



## U.S. Department of Justice

*United States Attorney  
Eastern District of Arkansas*

**FOR IMMEDIATE RELEASE**

**June 29, 2007**

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### **Pine Bluff Man Sentenced in Ponzi Scheme**

On June 29, 2007, Gary Marcus Smith of Pine Bluff, Arkansas, was sentenced by United States District Judge Susan Webber Wright to 9 years in prison. Smith pled guilty on May 4, 2006 to an Information charging him with securities fraud and dealing as a broker without a license. In addition to his prison sentence, Smith was ordered to pay \$15,886,915.49 in restitution.

Smith's sentence stems from his operation of one the largest "Ponzi" schemes ever discovered and prosecuted in the state of Arkansas. A "Ponzi" scheme is one in which recent investors' funds (instead of actual profits) are used to pay returns promised to earlier investors.

The Arkansas Securities Department (ASD) initiated an investigation of Smith after receiving information that Smith, doing business as TAL Capital Management and TAL Group in Pine Bluff, was falsely claiming that his investments were generating annual returns of 20% to 80%. The Federal Bureau

of Investigation soon joined in the ASD investigation.

Smith persuaded his victims to invest with him by purporting to manage the money in the stock market. Some of the investors were told by Smith that they could never lose their principal investment. Over a period of five years, Smith received approximately \$20 million in deposits from various investors, a majority of whom were Arkansas residents. The investors received monthly statements that contained fabricated profits in their account balances. Instead of returns of 20% to 80% annually, Smith's actual broker dealer account had over \$3 million in trading losses. During the last few months of the scheme, Smith's trading losses were approximately \$500,000 per month. A majority of the investors' funds were used by Smith for his personal benefit.

Although most "Ponzi"-type fraud schemes are not discovered until after the money is gone, the prompt action by the ASD and the FBI resulted in the seizure of Smith's bank and brokerage accounts prior to their depletion. On December 17, 2005, agents seized approximately \$6.6 million in cash from these accounts. Under the terms of his plea agreement, Smith agreed to forfeit additional real estate, vehicles and other assets.

"Luckily, the victims in this case have not suffered the total loss of their investments. As a result of prompt law enforcement action, the victims should be able to recover approximately 44% of their net investment with Smith," Acting United States Attorney Jane W. Duke said.

William C. Temple, Special Agent in Charge of the FBI Little Rock Field Office, stated, "This type of joint investigation with the ASD clearly demonstrates

the positive outcome that can be achieved when state agencies and federal agencies partner together to fight a significant criminal problem in Arkansas - white collar crime. While these types of offenses do not garner the public's attention like others tend to do, it is no less significant when victims lose their life savings, retirement investments, or other assets to con men. This case, as well as the Michael Zedlitz prosecution in the Western District of Arkansas, only highlights the efforts the FBI and the ASD are making to protect Arkansans from being victims in schemes to defraud."