

True Fraud Stories: Hunter Wise's Silvery Slope

Introduction

The following is the transcript and description of the CFTC video which portrays a man, Bob, becoming a victim of investment fraud. Bob meets with Joe Konizeski, Chief Trial Attorney at the CFTC, at the restaurant in Florida where the scam all began. He discusses with Joe how a seemingly innocent call from Cliff Cheek led to his financial undoing.

Video

Bob, the investment fraud victim, is seen holding two pieces of fine silver.

Text appears on screen: This is a true story told by the real people involved, and includes reenactments.

Bob is seen looking pensively and upsettingly into the camera.

Text appears on screen: "I was trying to protect my retirement and silver seemed like a solid investment." – Bob Bauman, Independent Investor

Bob is seen with another man, Joe Konizeski, Chief Trial Attorney at the CFTC, sitting at a dinner table at a restaurant. Joe says "They took you here, huh?" Bob says "Yeah, this is where it started."

Joe asks Bob, "How did you get involved with Newbridge?"

Bob explains, "In January of 2011 I got a call."

A picture of Bob's phone pops on the screen with an incoming call from Newbridge in Florida. Bob is seen answering the phone.

Bob is seen saying, "He asked me if I was interested in investing in precious metals."

Bob is talking to Cliff on the phone and taking notes on a pad of paper. The screen then flashes back to the restaurant with Bob and Joe, and Bob says, "I remember asking him, how did you get my phone number, and he said, well you've expressed interest before and I said well, I'm not interested right now." Bob is then seen hanging up the phone with Cliff.

Text on screen: Savvy Investor Tip: Don't engage with cold callers offering investments. And never give them personal financial details.

Bob's phone is seen on the screen again with another incoming call. He explains to Joe at the restaurant, "May, 2011, he calls back, and I said well ya know, I might be interested, tell me more. So he got to tell me how he was in the precious metals commodities market and he really likes silver because he thought that the ratio of prices between gold and silver was really wrong, it had been better before, and it's due for a rise."

Bob is seen doing research on his laptop and working on charts and graphs online, and mentions that he went online to look at the price of silver at a couple of places and where it's historically been. "I could see the dips and the rises and I thought well, maybe this might be a good thing for me."

The screen flashes back to the restaurant and Joe asks, "What did he tell you about his company?"

Bob answers Joe's question about Cliff's company, and says, "They were a company called Hunter Wise. I was able to look them up online and try to research this company and everything I found, everything was cool." The screen shows Bob working on his computer again, doing research on Hunter Wise and the investment opportunity.

Disclaimer text appears: Hunter Wise operated through third parties such as NewBridge. These third parties maintained websites that directed consumers to Hunter Wise.

The screen shows Bob and Joe at the restaurant again, and Bob tells Joe, "and so I thought okay, but what I want to do this for is long term. I'm not looking to make a million bucks overnight. He talked to me at great length about buying them on margin with leverage."

Bob is seen taking more notes in a notebook about the opportunity.

Bob explains to Joe, "They would essentially loan me the money to buy a gigantic lot of silver."

Text on screen: Leverage: The ability to control large amounts of a commodity with a small amount of capital.

Joe says, "When you purchase on leverage, it makes it a very, very risky investment."

Bob says, "I said, what kind of stops do you have? What will make my investment safe and he said, well we have automatic stops in our program and I said, that's great. I was okay with that."

Text on screen: Investment Fraud Red Flag: **Guarantees:** promises of big return with low or no risk.

Bob is in his office at his home flipping through papers, with a picture of him and his wife on his desk. Bob says, "he really pressed the issue of buying 10,000 to 12,000 ounces of silver so that I could maximize my profits."

Text on screen: Investment Fraud Red Flag: **Pressure to buy:** An urgency to invest more or invest now.

Bob and Joe are back at the restaurant, and Bob says to Joe, "I wanted to go see their operation in person. I wanted to put eyes on it and see what it was like."

Bob flew to Florida to meet with Cliff and check out the investment opportunity, and you can see palm trees on the screen and "arrivals" and "departures" signs at the airport.

Bob is walking through the airport to pick up his luggage, and then gets into a car that picks him up at the airport. "I booked a flight from Phoenix to West Palm Beach, they picked me up at the airport and they brought me here for lunch, and they picked up the tab, and then while they were at it, Adam King

reaches into his pocket like this and he says here, these are for you. Why don't you keep these." Bob is sitting at the restaurant and takes silver out of his pocket.

Text on screen: Investment Fraud Red Flag: **Reciprocity:** Favors offered by a fraudster to entice you to invest.

Joe responds, "That's a nice touch."

A building is shown on the screen and Bob says, "We went to their office. I went inside and went to all of their desks and met all of their people and all of that. It had 20 to 25, maybe 30 people in it." There are people inside the office sitting at desks and doing their work.

Text on screen: Reenactment

Back at the restaurant, Bob says, "I remember one of the brokers actually asking me if he could take me to dinner. His very pregnant wife accompanied us and they took me to a really nice place, and they seemed legit."

Bob and Cliff Cheek shake hands.

A paper is shown on the screen with Bob's bank information, signifying that he made a transfer of \$100,371.32 from his JP Morgan bank account to Newbridge Alliance Inc.

"I cleaned out my retirement account," Bob says. "I sent it to him, over several different payments."

Text on screen: Fraud Protection Strategy: Never put all your money in one investment. A diversified plan can help protect you.

Bob is seen walking into the bathroom and the screen flashes back to his paperwork. Joe asks Bob, "Now did he know that this was coming from your retirement account?" Bob confirms that Cliff did know this, and Joe responds, "So he understood the importance of this money to you."

Old pictures of Bob in the military appear. Bob says, "I told him that I was retired military and I had that, *but* this was all I had beyond that."

Bob holds the silver closely in his hand.

Bob says, "He called me up late August or the first week of September 2011. And he said Bob, we're changing trading platforms. There's no automatic stops." Bob is on the phone in his living room yelling, and looks extremely angry and upset, and writing notes on a piece of paper.

Bob responds to Cliff, "Well now. That changes things. And I recalled telling him that that didn't look good for me."

Text on screen: Fraud Protection Strategy: Question a sudden change in terms.

Bob says that Cliff told him, "But don't worry about that, because we'll watch it like a hawk."

Bob tells Joe that this gave him a real worry. “And looking back on it, that’s when I should have said it’s time to bail. And I didn’t.”

Bob throws the silver onto his desk.

Bob is on the phone outside, looking extremely upset. “It was the third week of September when I got the call. Everything got wiped out. Everything. \$180,000.”

Bob says, “There was a time when I realized this was all fake.”

The screen flashes, showing his retirement account balance and information, which was a total of \$0.00.

Bob adds, “I was so angry.”

Text on screen: Hunter Wise Precious Metals Scam: Over 3,200 victims, Over \$46 million lost, Bob’s Loss: Nearly \$175,000

Joe says to Bob, “Hunter Wise was a pretty elaborate scheme. Every part of the scheme was fraudulent.”

Pieces of paper flash on the screen that says “CFTC vs Hunter Wise – Case Update.”

Text on screen: CFTC Enforcement: Works to keep markets safe for investors.

Joe continues, “We had already started an investigation based on complaints from a number of other customers and victims who had lost money and were asking questions like you were asking.”

Joe asks Bob, “Why didn’t you ever contact us?”

Text on screen: If you suspect that you’ve been defrauded, don’t hesitate to call the CFTC.

Bob responds, “I didn’t know where to turn.” Additional bank statements appear on the screen.

Text on screen: Tips from the public are an important source of information for the CFTC.

Joe, still sitting at the table in the restaurant, says, “Fortunately for us, you kept good records. When all was said and done, there were 3,500 or so customers who lost over \$46 million dollars.”

Joe says, “The registration databases that are available online, SmartCheck, these are all resources that you can now check on the background of your financial professional.”

On the screen: a user going to SmartCheck.gov and scrolling through the resources available on CFTC SmartCheck.

Text on screen: Savvy Investor Tip: Research your broker’s or company’s history at SmartCheck.gov

Joe continues, “If you’re gonna send money to somebody for an investment, check SmartCheck and make sure that the entities and individuals that you’re dealing with are registered and regulated by the federal government.”

On the screen, a computer screen featuring the landing page for NFA. User clicks on NFA’s Basic Check and types “Hunter Wise” under “Search by Firm Name,” which shows that Hunter Wise has “NO CURRENT STATUS.”

Bob responds to Joe and says, “If I’d only known. Now I do.”

On the screen: Savvy investors use CFTC SmartCheck – SmartCheck.gov

- Check your broker’s or company’s background.
- Submit a tip if you suspect fraud.
- Help save yourself and the investing community from getting taken.

Disclaimer

This video was prepared for the Commodity Futures Trading Commission’s SmartCheckSM program. The video is based on the CFTC’s enforcement action against Hunter Wise Commodities, LLC, its affiliates, Newbridge Alliance, Inc., John Adam King, as well as several other entities and individuals. For more information about the enforcement action against these companies and other individuals involved in the action, please visit www.cftc.gov.

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