

**UNITED STATES DISTRICT COURT
DISTRICT OF WESTERN LOUISIANA
SHREVEPORT DIVISION**

SECURITIES AND EXCHANGE COMMISSION,

CASE NO.

Plaintiff,

VERSUS

JUDGE

SHAE YATTA HARPER,

MAGISTRATE JUDGE

Defendant.

COMPLAINT FOR INJUNCTIVE AND OTHER RELIEF

Plaintiff Securities and Exchange Commission (the “Commission”) alleges as follows:

INTRODUCTION

1. The Commission brings this action to enjoin Shae Yatta Harper (“Harper”) from further violations of the registration provisions of the federal securities laws and from aiding and abetting violations of the antifraud provisions of the federal securities laws.

2. Between approximately April 2013 and August 2014, Kirbyjon Caldwell and Gregory Alan Smith raised at least \$3,488,500 through a scheme to defraud approximately 29 investors through the fraudulent offer and sale of participation rights in certain historical Chinese bonds (“the bonds”). Among other material misstatements and omissions, Caldwell and Smith represented to these investors that the bonds were safe, risk-free, worth tens, if not hundreds, of millions of dollars, and could be sold to third parties. In reality, the bonds were mere collectible memorabilia with no investment value. At Caldwell’s direction, Harper drafted participation agreements in the bonds that were sent to investors. Harper also controlled the bank account to which most investors sent their funds to invest in this investment opportunity, and distributed investor funds to Caldwell and Smith at their direction.

3. Through her conduct as alleged in this Complaint, Harper violated Sections 5(a) and 5(c) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. §§ 77e(a) and 77e(c), and aided and abetted violations of Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a), and Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5. Unless the Court enjoins Harper, she is reasonably likely to continue to violate these provisions of the federal securities laws.

DEFENDANT

4. Harper, age 44, is a resident of Monmouth Junction, New Jersey. Harper is an attorney licensed to practice in California, New Jersey, and the District of Columbia. Harper is currently employed as a transactional attorney within the power and gas industry.

OTHER RELEVANT PARTIES

5. Caldwell, age 64, is a resident of Houston, Texas. During the relevant period, Caldwell was the Senior Pastor at Windsor Village United Methodist Church (the “church”), one of the largest Protestant churches in the U.S. He and his wife are the co-owners of LDT, LLC, (“LDT”), a Wyoming limited liability company formed by Harper in April 2013.

6. Smith, age 55, is a resident of Shreveport, Louisiana. Between December 1999 through July 2010, Smith was associated with New England Securities Corp, a registered broker-dealer. In July 2010, Smith was permanently barred from association with any FINRA member in any capacity, in part for commingling investor funds in his business account and for misappropriating investor funds.

JURISDICTION AND VENUE

7. The Court has jurisdiction over this action pursuant to Sections 20(b), 20(d)(1), and 22(a) of the Securities Act, 15 U.S.C. §§ 77t(b), 77t(d)(1), and 77v(a); and Sections 21(d) and 27 of the Exchange Act, 15 U.S.C. §§ 78u(d) and 78aa.

8. The Court has personal jurisdiction over the Defendant, and venue is proper in the Western District of Louisiana, because many of the Defendant's acts and transactions constituting violations of the federal securities laws occurred in the district.

9. In connection with the conduct alleged in the Complaint, the Defendant, by drafting the participation agreements in the bonds that were sent to investors and by distributing the funds as directed by Caldwell and Smith, directly or indirectly, singly or in concert with others, made use of the means or instrumentalities of interstate commerce, the means or instruments of transportation or communication in interstate commerce, or the mails.

FACTUAL ALLEGATIONS

A. Background and Mechanics of the Offering

10. From at least April 2013 until August 2014, Caldwell and Smith offered and sold to at least 29 investors participation rights in various historical or Pre-revolutionary Chinese bonds which Caldwell claimed to own, control, or possess. In some cases, Caldwell and Smith told investors that their funds would be used to purchase the bonds. Smith, who worked as a financial planner, was responsible for finding investors for this offering. He raised the money for this offering by promising investors exorbitant returns on their investment. Smith also represented to many investors that he was an "investment adviser" with many years of prior experience assisting others with their investments. He gave these investors investment advice concerning whether to invest in this scheme.

11. Smith was instrumental in securing investors for this scheme because he had longstanding ties to prospective investors and operated under the guise of an investment adviser with many years of experience advising clients on similar deals. In one case, Smith promised an investor that she would receive 15 times her original investment within 30 days and any funds she invested would be returned within 5 days of any demand for the funds. Once an investor agreed to invest, the investor was instructed to wire transfer payment to one of two bank accounts: a bank account solely controlled by Harper and titled in the name of her deceased mother (the “Estate of Alta Harvey Account”) or an account held by LDT. Immediately after the investors sent the money, the investment funds were transferred to the personal accounts of Caldwell, Smith, or a Mexican business associate.

B. The Material Misrepresentations and Omissions about the Bonds

1. Background on Pre-Revolutionary Chinese Bonds

12. Prior to the 1949 communist takeover in China, the former republic issued billions of dollars’ worth of government bonds. These bonds have been in default since 1939 and the current Chinese government refuses to recognize the debt. In 1970, the Foreign Claims Settlement Commission (FCSC) considered a claim to recuperate this debt under the International Claims Settlement Act of 1949. On March 18, 1970, the FCSC concluded in Decision No. CN-147 that because the bonds had been in default since 1939 (ten years prior to Chinese Communist assumption of power), the claims did not come under the purview of the Act. In May 2012, the U.S. Treasury issued a fact sheet confirming that it does not hold any pre-1949 Chinese bonds in its foreign exchanges.

2. Misrepresentations and Omissions

13. Smith was successful in raising money for this offering by promoting the deal as something that he was offering to only a few select individuals. Smith falsely told some of the investors that the money raised would be used to acquire more Chinese bonds. He repeatedly told investors that the bonds were “risk free,” “guaranteed,” and “safe” and that there were buyers lined up to purchase the bonds. Smith also told investors that the bonds would either be sold to a third party or redeemed by the Chinese government. Caldwell also made similar material misrepresentations to several investors, including that the return on investment was guaranteed. In fact, he even told one investor who invested approximately \$800,000 that the bonds were backed by gold or silver. Both Smith and Caldwell falsely told investors that the bonds were valuable and worth tens, if not hundreds, of millions of dollars. Harper never directly communicated with any investors and therefore did not make any misstatements or omissions to them.

14. Although many investors did not understand the investment, they ultimately trusted Smith and had faith in the fact that a high-profile pastor was offering the investment. Among other things, Smith falsely represented to investors that he too had invested in the bonds and that investors were guaranteed a return on investment which would be repaid in less than one year. In one case he promised a return on investment in as little as 30 days. However, Smith failed to tell these investors that these bonds had already matured and had been in default for decades, or that they were not redeemable at all. Smith also failed to disclose that he was receiving compensation for recommending the investment to prospective investors.

3. The Participation Agreements

15. Once Smith found investors for the offering, Caldwell directed Harper to draft a participation agreement containing the terms of the investment. The participation agreements

usually included the investment amount, a vague description of the bond, an exorbitant return on investment, a profit-sharing provision, depository bank information, and a “failure to close” option pursuant to which the investor could request his or her money back in the event Caldwell was unable to sell the bonds. Most of the participation agreements given to investors generally described the bonds as “historical Chinese Bonds.” Harper earned \$5,100 in legal fees for drafting the participation agreements.

16. Under the terms of the participation agreements, the investors’ expectation of a return on their investment was based solely upon Caldwell’s ability to sell the bonds to a third party purchaser. In fact, many of the participation agreements expressly stated that Caldwell was in control and possession of the bonds and that he planned to sell the bonds to third party purchasers. This offering was not registered with the Commission. Furthermore, most of the investors who invested in this scheme were not accredited. In fact, many were unsophisticated retirees who liquidated their annuities to invest in this scheme pursuant to Smith’s advice.

C. Harper’s Involvement in the Fraudulent Offering

17. Caldwell was Harper’s pastor and a close family friend. Between approximately April 2013 and August 2014, Harper drafted the participation agreements provided to investors for which she was paid attorney’s fees totaling approximately \$5,100. Harper also controlled a bank account which received and distributed investor funds to Caldwell and Smith. By controlling this account, and distributing investor funds to Caldwell and Smith, Harper substantially assisted their fraudulent scheme. In doing so, Harper did not sufficiently investigate red flags indicating that the transactions might be fraudulent. For example, during a trip to Europe with Caldwell, an individual discussed the bonds with Harper and questioned whether the potential buyers were real and the bonds valuable. Several of Harper’s attorney

friends also expressed doubt as to the value of the bonds. Harper also read an article that questioned the value of the bonds.

18. Harper invested \$5,000 of her own money in this investment scheme in or around March 2013. Despite the presence of the red flags described above, Harper did not ask Caldwell for the return of her investment.

CLAIMS FOR RELIEF

COUNT I

Violations of Sections 5(a) and (c) of the Securities Act

19. The Commission repeats and realleges Paragraphs 1 through 18 of its Complaint.

20. No registration statement was filed or in effect with the Commission pursuant to the Securities Act with respect to the securities and transactions described in this Complaint and no exemption from registration existed with respect to these securities and transactions.

21. Between approximately April 2013 and August 2014, Harper, a substantial and necessary participant in the unregistered sale of the securities, directly and indirectly:

- (a) Made use of means or instruments of transportation or communication in interstate commerce or of the mails to sell securities as described herein, through the use or medium of a prospectus or otherwise;
- (b) Carried securities or caused such securities, as described herein, to be carried through the mails or in interstate commerce, by any means or instruments of transportation, for the purpose of sale or delivery after sale; or
- (c) Made use of means or instruments of transportation or communication in interstate commerce or of the mails to offer to sell or offer to buy through the use or medium of a prospectus or otherwise, as described herein, without a registration statement having been filed or being in effect with the Commission as to such securities.

22. By reason of the foregoing, Harper violated and, unless enjoined, is reasonably likely to continue to violate, Sections 5(a) and 5(c) of the Securities Act, 15 U.S.C § 77e(a) and 77e(c).

COUNT II

Aiding and Abetting Violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder

23. The Commission repeats and realleges Paragraphs 1 through 18 of its Complaint.

24. Between approximately April 2013 and August 2014, Harper, directly or indirectly, knowingly or recklessly provided substantial assistance to persons who, directly or indirectly, singly or in concert with others, in connection with the purchase or sale of a security, with scienter, used the means or instrumentalities of interstate commerce, or of the mails, or of the facilities of a national securities exchange: (1) to employ devices, schemes, or artifices to defraud; (2) to make untrue statements of material facts or omit to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (3) to engage in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon any person in connection with the purchase or sale of any security.

25. By reason of the foregoing, Harper aided and abetted and, unless enjoined, is reasonably likely to continue to aid and abet, violations of Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 thereunder, 17 C.F.R. § 240.10b-5.

COUNT III

Aiding and Abetting Violations of Sections 17(a) of the Securities Act

26. The Commission repeats and realleges Paragraphs 1 through 18 of this Complaint.

27. Between approximately April 2013 and August 2014, Harper, directly or indirectly, knowingly or recklessly provided substantial assistance to persons who, directly or indirectly, singly or in concert with others, in the offer or sale of a security, used the means or instrumentalities of interstate commerce, or of the mails, or of a facility of a national securities exchange: (1) to knowingly or recklessly employ devices, schemes, or artifices to defraud; (2) to negligently obtain money or property by means of untrue statements of material fact or omissions to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or (3) to negligently engage in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon purchasers of the securities.

28. By reason of the foregoing, Harper aided and abetted and, unless enjoined, is reasonably likely to continue to aid and abet, violations of Section 17(a) of the Securities Act, 15 U.S.C. § 77q(a).

RELIEF REQUESTED

WHEREFORE, the Commission respectfully requests that the Court:

I.

Permanent Injunctive Relief

Issue a permanent injunction restraining and enjoining Harper, and her officers, agents, servants, employees, attorneys, representatives, and all persons in active concert or participation with them, and each of them, from violating the federal securities laws alleged in this complaint.

II.

Civil Penalties

Issue an Order directing Harper to pay a civil money penalty pursuant to Section 20(d) of the Securities Act, 15 U.S.C. § 77t(d), and Section 21(d) of the Exchange Act, 15 U.S.C. § 78u(d).

III.

Further Relief

Grant such other further relief as may be necessary and appropriate.

IV.

Retention of Jurisdiction

Further, the Commission respectfully requests that the Court retain jurisdiction over this action in order to implement and carry out the terms of all orders and decrees that may be entered, or to entertain any suitable application or motion by the Commission for additional relief within the jurisdiction of this Court.

March __, 2018

Respectfully submitted,



WILFREDO FERNANDEZ, FL BAR #142859

TRIAL ATTORNEY

ANDRE ZAMORANO, FL BAR #967361

JACQUELINE M. O'REILLY, FL BAR #29326

SECURITIES AND EXCHANGE

COMMISSION

801 Brickell Avenue, Suite 1800

Miami, Florida 33131

Telephone: (305) 982-6300

Facsimile: (305) 536-4146

fernandezw@sec.gov

zamoranoa@sec.gov

oreillyj@sec.gov

Attorneys for Plaintiff

ALEXANDER C. VAN HOOK

UNITED STATES ATTORNEY

WESTERN DISTRICT OF LOUISIANA

/s/ Katherine W. Vincent
KATHERINE W. VINCENT #18717
Assistant United States Attorney
800 Lafayette Street, Suite 2200
Lafayette, Louisiana 70501-6832
Telephone: (337) 262-6618
Facsimile: (337) 262-6693
Katherine.Vincent@usdoj.gov
Local Counsel