

The Spirit of Speculation Wade B. Cook and Paul H. Dunn: Greed is Good...and Godly

Story for Salt Lake City Weekly

Lynn Packer

For Feb 26, 1998 Issue R O U G H D R A F T

Word Count: 3,264

A Thanksgiving weekend crowd of Jazz fans was treated to more than a blowout at the Delta Center this past November 29. The game was sponsored by a man who is well on his way to becoming one of best known and perhaps richest Mormons in the United States: Wade Bruce Cook.



Cook, 49, paid an undisclosed sum for what the Utah Jazz office calls a "promotion night." The package included souvenirs, PA announcements, and video messages on the Jumbotron touting Wade Cook financial seminars and an 800 number. Wade Cook people were permitted to distribute packets-- containing a video tape, promo materials and one of his best seller investment books-- to departing fans. The free gifts were merely icing on the cake as Jazz faithful left the arena with a 111-82 trouncing of the Golden State Warriors.

Although there was only one full-blown Wade Cook night this season, his marketing package continues season-long with Wade Cook chair back "billboards" on the home and visiting team benches and daily business updates on Jazz Talk radio 1320.

Wade. B Cook

Cook, a resident of Seattle, Washington, claims to be "America's premier financial strategist." His personal income of \$10 million a year is fueled, in no small part, by three hit books on the New York Times Business Best Seller list: Wall Street Money Machine, Stock Market Miracles and Business Buy the Bible. His investment seminars command premium prices: the two-day, "Wall Street Workshop" costs \$3,695 per person, people



he calls “students” and others call “Cookies.”

His pitch promises unlimited daily cash flow and 20% per month returns. Or more. He tosses around annual interest rates like 10,280% when many people think they’re lucky if they make 15% a year on their investments. Using his books, seminars and tapes, he says, “thousands of Americans are now rich and retired.”

Despite his company being headquartered in Seattle, Cooks’ Utah connections are mounting: He used a merger with a Utah shell corporation to take his Nevada-incorporated Wade Cook Financial Corporation public (Ticker symbol: WADE). His company has invested heavily in Utah, buying interests in hotels that are in operation or under development, among them the Airport Sheraton Airport Ramada Inn in Salt Lake, the Hawthorne Suites Hotel in Orem, a Hampton Inns in Murray and Park City. and the Hilton Garden Inn in Lehi.

Cook’s company acquired Utah’s Worldwide Publishers, one of several ventures which involved LDS emeritus general authority Elder Paul H. Dunn. A Worldwide subsidiary had just released a Paul Dunn book with another three about to be released. Just before Dunn died for a heart attack last month Cook announced Dunn was about to be named to the Wade Cook board of directors

Dunn was joining Cook’s board during tumultuous times. The upside: millions of dollars are pouring into company coffers every month. The down side: both the SEC and the Washington State Securities division had launched probes into Wade Cook Financial Corporation, probes which are looking at Cooks’ Utah links.

Wade Bruce Cook: Taxi Driver

Wade Cook’s books and tapes provide some, but sparse, biographical data. He is a native of Tacoma, Washington. The fact he was a taxi cab driver in Tacoma in the late ‘70’s is an important part of his rags-to-riches story. While driving cab to put food on the table he says he parlayed \$500 into a small fortune by buying real estate. He says he retired in 1978 at age 29.

Cook launched his publishing/teaching career, he says, in 1980 with the book *How To Build A Real Estate Money Machine*. His official bios then usually skip ahead to 1993 when his focus shifted from real estate to the stock market and he formed his present company. In 1995 took his present company public.

Cook said he is “street smart”, his investment strategies coming from the days he drove a Yellow Cab. He would apply the same concepts to real estate and, later, to the stock market:

While his fellow cabbies were out looking for the big runs, Wade was taking every little run he could find--4\$ here, \$5 there. You see it costs just \$2 to get into a cab (something called a meter drop) even if you only go two blocks. At the end of a month, Wade made three times what every other taxi cab driver made.

Cook , according to his literature, “applied his ‘meter drop’ technique to his stock market investment business—making a ton of money on a lot of little deals.”

He is so proud of his humble origins that he almost named one of his best-sellers *A Cab Driver Takes On Wall Street*.

His “students” (seminar attendees) learn a variety of investing techniques including buying options, short-term trades he calls “rolling stock” as opposed to buying and holding a stock for the long haul.

Randy Carlson, is a Utah broker with Wilson Davis, who knows Cook and has clients who use Cook’s methods or “Wade’s stuff” as Carlson puts it. Carlson said Cook seminars they teach about 10-12 investment strategies and “the strategies they teach are pretty fundamental, rolling stock and things like that. People have been doing that for years. The thing with Wade is he’s been able to bring basic investments to the masses.” *Sort of Wall Street meets McDonalds*.

Cook declined an interview. If he attended college, his resume does not say: he’s said to be a dropout. Some of the gaps in Cook’s official resume can be filled in with a search of public records. At 20 Cook went on an LDS mission to Japan/Okinawa, serving between late ’69 and late ’71. Cook joined the Air Force in June of 1973. After 11 months he was discharged. A friend said Cook, while attending language training at Monterey California, had his contract rescinded when the Air Force did not train him for the job they promised.

Cook probably began driving for Yellow Cab in Tacoma in about 1978 recalls his former supervisor, Bill Marsh. Did Cook make three times more than the other drivers? “I think he exaggerated a bit,” Marsh told *Salt Lake City Weekly*. “I think he was just trying to make a point.” “If I recall, right at the time he was working, the meter drop was a dollar, for entry into the cab, and we were getting 80 cents a mile. (Cook’s profile on the Internet says the drop was \$2. In a book he said it was \$1.50.) You figure out how many miles he would have to drive to get the kind of money he was talking about.”

In the early 80’s, after his “retirement”, Cook moved to Utah County. A friend said Cook made the acquaintance of Bob Allen who wrote the nationally published *Nothing Down*, a book about how to buy real estate with little or no down payment. But it was another Utah County writer/seminar speaker, Mark O. Haroldsen, who apparently first published Cook’s real estate book.

Haroldsen offered seminars, books and tapes centered around his *Financial Freedom Report* magazine. Like Cook now, Haroldsen coordinated the work of several seminar presenters, primarily on the topic of real estate investment. In the meantime Cook had moved to Scottsdale and established his own publishing company and mortgage finance company. He touted his seminars as “full scale rags to riches” a la his cab driver image.

Cook’s association with Haroldsen does not make his resume high lights. Haroldsen’s *Financial Freedom* is number one on the Utah Division of Consumer Protection’s list of complaint generators. A year ago the division slapped an 83-count administrative citation on Haroldsen’s company alleging his seminar speakers misrepresented profits consumers could earn from the gum ball vending machines they were touting. Also last year the Federal Trade Commission filed a civil suit against a related company alleging false testimonials and deceptive advertising techniques. (Ironically, Haroldsen, like Cook would alter, won the friendship of an

LDS general authority and published his book: Sterling W. Sill's International Journal of Success.)

Before Cook left Arizona and returned to the Northwest he declared bankruptcy and his debt was discharged in 1987. In 1989 the State of Arizona slapped him with an administrative order accusing him of selling unregistered securities and committing fraud in connection with his seminars. He was ordered to pay more than \$390,000 in restitution and \$150,000 in fines. Then the state indicted him on 18 felony counts. But most of those counts were dismissed on the basis of double jeopardy, his attorney arguing that his fines constituted punishment for his conduct.

Other states also took action against Cook. Oregon, for example, is still trying to collect the \$5,000 fine it levied in 1990.

Paul H. Dunn: Motivation and Money

Paul H. Dunn; his death cut short his association with Wade B. Cook.

Paul H. Dunn and Wade B. Cook define the word synergy. Both are known as prolific writers and spellbinding speakers. Last year, while Cook was acquiring the Utah publishing company which brought out Dunn's latest release, *In Humility Our Savior*, he and Dunn appeared together at book signings at Utah bookstores.

"Wade just seemed to idolize him," a mutual friend said of Cook's relationship with Dunn. "He wanted to share Paul Dunn with the world."

In Washington State a press release announced that Dunn and Cook were "joining forces" for a series of seminars titled "Anatomy of the American Dream" to be held at Seattle's

Key arena. On Jan 2. It was disclosed Dunn would be joining the Wade Cook Financial Corporation's board of directors. The day Dunn died the company announced his death in a press release: "Aspen Books, a Wade Cook subsidiary, will continue to market Mr. Dunn's books and will be releasing three new books written by Dunn shortly before his death." It was also revealed that a seminar series was in development "based on Dunn's work and inspirational teachings." Dunn and Cook had other projects the company would not disclose. "I think there were a number of things in the works," said Cook spokesman Matt Scholl.

**DON'T MISS
WADE B. COOK**
and
PAUL H. DUNN

Book Signing
at
Media Play

Thursday 7-9 pm
5600 S. Redwood Rd.
and
Friday 7-9 pm
7170 S. 1000 E.
Ft. Union

Christmas

*Don't Set Goals
(The Old Way)*
Wade Cook

That Cook would want to pull an LDS general authority into his company orbit is not unusual, considering Cook's beliefs. His investment and religious philosophy are intertwined. His best-selling "Business Buy The Bible" is a treatise on how the Old and New Testaments support seeking wealth. "Wade Cook says you can double your money every 2 1/2 to 4 months, the Bible talks in terms of 100-fold returns." He wrote.

Cook said he learned about God's formula rewarding goodness from a fellow LDS ward member after moving back to Tacoma. There was apparently a sermon about the need to collect more fast offerings, a monthly donation Mormon family usually contribute to the poor, equaling the value of the two meals skipped in the fast. "This brother said that if we would double our offering we would experience a 5X return on our income." Cook tried it. "Shortly thereafter my income was over five times as much." Depending on the person's income and how much he pays in fast offerings the return on the investment would be well over 1,000-fold.

Just before Christmas Cook distributed an audio tape wherein he interviews Paul Dunn and several other authors who write for Aspen books. In the tape they seemed to deride the pursuit of wealth. In a question Cook wonders about all the "the people out there trying to find happiness" in places other than in the spirit. Dunn responds that "part of the problem of society, looking for happiness in wealth, positions, titles, fame, whatever it is."

Indeed, their topics of discussion at the Seattle seminars included: "How we can apply God's principles to saving, spending and investing" and "the fine line between taking a risk and taking a gamble."

Indeed the two men were undergoing some risk themselves by collaborating in such a high-profile fashion. Cook had to weigh the facts that the man he was putting on his board had also served as a director of one of the most publicized swindles in Utah history: Afco Development, Inc., that many of Dunn's mesmerizing war and baseball stories had been exposed as phony, and that a company Dunn was involved in before his death, Mortgage Capital, Inc., was involved in transactions which continue to be investigated by the FBI (See Salt Lake City Weekly Feb. 27, 1997). The day Paul Dunn died a subpoena had been filed with the court subjecting him to a sworn, videotaped deposition in connection with a civil suit related to the suspected fraud. Did Cook need a director bringing in that kind of baggage?

Conversely, when Dunn agreed to join Cook's board, the company he was joining was under state and federal investigation. Cook had been cited, administratively for securities fraud. And he escaped a criminal trial for racketeering and fraud based on a double-jeopardy defense. Could Dunn's public image really stand the chance being affiliated with another suspect operation?

Quixotically, the week before he died—and the week it was announced he would join the Wade Cook Financial board—Dunn told a friend he was not delving into any more business to "protect the sanctity of being a general authority and not making a profit off the church." The friend said Dunn did not want to lend his name to anything. "He felt he had been made a fool too many times in business," the friend said. However, the friend had not heard of Dunn's nomination to the Cook board and thought he was referring to the more distant past.

As Dunn was joining the board, Cook Financial was being pummeled in what Cook calls the “mainstream press,” in stories which could not have escaped Dunn’s attention.

Business Week magazine disclosed the fact Cook’s company was under investigation. It said one seminar attendee felt like a “Class A sucker” for spending so much on the class. Another was quoted as having lost \$20,000 since enrolling. “They do put disclaimers out, but he still makes you believe you can do it,” he said. The Nov. 17 piece ended with a quote from a Colorado securities commissioner: “In my 17 years experience, any claim promising or projecting 300% returns has been proven not only to be false but fraudulent.”

Forbes magazine ran a column in December similarly blasting Cook’s method. The piece was written by Mormon college professor in Florida, Mark Skousen, after Skousen happened to attend the Jazz game Cook sponsored. “I thought Wade Cook would disappear like the rest of the get-rich-off-real-estate gang, but I was wrong,” Skousen wrote. Skousen calls seminar attendees “fish” and that Cook “goes right on leading naïve investors to potential doom.” Ironically Cook had strongly recommended Forbes as essential reading for savvy investors.

Skousen told Salt Lake Weekly that an LDS general authority had told him about Dunn joining forces with Cook. “I thought I would give Elder Dunn a call and tell him he was getting in hot water here, but if he could not tell just on his own then I figured it was a waste of time.”

The Motely Fool, an investor information service, lampooned Cook, too. David Forrest, in an October 6, piece, wrote:

I have no doubt Mr. Wade Cook is a marketing genius. He’s been able to generate millions and millions of dollars in revenue doing these seminars and selling the books. My biggest problem isn’t that he’s a smart marketer, but that what he teaches is so patently ridiculous and dangerous. Like the Pied Piper, Cook is seducing his followers with promises of untold wealth and cash flow beyond their dreams.

Another business writer said asking an expert whether to attend a Wade Cook seminar is rather like asking, “There’s this boat called the Titanic and I’m thinking of a sleeper cabin. What do you think?”

Cook, like Hillary Clinton, believes in conspiracies. There is a conspiracy to keep average investors, the masses, from knowing insider tricks of the trade. “They don’t get it,” Cook said of the “mainstream” press. “They march to a different beat. The growth of our company, the increase in stock price, our success is off the charts. They don’t attack our numbers so they attack me.”

Cook believes the main conspirators against him are the managers of mutual fund accounts, managers who are paid by investors to do the thinking and trading for them. “They spend hundreds of millions advertising to attract money,” Wade wrote. “Along come Wade Cook, a former cab driver who says, ‘Hey Americans, you are smart enough. You can figure this out.’” He said some of the magazines which ran “pathetic, ill-reasoned and fabricated attacks accept millions from these advertisers.” Cook says he wears media criticism “as a badge of honor.” Further, while Cook might be the laughing stock of mainstream financial writers, many

Cook is laughing all the way to the bank with millions according to Cook testimonials.

Cook's Utah Merger under Scrutiny

Last month a Philadelphia federal judge sentenced Utahn David Rex Yeaman to a 14-month term for securities fraud. Yeaman's conviction spells more bad publicity for Cook: it was Yeaman, 50, who actually founded the company eventually known as Wade Cook Financial Corporation.

After Bloomberg News reporter David Evans wrote a story tying Cook and Yeaman, Cook's company fired off press release: "Mr. Evans insinuates David Yeaman was actively involved with Wade Cook Financial Corp. Mr. Evans knows Wade Cook merely purchased a corporate shell from Yeaman in 1995. He also knows Yeaman never sat on our board, served as an executive, or had anything to do with Wade Cook Financial or Profit Financial (the company's former name)." "Trying to link our company to a convicted felon is purely media sensationalism," Cook said in the press release.

Records show that David Yeaman formed and incorporated Profiteer as a Utah corporation in 1979. In 1991, with Yeaman still president, the name was changed to Profit Financial Corporation, the name it bore when Wade Cook acquired it. Cook kept the name until December when it was changed to Wade Cook Financial Corporation.

Nevertheless, investigators want to know if any hanky panky was involved in the so-called reverse merger with Yeaman's company. First, they are suspicious about the fact Yeaman and his family kept a block of Wade Cook Financial stock and then, in late 1997, Yeaman sold 2.7 million shares to Cook. The deal was at prices well below market value.

Second, the Washington State officials are wondering about the method Cook used to go public. Usually companies go public via an IPO—Initial Public Offering--of stocks. An IPO is subjected to the scrutiny of securities regulators. Another way is to merge with a company that is already public. For years, though, dormant, asset-empty "shell" companies that are exempt from registration in Utah have been used as a back-door, scrutiny-less way to go public. Yeaman, who had developed what The Wall Street Journal called a "novel" way to produce such shell companies, provided the one Cook bought.

Yeaman offered little comment to City Weekly. But he did say neither he nor his family own any more Cook stock. Meanwhile, spokesman for Washington Securities division told this paper Cook's company first agreed to cooperate with the probe but, now, "they're stonewalling. "If there's nothing to hide what's wrong with giving us some documents so we can make our own evaluation."

End of Story