

Barred financial planner, pastor busted for selling bogus bonds to elderly

Gregory Smith and Kirbyjon Caldwell face criminal and civil charges

By Jeff Benjamin | March 30, 2018 - 12:55 pm EST

A Shreveport, La., financial planner and a Houston pastor are facing both criminal and civil charges for allegedly running a scheme that bilked \$3.4 million from at least 29 mostly elderly investors by selling them interests in "pre-Revolutionary Chinese bonds," which have not had any investment value for nearly 70 years.

A [federal grand jury indictment](#) announced Thursday along with a [complaint by the Securities and Exchange Commission](#) identify Gregory Alan Smith, the operator and manager of [Smith Financial Group](#), and Kirbyjon Caldwell, pastor at [Windsor Village United Methodist Church](#), as defendants in the scheme that took place in 2013 and 2014.

The complaint alleges that the defendants "targeted vulnerable and elderly investors with false assurances that the bonds — collectable memorabilia with no meaningful investment value — were worth millions of dollars."

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The SEC identifies Mr. Caldwell as a "self-proclaimed financial planner who the Financial Industry Regulatory Authority has barred from the broker-dealer business since 2010."

According to the complaint, some of the investors liquidated their annuities to invest in the scheme. Meanwhile, the defendants allegedly took approximately \$1.8 million of investor funds to pay personal expenses.

"Our laws do not tolerate materially misleading statements to exploit vulnerable investors who, in this case, looked up to a prominent pastor," Eric Bustillo, director of the SEC's Miami Regional Office, said in a statement.

"Caldwell took advantage of his victims, encouraging them to remain faithful even as he and Smith broke that faith, stealing from elderly investors in an outright fraud," Mr. Bustillo added.

According to the indictment from the Western District of Louisiana's U.S. Attorneys Office, the bonds that were sold to unwitting investors were issued by the former Republic of China prior to losing power to the communist government in 1949.

They are not recognized by China's current government and have no investment value, the indictment states.

Mr. Smith, 55, and Mr. Caldwell, 64, neither of whom responded to request for comment for this story, allegedly promised "high rates of returns, sometimes three to 15 times the value of the investments."

In the criminal case, the defendants are charged with one count of conspiracy to commit wire fraud, six counts of wire fraud, one count of conspiracy to commit money laundering and three counts of money laundering. The wire fraud charges could carry a 20-year prison sentence, and the money laundering charges could carry a 10-year prison sentence.

The defendants also face a \$1 million fine, restitution, forfeiture and five years of supervised release.

David Chase, a former SEC enforcement counsel in the Miami regional office, described the scheme as a "classic investment fraud, by making overinflated claims about returns."

"This is over the top, because these individuals apparently used their positions of authority" to influence investors, Mr. Chase said. "This is another example of how mom-and-pop investors will turn a blind eye on blind faith and become trusting of individuals and what they are peddling."

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