Mobile Billboards wasn't responsible for a document that Hollenbeck gave clients that supposedly insured their investments.

Investors who testified earlier in the trial said they were reassured when Hollenbeck showed them a "surety bond" that appeared to completely protect their investment. According to the criminal indictment, the documents were used to give investors "false assurances that their ... investments were not at risk."

Hollenbeck told the Securities and Exchange Commission in 2004 that he put together the bond document himself, but didn't realize that it was misleading.

Hollenbeck was recruited to sell Mobile Billboards by a Chicago-area man named Jim Gibson, Lomas testified. But Lomas said he lied to Gibson about aspects of the billboard plan, and expected Gibson to pass on that false information to agents - including Hollenbeck - who sold the plan to investors.

Hollenbeck went on to become Mobile Billboards' top salesman, racking up more than \$11 million in sales according to some estimates. More than 100 people, many from the Triad and other parts of central North Carolina, bought into Mobile Billboards and a related pay-phone scheme through Hollenbeck.

According to the Mobile Billboards sales brochures, the investment was backed by a trust that would repay the principal in seven years, with advertising revenue giving the investors a 13.49 percent return on their money in the meantime.

The reality is that few billboards were even assembled or ever carried advertisements. The organizers of Mobile Billboards of America used money coming in from investors to make the interest payments that investors thought were coming from ad sales.

Lomas also testified that he sent sales agents a letter in which he told them that the first year of a customer's interest payments would be made out of the customer's own money. Under questioning by a federal prosecutor, Lomas said that new investors' money was also used to make payments to earlier investors.

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