

UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933  
Release No. 7769/November 5, 1999

ADMINISTRATIVE PROCEEDING  
FILE NO. 3-9892

---

In the Matter of	:	
	:	
GARY J. PIERCE and C.S.I. AG.	:	ORDER MAKING FINDINGS AND
	:	IMPOSING CEASE-AND-DESIST
	:	ORDER BY DEFAULT
	:	

---

**I.**

The Division of Enforcement (“Division”) has filed a Motion for Default in this matter. In support of its Motion, the Division states that the Order Instituting Public Proceedings and Notice of Hearing Pursuant to Section 8A of the Securities Act of 1933 (“OIP”) was issued on May 11, 1999. The Division states that on August 18, 1999, Respondent C.S.I. Ag. (“CSI”) was served with the OIP through its registered agent in the Turks & Caicos Islands.

More than twenty days have elapsed since the OIP was served on CSI, and CSI has failed to file an answer or any other responsive pleading in this matter. Likewise, CSI has failed to respond to the Division’s Motion for Default within the time allowed. Pursuant to Rules 155 and 220 of the Commission’s Rules of Practice, 17 C.F.R. §§ 201.155, .220, CSI is hereby deemed to be in default, because it has not answered the OIP or responded to the Motion for Default within the time provided.

**II.**

Accordingly, I hereby find the following allegations, as set forth in the OIP to be true:

- A. Gary J. Pierce, age 48, resides in Studio City, California.<sup>1</sup>

---

<sup>1</sup>On July 7, 1999, the Commission entered an Order Making Findings and Imposing Cease-and-Desist Order against Pierce, which contained findings identical to the findings herein. All findings with regard to Pierce are based on the Commission’s July 7 Order.

B. CSI is a Turks & Caicos corporation in the British West Indies. At all times relevant to this matter, Pierce was the owner, sole shareholder, president and chief executive officer of CSI.

C. At all times relevant to this matter, Government of Free Vietnam (“GFV”) was an unincorporated political association operating out of Garden Grove, California, the purported objective of which is to promote freedom and democracy in Vietnam.

D. From at least July 1997 to February 1999, Pierce and CSI solicited investors to participate in a \$500 million unregistered bond offering on behalf of GFV. Pierce and CSI solicited investments in the bond offering by preparing and providing to GFV promotional materials and other documents which were posted on GFV’s Internet website and published in GFV’s newspaper, which was distributed throughout the United States and overseas.

E. Pierce’s and CSI’s offering materials invited potential investors to participate in CSI’s “Gold Reserves Bond Offering.” The materials promised investors who made an initial \$10,000 minimum investment a 5.5% annual return, plus double their original investment at the end of five years, resulting in an overall average annual return of at least 19.6%. Pierce prepared other documents which indicated that GFV, CSI and/or Pierce intended to generate that return through an unspecified “yield rich trading program” run by a Pierce-related entity.

F. Pierce and/or CSI were to be compensated in an amount equal to 6% of each investment in the bond offering.

G. In their offering materials, Pierce and CSI made and delivered materially false or misleading statements or omitted to state material facts necessary to make the statements made, in the light of the circumstances under which they were made, not misleading, including, but not limited to, the following:

1. Pierce and CSI represented that the bond offering was collateralized by \$500 million of CSI’s gold reserves in Chile, the total value of which was in excess of \$20 billion, when, in fact, they had no reasonable basis for assigning any value to any such gold reserves, and to extract any existing gold would require millions of dollars and years of development, thereby significantly diminishing the value of CSI’s gold reserves as “collateral,” and materially undermining the safety of the investment; and

2. Pierce and CSI failed to disclose the use of the proceeds, including the amount of their compensation and the fact that only 30% of the investment would be used to generate the returns promised to investors, thereby requiring GFV, CSI and/or Pierce to generate an average annual rate of return on those funds in excess of 56% to pay investors their promised average annual return of 19.6%.

H. Pierce and CSI knew or were reckless in not knowing that their materials contained the above-described false or misleading statements or omissions.

I. The bonds offered for sale by Pierce and CSI are securities under Section 2(a)(1) of the Securities Act. No registration statement has ever been filed with the Commission for the offering. In addition, Pierce's and CSI's activities constitute an "offer to sell" as defined in Section 2(c)(3) of the Securities Act.

J. Pierce and CSI made use of the means or instruments of transportation or communication in interstate commerce or of the mails in connection with the above-described conduct to offer to sell securities, to employ a device, scheme or artifice to defraud and to engage in any transaction, practice, or course of business which operated or would operate as a fraud or deceit upon the purchaser.

K. By virtue of the above-described conduct, CSI violated Sections 5(c), 17(a)(1), and 17(a)(3) of the Securities Act.

### III.

In view of the foregoing, **IT IS HEREBY ORDERED**, pursuant to Section 8A of the Securities Act, that CSI cease and desist from committing or causing any violation and any future violation of Sections 5(c), 17(a)(1), and 17(a)(3) of the Securities Act.

This Order shall become effective on the first Monday after CSI receives service of this Order through its registered agent, in the Turks & Caicos Islands.

---

James T. Kelly  
Administrative Law Judge