

IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION

311

U.S. DISTRICT COURT NORTHERN DISTRICT OF TEXAS <b>FILED</b> MAR 11 1999 NANCY DOHERTY, CLERK BY _____ Deputy
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SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

VS.

FUNDING RESOURCE GROUP, a/k/a FRG Trust;  
QUENTIN HIX; GENE COULTER; STEVEN C.  
ROBERTS; MVP NETWORK, INC., a Texas corporation,  
a/k/a MVP Network (Trust); FMCI TRUST; FUNDERS  
MARKETING COMPANY, INC., a Texas corporation;  
RAYMOND G. PARR; WILLARD VEARL SMITH;  
EARL D. MCKINNEY; FORTUNE INVESTMENTS,  
LTD., a Nevada corporation; ROBERT CORD, a/k/a  
Robert F. Schoonover, Jr.; WINTERHAWK WEST  
INDIES, INC.; IGW TRUST; CAROLYN  
DON HICKS; and CARL LaDANE WEAVER,

Defendants,

and  
HOWE FINANCIAL TRUST, an Indiana corporation;  
TREDS FINANCIAL TRUST; and  
MARY ANN BAUCE,

Defendants Solely for Purposes  
of Equitable Relief.

CIVIL ACTION NO.  
3:98-CV-2689-X

**DECLARATION OF MICHAEL J. QUILLING**

I, Michael J. Quilling, make this Declaration under penalty of perjury under the laws of the United States.

1. "My name is Michael J. Quilling. I am the Receiver appointed in the above-referenced case as to each of the Defendants and each of the Equity Relief Defendants.

2. "On January 21, 1999, in my capacity as Receiver for the Defendants and Equity Relief Defendants in these proceedings, I submitted a request to the Court to freeze the assets of and

appoint a receiver for Hammersmith Trust, L.L.C. ("Hammersmith"). On January 21, 1999, the Court entered its Order Freezing Assets and Appointing Temporary Receiver, a true and correct copy of which is attached hereto as Exhibit "1" ("Hammersmith Freeze Order"). Immediately subsequent to the Court's issuance of the Hammersmith Freeze Order I served the Hammersmith Freeze Order and the supporting Declaration upon Michael Johns, counsel for Hammersmith and Jerry Gunn, Canadian counsel for Hammersmith. Attached hereto as Exhibit "2" is a true and correct copy of my January 21, 1999 letter to Mr. Johns and Mr. Gunn whereby service of the Hammersmith Freeze Order was accomplished.

3. "On February 2-4 and February 23-25, 1999, Milo Segner, an accountant employed by me in these proceedings to assist me in my role as Receiver, and I reviewed voluminous records seized by the United States Department of Justice, Northern District of Florida, being held at the Offices of United States Customs Service. Based upon my review of the records, I determined that Hammersmith's business affairs were inextricably intertwined with those of a number of other entities and that those entities and the common individuals controlling them were, in my mind, operating a massive Ponzi scheme in both the United States and abroad.

4. "Attached hereto as Exhibit "3" is a partial list of Hammersmith investors, including Howe Financial Trust for whom I act as Receiver. As indicated in Exhibit "3", the total amount invested in Hammersmith is at least \$33.1 million. Based upon my conversations with several of the known Hammersmith investors, it is my belief that additional amounts invested by various of those investors are not reflected on the list and that other investors are not reflected in any manner on the list.

5. "In the course of my review of the records seized by the Department of Justice, I was able to learn the addresses and telephone numbers of some of the Hammersmith investors on

Exhibit "3". I then called a number of those investors and am in the process of calling other investors. In each instance, however, the story told by the investor was the same. Hammersmith was seriously delinquent in its payments to the investors, yet at the same time Hammersmith, by and through its agents and related entities and individuals was both before (Exhibit "4" hereto) and continuing even after (Exhibit "5" hereto) entry of the Hammersmith Freeze Order, to make representations to the investors that all financial affairs were in order and that payment would be immediately forthcoming.

6. "As set forth in Exhibit "5", even after this Court's entry of the Hammersmith Freeze Order and in clear violation of it, Hammersmith, by and through the entities and individuals who control it, were continuing to allegedly make "trades" and receive profits. Benjamin David Gilliland ("David Gilliland") is the so-called Fund Manager and actually controls and operates Hammersmith.

7. "As indicated in both Exhibits "4" and "5", Bridgeport Alliance, LLC ("Bridgeport") assists David Gilliland with the management of Hammersmith's affairs. Bridgeport's affairs are in turn managed by William H. West ("West"), Kenneth B. Cobb ("Cobb"), and Raymond J. Hanson ("Hanson"). Bridgeport charges and is paid significant fees by Hammersmith for its services and substantial amounts are also paid to West, Cobb and Hanson. Attached hereto as Exhibit "6" are documents which reflect the large bonuses and other amounts paid to Bridgeport, West, Cobb and Hanson for their alleged services to Hammersmith.

8. "Despite the representations being made by Hammersmith to its investors as reflected in Exhibits "4" and "5", the documents I reviewed indicated that the financial affairs of Hammersmith were in great turmoil (not to mention the existence of these proceedings) and that it did not have the ability to meet its obligations and had no real intention of doing so. In fact, several lawsuits have been filed by disgruntled investors and brokers against Hammersmith because of its

failure to pay commissions to brokers who got the investors in the program in the first instance and/or the failure to pay the promised returns to the investors. For example, I am aware of at least the following lawsuits:

- (1) Cause No. 98-CV-8340 (LMM), pending in the United States District Court, Southern District of New York, styled *United Holdings Corp. v. Bridgeport Alliance, LLC, Hammersmith Trust, LLC, William H. West, Kenneth Cobb, Benjamin Gilliland, Raymond Hanson*;
- (2) Cause No. 99-40-CIV-T-23E, pending in the United States District Court, Middle District of Florida, Tampa Division, styled *Sterling Management Services, Inc. v. David B. Gilliland a/k/a B. David Gilliland, an individual, Hammersmith Trust, LLC, a foreign (Tennessee) corporation, and Hammersmith Trust, LLC, a foreign (West Indies) corporation*;
- (3) Case No. C.97-4701, pending in the United States District Court, Northern District of California, styled *John Papagni, et al. v. Hammersmith Trust, LLC, David Gilliland, et al.*

9. “It is my belief that in an effort to distance themselves from the investors and in an effort to prevent regulation or other measures by the authorities, Hammersmith and each of the related entities and individuals involved with those entities began conspiring to devise a way to move all their affairs and any remaining assets offshore. Attached hereto collectively as Exhibit “7”, are documents which, in my estimation, reflect this intent.

10. “As part of its efforts to move its affairs offshore and out of the scrutiny of the authorities, Hammersmith and Microfund began changing the way they conducted business. Investors (called lenders because each investment was structured as a “loan” by each investor to either Hammersmith or Microfund) were instead required to use Continental Management Group, Inc. (“Continental Management”) (whose vice president is Melody Rose) to create an offshore corporation which would then loan the money to Hammersmith and/or Microfund. Investor funds were then routed either through or to American Pacific so that nothing came on shore. Existing investors were urged to redo their deals and move offshore. Attached hereto as Exhibit “8” are

documents which reflect the levels and status of offshore and onshore lenders/investors of Hammersmith. In connection with establishing the offshore lenders, Continental Management charges and is paid substantial fees by Hammersmith for its services.

11. "Based upon the records I reviewed I was able to determine that money received by Hammersmith from its investors was being used to fund the payment obligations of Microfund, LLC ("Microfund") to its investors. Bridgeport, West, Cobb and Hanson perform identical services for Microfund and are paid in a similar manner. Investor funds are received and are managed in part by Landfair Custodial Services, Inc. ("Landfair"), which is in turn owned and operated by its President, Melody Rose. She is paid a substantial salary by Landfair for her services. The Fund Manager for Microfund is David Gilliland. Microfund and Hammersmith share the same corporate offices and e-mail addresses. Landfair shares the same corporate offices with Hammersmith, Bridgeport, and Microfund.

12. "Based upon the records I reviewed I was able to determine that from time to time money raised from Hammersmith investors would be sent to Landfair and would then be used to pay the obligations of Microfund to its investors and others. In many instances, money would also be moved by Landfair to American Pacific Bank & Trust, Inc. ("American Pacific"), which is an entity which shares offices in Bluewater Bay, Florida, with Hammersmith, Microfund, Bridgeport, Landfair and others. The person ostensibly in charge of American Pacific (also known as AMPAC) is David M. Bishara ("Bishara"); however, I believe the ultimate controlling person is David Gilliland. Many of American Pacific's accounts are located in Nevis, West Indies. In addition, Hammersmith, Microfund, Landfair, Bridgeport and other commonly owned and controlled entities have accounts with American Pacific in Nevis. Huge amounts of Hammersmith investor funds are located in accounts at or controlled by American Pacific. Upon information and belief, American

Pacific and Bishara are paid substantial sums by Hammersmith for their "handling" of the money. Attached hereto as Exhibit "9" are documents which reflect an example of the movement of monies between the entities which occurred in September 1998 and attached hereto as Exhibit "10" are documents which reflect an example of the movement of monies between the entities which occurred in November 1998. Attached hereto as Exhibit "11" are documents which reflect the substantial balances on hand at American Pacific in which Hammersmith and Microfund investors have an interest.

13. "The records I reviewed reflected a substantial amount of Hammersmith investor money was put into alleged funds being operated by Microfund and managed by Landfair. Attached hereto as Exhibit "12" are documents which reflect the Hammersmith interests in such funds.

14. "The records I reviewed reflected that Landfair has historically maintained accounts at Prudential Securities in its name into which Microfund investors (including Hammersmith) have been placed. The records also reflect that substantial sums of money were, from time to time, moved from the Prudential account to accounts at American Pacific Bank and other accounts. Attached hereto as Exhibit "13" are documents which reflect examples of such transfers.

15. "The records I reviewed also reflect that monies were transferred between Hammersmith to Concorde International Holding Corp., an entity ultimately owned and controlled by David Gilliland. Some of the monies were sent to Concorde's accounts at American Pacific. Attached hereto as Exhibit "14" are documents which reflect the movement of monies between the two entities.

16. "The documents I reviewed reflect that from time to time monies were moved by Concorde to Economic Development Corporation ("Economic Development"), an entity which shares offices with Bridgeport, Hammersmith, Microfund, Landfair, and American Pacific and which

is owned by West, the Director of Operations of Bridgeport. Attached hereto as Exhibit "15" are documents which reflects an example of the movement of monies between Concorde and Economic Development. The records I reviewed also reflect that substantial sums were paid by Hammersmith and Microfund to Economic Development for alleged services.

17. "The documents which I reviewed also reflect that money belonging to Microfund (including funds belonging to Hammersmith) was transferred to Eurofund Investments, Inc. Some of these monies are believed to be held at JYSKE Bank in Denmark. Attached hereto as Exhibit "16" are documents which reflect at least a portion of these transfers and funds.

18. "Based upon the documents I reviewed I was able to determine that David Gilliland caused Seven Dials Aviation Corp. ("Seven Dials") to be established to own and operate a Cessna Citation jet. The funds necessary to operate the jet come from investor monies in both Hammersmith and Microfund. Gilliland constantly uses the jet to conduct business on behalf of Hammersmith and the other related entities. The jet is also used by David Gilliland, Rose, Bishara, Cobb and others to travel to Key West for parties and the like. Attached hereto as Exhibit "17" are documents which reflect the movement of monies from Continental Management to Seven Dials.

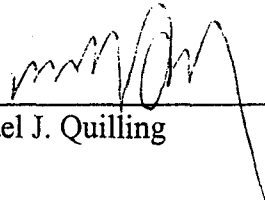
19. "The records I reviewed reflect that substantial sums of Hammersmith and Microfund investor monies were transferred to Primary Services, Inc., an entity ostensibly operated by William Dohan but which is actually believed to be controlled by David Gilliland. Attached hereto as Exhibit "18" are documents which reflect funds belonging to Hammersmith and Microfund being in the possession of Primary Services, Inc.

20. "Based upon the foregoing, it is my belief that unless American Pacific Bank & Trust, Inc., Microfund, LLC, Landfair Custodial Services, Inc., Bridgeport Alliance, LLC, Economic Development Corporation, Concorde International Holding Corp., Eurofund Investments, Inc.,

Continental Management Group, Inc., Primary Services, Inc., Seven Dials Aviation Corp., Benjamin David Gilliland, William H. West, David M. Bishara, Melody Rose, Kenneth B. Cobb, and Raymond J. Hanson are immediately restrained from transferring any funds or assets or otherwise moving or dissipating any of their assets that each of them will do so and my ability to recover monies rightfully belonging to Hammersmith and its investors, including Howe Financial Trust will be seriously compromised and/or eliminated entirely. Accordingly, I ask that the Court freeze all the assets of each of the foregoing entities and individuals and appoint me temporary receiver over those assets and that the Court set a hearing in ten (10) days to determine whether the freeze and receivership should be extended.”

Further Declarant saith naught.

Dated: March 15, 1999.



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Michael J. Quilling