

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 10704 / September 27, 2019

SECURITIES EXCHANGE ACT OF 1934
Release No. 87133 / September 27, 2019

ADMINISTRATIVE PROCEEDING
File No. 3-19540

In the Matter of

Gary F. Pryor and
The Pinnacle Companies, LLC

Respondents.

ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933 AND SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) and Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Gary F. Pryor (“Pryor”) and The Pinnacle Companies, LLC (“Pinnacle”) (collectively, “Respondents”).

II.

In anticipation of the institution of these proceedings, Respondents have submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondents consent to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933 and Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondents' Offer, the Commission finds¹ that:

Summary

1. These proceedings arise out of the fraudulent offer and sale of long-defaulted Chinese bonds. From 2015 to the present, Pryor has been a senior advisor to the American Bondholders Foundation, LLC ("ABF"), a Delaware limited liability company ("LLC") based in Tennessee that pursues collection of long-defaulted bonds issued by the Republic of China (the pre-Communist Chinese government) between 1912 and 1942. As a senior advisor to ABF, Pryor was charged with raising funds from outside investors. ABF uses the investor funds for, among other things, lobbying the U.S. government to purchase the bonds. Pryor used his position as an ABF senior advisor to defraud two investors (hereinafter "Investor A" and "Investor B") out of more than \$1.1 million in connection with the supposed sale of ABF bonds. Pryor and Pinnacle made multiple material false statements to Investor A and Investor B to entice them to purchase ABF bonds through his company, Pinnacle, including about the price ABF purportedly was selling bonds for, and how investor funds would be used.

Respondents

2. Gary F. Pryor, age 59, is a resident of Paradise Valley, Arizona. Pryor was the Chief Executive Officer, managing member, and sole employee of Pinnacle during the relevant period. From 2015 to the present, Pryor has been a senior advisor to ABF.

3. The Pinnacle Companies, LLC is an Arizona LLC with no business operations. Pryor was the majority owner of Pinnacle during the relevant period. Other than a promissory note (purportedly due from another of Pryor's entities) and ownership of another entity controlled by Pryor that has no assets, Pinnacle's only assets were 180 ABF bonds.

Other Relevant Entity

4. American Bondholders Foundation, LLC is a Delaware LLC with its principal office in Shelbyville, Tennessee. ABF pursues collection of defaulted bonds issued by the Republic of China between 1912 and 1942 through lobbying efforts in the U.S. and abroad.

¹ The findings herein are made pursuant to Respondents' Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Background

5. ABF is an organization that lobbies United States and foreign governments in pursuit of collection on long-defaulted Chinese government bonds owned by ABF, its founder, or investors that have purchased bonds from ABF or its founder, or have otherwise registered their bonds with ABF.

6. Although the bonds can be purchased for two hundred dollars or less on the internet, ABF and/or its founder have typically charged \$2,500 (and sometimes as high as \$10,000) per bond based on the premise that those bonds will be the only bonds that receive remuneration upon successful completion of a deal between ABF and the United States government whereby the United States government would purchase the bonds from the investors. To date, ABF has not reached any agreement with the United States government.

7. According to ABF, because the bonds are bearer bonds, ABF must retain physical possession of those bonds to ensure that they are included in the potential payout pool. As a result, investors never receive physical possession of the bonds they buy.

8. Pryor is a senior “advisor” for ABF and assists ABF with its fundraising efforts by locating potential investors. Also, Pryor is an investor who has used Pinnacle to purchase 180 ABF bonds over a period of years—all of which were purchased at the price of \$2,500 per bond.

Pryor Misappropriated \$200,000 from Investor A

9. In 2017, Investor A and his wife decided to invest \$200,000 in a project to purchase several restaurants. One of their partners in this venture was Pryor. Pryor proposed that Investor A invest in defaulted Chinese bonds to fund the purchase price of the restaurants.

10. Pryor told Investor A about ABF and its mission and stated that ABF was finalizing a transaction with the United States government that will result in a payout of \$1.1 million per bond.

11. Pryor represented that at this late stage in the purported deal with the United States government, ABF was willing to sell two bonds at \$50,000 apiece only because it needed a little extra capital to finalize the deal with the United States government. Pryor stated that he had access to this information due to his status as an ABF advisor.

12. In August 2017, Investor A agreed to purchase two bonds from ABF for \$100,000. Pryor modified the standard Bond Purchase and Sale Agreement that he had received from ABF so that it reflected the sale of two bonds from Pinnacle to a company partially controlled by Investor A.

13. Pryor also modified the standard Bond Purchase and Sale Agreement to state that Pinnacle was a “partner” of ABF, that it owned certain bonds registered with ABF (which the agreement identified by serial number), and that it would like to sell such bonds “to generate

funds to help promote the goals of ABF.” Pryor signed the Bond Purchase and Sale Agreement on behalf of Pinnacle.

14. Contrary to his representations to Investor A, Pryor did not purchase any bonds for – or transfer any bonds to – Investor A. In fact, the two bonds identified by serial numbers in the August 2017 Bond Purchase and Sale Agreement were bonds that Pryor had purchased from ABF in September 2015 at a price of \$2,500 apiece. When he purchased those bonds, Pryor executed the standard set of ABF investor agreements, which precluded him from selling or transferring those bonds. Pryor told ABF that the bonds should be registered to Pinnacle because he used that entity to make investments on behalf of his family. According to ABF’s records, those bonds have remained registered to and owned by Pinnacle since September 2015. ABF was not in fact selling bonds at \$50,000 apiece as a push to obtain additional capital to finalize a deal, and ABF was unaware of Pryor’s representations to Investor A or his attempt to sell bonds to Investor A and never authorized Pryor or Pinnacle to transfer any of the bonds they owned.

15. Instead of purchasing bonds for – or transferring any bonds to – Investor A, Pryor used the \$100,000 from Investor A to pay off a portion of his own pre-existing personal debt to ABF.

16. In mid-December 2017, Pryor offered to buy two more bonds from ABF for Investor A at the same price of \$50,000 per bond. According to Pryor, this would bring Investor A’s total investment to \$200,000 for four ABF bonds, and result in an expected payout of \$4.4 million. Pryor stated that the payout on four bonds would cover the \$4 million purchase price of the restaurants and Investor A would still have money left over.

17. Investor A agreed to purchase two additional bonds at that time. Pryor modified another standard Bond Purchase and Sale Agreement to reflect the details of this sale (the only difference being that the December 2017 agreement indicated that the serial numbers of the bonds were “TBD”).

18. Again, Pryor did not purchase any bonds for – or transfer any bonds to – Investor A. Pryor used the \$100,000 from Investor A to pay off a portion of his own pre-existing personal debt to ABF and for other personal uses.

Pryor Misappropriated \$912,000 from Investor B

19. Pryor told Investor B, a friend of Pryor’s, about ABF in or about 2016. Pryor told Investor B that the expected payout on an ABF bond was \$1.1 million.

20. In February 2017, Investor B purchased 16 ABF Bonds directly from ABF at a price of \$3,750 per bond. Subsequently, Investor B learned that others had paid less to purchase bonds from ABF, and he asked ABF if he could purchase additional bonds at that lower price. ABF refused his request and Investor B did not buy any more bonds directly from ABF.

21. Due to his position as an ABF senior advisor, Pryor was able to purchase ABF bonds at the lower price of \$2,500 per bond. Pryor offered to purchase ABF bonds for Investor B

at that lower price. Between June 2017 and September 2018, Investor B sent Pryor several payments totaling \$870,000 for the purchase of ABF bonds. Pryor told Investor B that the bonds would be held by Pinnacle in Investor B's name.

22. Separate from these purchases, Investor B loaned \$12,000 and \$30,000 to Pryor. Pryor agreed to repay the \$12,000 loan with six ABF bonds, and he agreed to repay the \$30,000 loan with twelve ABF bonds. Pryor later told Investor B that he repaid both loans by having ABF transfer 18 bonds from his name to Investor B's name.

23. Contrary to his representations to Investor B, Pryor did not purchase any bonds for – or transfer any bonds to – Investor B. Pryor used the money from Investor B to pay off a portion of his own pre-existing debts to ABF for his previous purchase of ABF bonds and for other personal uses. ABF was unaware of Pryor's solicitation of Investor B and did not authorize the transfer of bonds from Pinnacle to Investor B.

Violations

24. As a result of the conduct described above, Respondents violated Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in the offer or sale of securities and in connection with the purchase or sale of securities.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondents' Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 8A of the Securities Act and Section 21C of the Exchange Act, Respondents cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

B. Respondents shall, within 14 days of the entry of this Order, pay jointly and severally, disgorgement of \$1,112,000 and prejudgment interest of \$56,584 to the Securities and Exchange Commission. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600.

C. Respondents shall, within 14 days of the entry of this Order, pay jointly and severally, a civil money penalty in the amount of \$189,427 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

D. Payment must be made in one of the following ways:

- (1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondents may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Gary F. Pryor and The Pinnacle Companies, LLC as Respondents in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Jeffrey A. Shank, Division of Enforcement, Securities and Exchange Commission, 175 W. Jackson Blvd, Suite 1450, Chicago, IL 60604.

E. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondents by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. § 523, the findings in this Order are true and admitted by Pryor, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Pryor under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Pryor of the

federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. § 523(a)(19).

By the Commission.

Vanessa A. Countryman
Secretary