

Chairman Nelson, Ranking Member Collins, and other members of the Committee,

My name is Joe Melomo. I have had considerable success in my business life as a former physicist for IBM. My wife and I have raised 4 successful children, of whom I am very proud. I was raised to always try to do the right thing and to treat other people the way I would like to be treated. I consider myself a savvy businessman and investor, and yet I sit here today having lost more than \$170,000 investing in what I know now was a precious metal scam.

So that you can understand my frame of mind at the time I invested in precious metals, I would like to share with you events leading up to the call I received from American Precious Metals. My wife passed away at the end of 2001 after 41 years of marriage and I was lost, and found it very hard to look back. I sold my house in 2004 and moved from the outskirts of Austin to downtown Austin to be closer to my children and grandchildren.

In Austin, after much due diligence, I became a silent partner in a restaurant but soon discovered the majority partner in the business was stealing money. While I succeeded in proving this in court – the man was convicted of fraud – he was unable to pay me the \$250,000 the court ordered him to pay me. So, at age 71, I took over the business, dealing with all the stress that comes with having to support a team of employees and their families, and cover the enormous bills that came due.

While this was all going on I received a call from American Precious Metals, even though my number was on the “Do not call registry.” The person who called talked to me about investing in precious metals, primarily gold and silver. The conversation got my attention because I could see a way to possibly cover some of my losses from the restaurant. So I asked him to send me some information, which he did. All of the materials looked very professional and legitimate. Between his encouragement and what seemed to be genuine interest in helping me profit from this kind of investment, and my desire to make back some money, I started to invest in gold and silver.

I never truly understood the leveraged process, and was not clear on the kind of fees I would be charged. Storage, commission and interest fees were never discussed. I trusted him to watch out for my interests since I explained to him the kind of turmoil I was going through at the restaurant. He told me there is some risk associated with precious metal investments, but assured me that he would be watching out for me. I guess that feeling of assurance allowed me to let my guard down. So with that I focused my attention on trying to correct all the issues with the restaurant. When the monthly statements came I looked at them, but I didn't really understand them. All I did make of them was my investment was looking good. Occasionally, I would call asking if I should be concerned about my investment and was told no and that it still looked good.

During this period, several different sales representatives worked my account. The sales representative working with me changed for various reasons. But each salesperson that was assigned to me made me feel like I was a friend. We talked about our children, and where we went to school.

For almost an entire year they kept calling me and urging me to invest more money because everything looked good.

Around August 2008 the precious metals prices dropped significantly and most of my precious metals were liquidated. American Precious Metals contacted me and told me to send more money to protect my investment. I told them I didn't have any more and that I wanted them to return my money. They said they didn't have it. I called numerous times demanding that they return my money and then ultimately they said it was entirely gone. I was devastated to realize that I had been deceived by this company. I paid American Precious Metals just under \$170,000 and they charged me approximately \$165,000 in administrative fees and \$37,000 in interest charges. With the help of an attorney, I was able to only get back \$25,000. The overall loss from this investment, along with the cost of the restaurant, completely depleted my retirement savings.

When I told my children what had happened, they were extremely upset with me and with American Precious Metals.

My daughter Nancy took it upon herself to research the company and the people who worked there. She found that they were banned once before for doing the exact same thing, but they restarted under a different name. She contacted the Federal Trade Commission and specifically Ms. Dama Brown. Between my daughter's tenacious drive and the excellent work by Ms. Brown and the FTC staff, they were able to get the people from American Precious Metals convicted in December 2012.

I commend Ms. Dama Brown and her staff at the FTC for following through and getting this conviction. Unfortunately, to this day I still have not fully recovered the money that I lost to American Precious Metals.

I come here today to have my story serve as a warning to others who may fall victim to this trap, and encourage our elected leaders to help protect us little guys from the predatory schemes of these companies. I thank you for the opportunity to share my story, and stand ready to answer any questions.

Thank you,

Joe Melomo