
Colorado "trader" charged with duping retirees in \$4 million Ponzi scheme

By Kerry Pechter *Fri, Dec 6, 2013*

Gary Snisky is charged with telling elderly investors that he would invest their money in government-backed agency bonds. Instead, he used \$2.8 million of investor funds to pay his salesmen and to make mortgage payments on his own home, the SEC said.

On November 21, the Securities and Exchange Commission and the U.S. Attorney in Denver charged a self-described institutional trader in Colorado with running a Ponzi-like scheme in which he duped insurance agents into preying on elderly annuity owners.

Gary C. Snisky, 47, of Longmont is accused of employing insurance agents to sell interests in his company, Arete LLC, which he said offered a safer, more profitable alternative to an annuity based on government-backed agency bonds.

A computer specialist who worked for Snisky, Richard Greeott, plead guilty on October 7, 2013 to mail fraud and money laundering charges, the U.S. Justice Department said in a release. As part of Greeott's plea agreement, he agreed to make restitution of up to \$4,501,887.

According to a federal grand jury indictment and Greeott's plea agreement:

Beginning in 2010 and continuing through January 2013, Snisky operated Colony Capital, LLC, which purported to be a private equity firm offering investment opportunities in bonds, futures trading, and other offerings. Sometime in 2011, he shut down Colony Capital and formed a similar firm called Arete, LLC.

Starting in July 2011, Snisky offered a 10-year investment model based on the purchase of Ginnie Mae bonds, which promised the investor a 10% upfront bonus and an annual return of 7%. Prior to April of 2012, Snisky began offering a five-year investment model for the Ginnie Mae bond program, which promised a 6% annual return on the invested money.

Between approximately July 2011 and January 2013, Snisky received more than \$4,000,000 in investor money that was supposed to be invested in the Ginnie Mae bond program. He did not purchase any Ginnie Mae bonds.

In mid-2010, Snisky asked Richard Greeott, who was doing IT work for Colony Capital, to develop an algorithm for a fully-automated trading system for trading in the futures market. By the end of 2012, Snisky knew that Greeott was still developing the algorithm and was merely testing it by trading in a simulated environment and by making small trades in the futures market.

[But] Snisky convinced investors, potential investors, and financial advisors that Colony Capital and Arete were using the algorithm to profitably trade in the futures market. Based on these false

statements, Snisky received more than \$300,000 from investors to be invested in the futures trading program. He did not invest this money as promised.

Snisky also falsely boasted about Colony Capital’s and Arete’s success in the futures market in order to falsely bolster the companies’ overall appearance of success. The government is seeking to forfeit over \$1.9 million in currency seized from Gary Snisky and related LLC accounts and a commercial real property valued at approximately \$400,000.00.

According to the SEC, Snisky told annuity owners that he would use their money to buy government-backed agency bonds at a discount and use them to engage in “overnight banking sweeps.” Instead, he used some \$2.8 million of investor funds to pay his salespeople and make mortgage payments on his own home, the SEC said.

In August 2011, after raising at least \$3.8 million from more than 40 investors in Colorado and other states, Snisky recruited veteran insurance salespeople who would sell the Arete investment to their established client bases that owned annuities, according to the SEC’s complaint filed in Denver. The majority of investors in Arete used funds from their IRAs or other retirement accounts.

The SEC alleges that Snisky described Arete as an “annuity-plus” investment from which investors could withdraw principal and earned interest with no penalty after 10 years while still enjoying annuity-like guaranteed annual returns of 6% to 7%. Snisky’s sales pitch was so convincing that even one of his salespeople personally invested retirement funds in Arete, the SEC said.

Snisky created and provided all of the written documents that the hired salespeople used as offering materials to solicit investors. Snisky also showed salespeople fraudulent investor account statements purporting to show earnings from Arete’s investment activity.

Following an initial influx of investors, Snisky organized at least two seminars where he met with investors and salespeople. He introduced himself as the institutional trader behind Arete’s success and hand-delivered fraudulent account statements to investors attending the seminars.

The SEC’s complaint against Snisky seeks a permanent injunction, disgorgement of ill-gotten gains plus prejudgment interest, and a financial penalty.